Foyer

SOCIÉTÉ ANONYME

Annual Report 2007

Financial Information

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Corporate Governance

Introduction

In 2006, FOYER ASSURANCES took part in the Luxembourg Stock Exchange working group that developed the 'Ten corporate governance principles of the Luxembourg Stock Exchange'. These principles are intended for Luxembourg companies whose shares are listed on the stock market. Their aim is to contribute to creating long-term value:

'A good corporate governance system should favour a balance between a strategy based on company performance on the one hand and adherence to reliable risk and internal control systems on the other. The latter involves responsibility, integrity and transparency, while a high-performing strategy implies entrepreneurial leadership' [Extract from the preamble to the Ten Principles]

In a decision of 6 March 2007, the Board of Directors of FOYER S.A. endorsed the Luxembourg Stock Exchange's Ten corporate governance principles by adopting a set of rules which comprise the Foyer Group Charter of Governance (hereinafter 'the Charter'). After these rules were adopted, the articles of association of FOYER S.A. were amended during an Extraordinary General Meeting held on 3 April 2007. The Charter entered into force immediately after this Extraordinary General Meeting.

The Charter describes the main aspects of governance of the Foyer Group by outlining how FOYER S.A. is managed and controlled in detail. The Charter has several sections:

- a description of the Group structure and organisation;
- the composition of the share capital of FOYER S.A.;
- the role and operating procedure of the General Meetings of Shareholders;
- the composition, powers and operating procedure of the Board of Directors, as well as the special Committees which assist the Board of Directors as consultative organs;
- the description and operating procedure of the Executive Management which is responsible for day-to-day management,
- a summary of the external audit organs which supervise the activities of Group companies and which audit the annual accounts.

The Charter is supplemented by a coordinated version of the FOYER S.A. articles of association.

The Charter adopts all of the corporate governance principles issued by the Luxembourg Stock Exchange. However, as regards the independence criteria for Directors, in contrast to the criteria proposed by recommendation 3.5 (v, Annex D, paragraph h) of the Ten Principles), the FOYER S.A. Board of Directors considers that a long term of office is likely to be an advantage for a Director due to the in-depth understanding that this Director acquires during these years in the Foyer Group, without his critical spirit and/or independence necessarily being compromised.

When the Board of Directors adopts amendments to the Charter, it is updated automatically.

An updated version of the Charter can be consulted in full on the website **www.foyer.lu**.

Shareholdership

The structure of the FOYER S.A. shareholdership on 31.12.2007 is as follows:

Stake in the share capital	**31.12.2007**
Foyer Finance S.A.	78.62 %
Luxempart	4.67 %
The public and institutions	16.69 %
Foyer S.A.	0.02 %
Total	**100.00 %**

On 31 December 2007, FOYER S.A. held 0.017% of its own shares. The percentage of shares held on a cross-shareholding basis has been raised to 0.042% since the end of the 2007 financial year.

As far as the Company is aware, no individual shareholder with the exception of FOYER FINANCE S.A. held a stake of 5% or over in the share capital of FOYER S.A. on 31 December 2007.

The Board of Directors

Mission

The Board of Directors is the body responsible for managing FOYER S.A. It is competent to take all decisions and to accomplish all of the acts that are necessary or useful to realise the company's corporate object, with the exception of the powers that the law or articles of association reserve explicitly for the General Meeting of Shareholders. Its task is to ensure the long-term success of the Company and its activities, in the interest of the Shareholders and while taking account of the interests of the other stakeholders, such as the customers, employees and in general the community in which the Company operates. The Board of Directors mainly bears responsibility for the Company's strategic management and auditing the conduct of its business.

Composition

The Board of Directors is made up of at least three members and at most twelve members, of whom a majority are non-executive Directors. It has a sufficient number of independent Directors (at least one third of the members). A Director's independence is evaluated in accordance with the criteria defined in Annex 2 of the Charter. The Chairman of the Board and, where applicable, the Deputy Chairman or Chairmen are selected from among the non-executive members of the Board of Directors.

The outstanding events which occurred during the 2007 financial year concerning the composition of the Board of Directors are as follows:

- following a proposal from the Board of Directors, the ordinary General Meeting of Shareholders of 3 April 2007 appointed Mr Jacquot SCHWERTZER as a new Director, for a period of one year up to the ordinary General Meeting of 2008; Mr SCHWERTZER became the successor to the company LUXEMPART S.A.; the latter's mandate was not renewed due to a new provision in the Company articles of association and the Charter which stipulates that Directors must be physical persons;
- the same Meeting renewed the directorships of Messrs Romain BECKER, Marcel DELL, Dominique LAVAL, Henri MARX, François TESCH, Théo WORRÉ and Patrick ZURSTRASSEN, whose terms of office were expiring on the day of the General Meeting, for the period of one year up to the Annual General Meeting of 2008;
- following the decision by Mr Marcel DELL to make his directorship available from 1 November 2007, the Board of Directors decided by a circular vote on 19 October 2007, to co-opt Mr Lucien THIEL as a new independent, non-executive Director from 1 November 2007 to replace Mr DELL and whose term of office he is completing;
- during the same circular vote, Mr Lucien THIEL was appointed as the new Chairman of the Board of Directors to replace Mr François TESCH, who waived his right to hold this position as Chairman to allow the nomination of a non-executive Chairman, in accordance with the Charter of Governance;
- in contrast, Mr TESCH continues to hold the position of Managing Director (CEO), to which he was reappointed following a decision of the Board of Directors of 3 April 2007.

On 31 December 2007, the Board of Directors of FOYER S.A. comprised 8 members:

- 1 executive Director, the Managing Director (CEO);
- 7 non-executive Directors, including 3 independent Directors.

The composition of the Board of Directors of FOYER S.A. on 31 December 2007 is as follows:

Mr Lucien THIEL
Chairman of the Board of Directors
Independent non-executive Director
L. Thiel is a graduate of the Paris Higher School of Journalism and holds a degree from HEI (Higher International Studies), Paris. Mr Thiel was a professional journalist for over 20 years and was the editor of two well-known weekly publications in the Grand Duchy of Luxembourg successively. He was appointed to the management of ABBL (Association of Banks and Bankers, Luxembourg) in 1990. Mr Thiel held this position until 2004, the year when he was elected as a deputy in the Chamber of Deputies of the Grand Duchy of Luxembourg. Mr Thiel holds directorships in the unlisted companies Editions D'Letzeburger Land S.A. and Otto Finance S.A. In a decision of 19 October 2007, the Board of Directors of FOYER S.A. co-opted Mr Thiel as a new Director and simultaneously appointed him as Chairman of the Board of Directors with effect from 1 November 2007.

Mr François TESCH
Managing Director
Executive Director
CEO of the Foyer Group.
Born in 1951.
F. Tesch holds a degree in economics and an MBA from INSEAD.
After working as a financial analyst at W.R. Grace & Co in New York and as the financial controller of W.R. Grace & Co in Paris, Mr Tesch joined the Le Foyer insurance group in 1983 as the General Secretary. He held the position of General Manager from 1985. He became the chairman of the FOYER S.A. Board of Directors in 2000. In order to comply with the Charter of Governance, Mr Tesch handed over the Chairmanship of the Board of Directors to a non-executive Director from 1 November 2007.
Mr Tesch holds the position of Managing Director of Foyer Finance S.A. and is the CEO of the companies FOYER S.A. and Luxempart S.A. He is a member of the Board of Directors of the Luxembourg Stock Market and is also on the boards of directors of the following companies: SES, Luxempart S.A. and Atenor Group S.A.

Mr Romain BECKER
Independent non-executive Director
Born in 1954.
R. Becker has been on the Board of Directors of FOYER S.A. since 6 April 2000.
R. Becker graduated as an Electrotechnical engineer from EPF, Zurich, in 1977.
He joined the Ministry of the Economy and Energy in 1978, where he held senior positions as Government Adviser and Government Energy Commissioner until 1996. Mr Becker was recruited by Cegedel S.A. in 1996 and has been Chairman of the Management Committee since 1997. He holds the position of director in several unlisted companies, including Cegedel Net, Luxénergie, SOTEG, Luxgaz Distribution and SEO. He is also a member of the Board of Directors of FEDILR.

Mr Dominique LAVAL
Non-executive Director
Born in 1948.
D. Laval has been 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. (Lausanne E.C.L.), as well as Postgraduate degree in International Management and Commerce from Solvay Business School (U.L.B.). Mr Laval holds positions as a director in several unlisted companies, including Foyer Finance S.A., Foyer Asset Management S.A., Sogeva S.A., Alltec Solution Provider S.A., Alltec Participations S.A., Poudrerie de Luxembourg S.A., Teco N.V. and Foyer Patrimonium S.A. (from 1 January 2008).

Mr Henri MARX
Non-executive Director
Born in 1944.
Following his secondary education, H. Marx joined Le Foyer in 1967. He was part of the Foyer Group management from 1988 to 2006, and was the Deputy General Manager from 2000. Mr Marx retired in 2006, but continues to hold the position of Chairman of the Board of Directors of the companies Foyer Insurance S.A. and Foyer Vie S.A., as he has done for several years. He has been on the Board of Directors of FOYER S.A. since 2000.

Mr Jacquot SCHWERTZER
Independent Non-executive Director
Born in 1956.
J. Schwertzer holds a Masters in Economics, company management option, from University Louis Pasteur in Strasbourg.
Mr J. Schwertzer was appointed as a director of FOYER S.A. for the first time in 2000. He has been on the Audit and Compliance Committee of the Foyer Group since the same year. He is the Managing Director of a family group Socipar S.A. He has been a member of the Luxempart S.A. Management Committee since 2001. In this capacity, he holds directorships in the listed companies Cegedel S.A.
and Utopia S.A., as well as in the unlisted company Indufin Capital Partners SICAR S.A.

Mr Théo WORRÉ
Non-executive Director
Born in 1940.
T. Worré graduated as an architect from Institut Saint-Luc in Saint-Gilles-lez-Bruxelles in 1967. He founded an architectural firm in Luxembourg over thirty years ago and has built a significant reputation through his involvement in many important property projects. He joined the Board of Directors of Foyer Finance S.A. in 1999 and joined the Board of FOYER S.A. in 2000. He also holds directorships in the unlisted companies Sogeva Participations S.A., Alltec Solution Provider S.A. and Alltec Participations S.A

Mr Patrick ZURSTRASSEN
Independent non-executive Director
Born in 1945.
P. Zurstrassen has been on the Board of Directors of FOYER S.A. since 2002.
He holds several third-level qualifications: a degree in civil engineering from the University of Liege, MSc in physics from Leeds University, MBA from the University of California in Los Angeles and he also holds a degree in banking techniques from the Brussels Bank Training Centre.
Mr Zurstrassen held several senior responsibilities in the Crédit Agricole Group from 1974 to 2001, including the position of CEO and Chairman of the Management Committee of Crédit Agricole Indosuez Luxembourg S.A. (1987-2001). He has been a professor at the Economics Faculty at the Catholic University of Louvain since 1988. Mr Zurstrassen holds several positions as an independent director in investment funds.

The secretariat of the Board of Directors is held by Mr Marcel MAJERUS, the Group's Director of Legal Affairs.

Operating procedure

The Board of Directors meets after being convened by its Chairman.

The Board of Directors can only validly deliberate and decide if at least the majority of its members is present or represented; each Director can only represent one of his colleagues.

Decisions are taken by a majority of votes cast by the members who are present or represented, while abstentions or votes of abstention are not taken into consideration. In the case of a tied vote, the Chairman has a casting vote.

In practice, almost all decisions are taken by consensus.

The Board's resolutions can be adopted by circular if they are signed and approved by all the Directors

Activity report:

Subjects of deliberations
The main subjects of discussion and/or deliberation in the Board of Directors meetings in 2007 were the following:

- an examination of the annual accounts and the consolidated annual accounts for the 2006 financial year, as well as the 2007 half-yearly report and approval of the related press releases;
- publication of the aggregated 'Embedded Value' of Foyer Vie S.A. and Foyer International S.A. on 31.12.2006;
- preparation of the ordinary and extraordinary General Meetings of 3 April 2007;
- the development strategy of the Foyer Group and the 2008-2010 company plan;
- adoption of the Charter of Corporate Governance;
- a proposal to amend the articles of association, to make them compliant with the law of 25 August 2006 amending the law of 15 August 1915 on trading companies and with specific provisions in the Charter of Corporate Governance;
- the establishment of special Committees stipulated by Article 18 of the articles of association:
    - the Audit and Compliance Committee,
    - the Nomination and Remuneration Committee,
- and the appointment of the members making up these Committees;
- the appointment of a non-executive Chairman of the Board of Directors, in compliance with the Charter of Corporate Governance;
- an examination of the conclusions and recommendations formulated by the special Committees;
- the establishment of a procedure to prevent insider trading and market manipulations and the approval of a set of Internal Regulations for securities transactions;
- approval of the liquidity-provider contract concluded by FOYER S.A. with KBC Securities for negotiation of the FOYER S.A. share;
- developments in Bancassurance;
- preparation of the planned merger between the subsidiaries Foyer Patrimonium S.A. and Foyer Asset Management S.A.; this merger has been effective since 1 January 2008 after Foyer Patrimonium S.A. absorbed Foyer Asset Management;
- preparation of the restructuring of the

assistance company Europ Assistance (Luxembourg), which is a subsidiary of Foyer Assurances S.A.;
- reinforcement of Foyer Assurances S.A.'s stake in the Luxembourg Stock Exchange Company;
- takeover by Foyer of a Life insurance portfolio from a Life insurance company established in Luxembourg;
- monitoring of the work to draw up the draft Community directive on the solvency of insurance companies titled 'Solvency II'.

Periodicity of the meetings and participation
The Board met six times during the past financial year; moreover, decisions were taken once by unanimous agreement in writing instead of at a meeting in compliance with Article 16 of the articles of association.

The average attendance rate of Directors at Board meetings during the past financial year was 93.8 %.

Remuneration
The main principles of the remuneration policy for Directors are listed in Annex 5 of the Charter of Corporate Governance.

In compliance with these principles and in keeping with the decision taken by the General Meeting of Shareholders on 3 April 2007:

- the Managing Director (CEO) as an executive Director did not receive any remuneration for holding his directorship in 2007;
- the mandate of the non-executive Directors was remunerated in 2007:
  - by a gross fixed annual indemnity, where applicable pro rata temporis;
    the total amount of the gross fixed annual indemnities allocated to all of the non-executive Directors amounted to € 51,542.47;
  - by an attendance fee for each meeting attended by a non-executive Director;
    the gross total amount for attendance fees allocated to all of the non-executive Directors amounted to € 30,000.00;
  - the amounts stated above take account of the fact that one non-executive Director waived the remuneration to which he was entitled, a second Director only took up his position as a non-executive Director during the financial year and the non-executive Chairman only commenced his functions from 1 November 2007.

The Board of Directors committees

The Board of Directors can have itself assisted on a consultative basis in specific fields by special committees which it sets up and whose role, responsibilities, composition and operating procedure it determines. In accordance with Article 18 of the Articles of association, the Board of Directors must at least be assisted by the following committees:

- the Audit and Compliance Committee,
- the Nomination and Remuneration Committee.

The powers of these committees extend to all of the companies comprising the Foyer Group.

The Board of Directors of FOYER S.A. established an Audit Committee on 18 September 2000. When the Charter entered force and the articles of association were amended on 3 April 2007 to make the establishment of this Committee mandatory, the Board of Directors reorganised the composition of the existing Audit and Compliance Committee to take account of the Charter requirement stipulating that only non-executive Directors can sit on this Committee. The Committee with its new composition commenced its functions on 3 April 2007.

The Board also established a Nomination and Remuneration Committee with effect from 3 April 2007.

The audit and compliance committee

Mission

The Audit and Compliance Committee assists the Board of Directors of FOYER S.A. as well as the Boards of Directors of other companies in the Foyer Group in their responsibility to supervise the financial reporting process, the internal and external audit process, the process of verifying the activities' compliance with laws and regulations, and any internal regulation or code of conduct applying to companies in the Foyer Group.

Composition

(situation from 3 April 2007):

MM.Jacquot SCHWERTZER, Chairman of the Committee, independent non-executive Director
Dominique LAVAL,non-executive Director
Henri MARX, non-executive Director

The secretary of the Committee is Mr Franck Tousch, Internal Audit Manager.

The Group Compliance Officer, Ms Sylvie BERTHOLET, also attends the Committee meetings.

Activity report
(from 3 April 2007):

Subjects of deliberations

- a proposal to update the Audit and Compliance Charter;
- an examination of the consolidated half-yearly results and the Statutory Auditor's limited review on 30.06.2007;
- an analysis of the internal audit letters ('management letters') issued by the Statutory Auditor following the audit of the 2006 annual accounts for Group companies;
- a report on the main conclusions of the internal audit to evaluate internal control systems;
- a review of internal audit and compliance activities during the 2007 financial year and the planning of activities and missions scheduled for 2008;
- the establishment of a self-evaluation grid for the Committee, notably as regards its composition, organisation and efficiency; a first self-evaluation is planned during the 2008 financial year.

Periodicity of the meetings and participation

The Audit and Compliance Committee, in its new composition, took up its functions from 3 April 2007 and met twice in 2007. The attendance rate of Committee members at these meetings was 100%.

Remuneration

In accordance with the Foyer Group remuneration policy, as defined in Annex 5 of the Charter of Corporate Governance, the *non-executive* members of the Audit and Compliance Committee are entitled to an attendance fee for each Committee meeting attended.

In compliance with this principle and in keeping with the decision taken by the General Meeting of Shareholders of 3 April 2007, the total gross amount for attendance fees allocated to all of the non-executive members of the Audit and Compliance Committee in 2007 amounted to € 4,000.00. One member of the Committee waived the remuneration to which he was entitled.

The nomination and remuneration committee

Mission

The Nomination and Remuneration Committee assists the Board of Directors with all of the business relating to the **nomination** (or dismissal) of Directors and members of the Top Management (CEO and COO), as well as in all business relating to the **remuneration** of Directors and members of the Executive Management.

Composition

MM.Patrick ZURSTRASSEN, Chairman of the Committee, independent non-executive Director,
Romain BECKER, independent non-executive Director,
André ELVINGER, external non-executive Member (1)
François TESCH, executive Director, CEO (2)

The secretary of the Committee is Mr Benoît Dourte, Executive Manager of the Human Resources Management Department.

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

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

Activity report:

Subjects of the deliberations

- determination of the priority goals for the newly created Committee and a definition of the programme of activities based on these goals;
- the establishment of selection criteria for the choice of a non-executive Chairman of the Board of Directors; examination of possible applications for the position; proposal of a candidate to the Board of Directors;
- examination of the suitability of the remuneration awarded to the non-executive Directors compared with market practice; based on this study, a recommendation to the Board of Directors to propose the adaptation of the non-executive Directors' remuneration from the 2008 financial year to the General Meeting of Shareholders on 1 April 2008;
- review of the remuneration principles for the Executive Management;
- analysis, with the help of an external consultant, of the possible implementation of a Stock Option Plan, whose beneficiaries would be the members of the Group Management Committee, as well as some key managers.

Periodicity of the meetings and participation
The Nomination and Remuneration Committee commenced its functions on 3 April 2007. The Committee met twice during the 2007 financial year, with an attendance rate of 100%.

Remuneration
In accordance with the Foyer Group remuneration policy, as defined in Annex 5 of the Charter of Corporate Governance, the non-executive members of the Nomination and Remuneration Committee are entitled to an attendance fee for each Committee meeting attended.

In compliance with this principle and in keeping with the decision taken by the General Meeting of Shareholders of 3 April 2007, the total gross amount for attendance fees allocated to all of the non-executive members of the Nomination and Remuneration Committee in 2007 amounted to € 6,000.00.

The Executive Management

Mission

The role of the Executive Management involves managing and developing the Foyer Group. while respecting the values, strategies, policies, plans and budgets decided by the Board of Directors. While exercising this role, the Executive Management ensures compliance with all of the legislation and regulations in force, and in particular compliance with the legal and regulatory framework which applies to each company in the Foyer Group.

The Board of Directors has delegated day-to-day management of FOYER S.A as well as representation of the company linked to this management to an Executive Director who fulfils the function of 'Chief Executive Officer' (CEO), while authorising him to grant all substitutions of powers relating to day-to-day management and representation linked to this management.

Composition

The Chief Executive Officer (CEO)

The CEO is the most senior executive in the Foyer Group. In particular, he bears responsibility for day-to-day management of FOYER S.A. and the Foyer Group.

François TESCH, Chief Executive Officer of FOYER S.A.

Mr Tesch was reappointed to the position of Chief Executive Officer through a Board of Directors decision on 3 April 2007.

The Chief Operating Officer (COO)

The CEO is assisted in managing the Foyer Group by the Chief Operating Officer (COO) in accordance with the powers sub-delegated to him by the CEO.

Marc LAUER, Graduate in Economics and Actuarial Sciences

The Executive Committee

The Executive Committee is not a special committee in the sense of Article 18 of the articles of association. The Executive Committee is a consultative body comprising the CEO and COO, where they consult each other, coordinate their respective actions and share information.

The Group Management

To carry out their assignments as described in detail in the Charter, the CEO and the COO are assisted by the Group Management, which includes the Foyer Group operational and staff management.

The Group Management either meets in plenary session (**'Group MC'**), or with a restricted composition as the **'Local MC'** for local Non-Life and Life activities and as the **'International MC'** for international financial and Life insurance activities.

Operational Management

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

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

Assurance Vie internationale
Jean-Louis COURANGE
Permanent member of the Group Management Local Life Insurance

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

Asset Management

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

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

Accounting and Reporting
Marc LAUER
Permanent member of the Group Management Committee and of the Local Management Committee

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

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

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

Legal Affairs
Marcel MAJERUS
Permanent member of the Group Management Committee

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

Activity report:

Subjects of deliberations

- During the 2007 financial year, the Executive Management paid special attention to the following points:
- the monitoring of results with respect to the company plan budget;
- preparation of the 2008-2010 company plan;
- the study and implementation of development plans at Group level;
- an analysis of the competitive environment;
- a renewal of the product range and the launch of new products and services;
- IT management projects;
- operational and organisational monitoring of Group companies,
- all other subjects and developments likely to have an effect on the Group.

Periodicity of meetings:

The **Group MC** meets once quarterly in principle, the **International MC** once per month and the **Local MC** weekly.

Remuneration

The overall gross remuneration allocated to members of the Executive Management for 2007 amounted to € 3,643,818.36, of which € 1,853,579.38 was fixed remuneration and € 1,790,238.98 variable remuneration.

Like all Foyer Group employees, the members of the Executive Management also benefit from a supplementary pension including a retirement, death and disability guarantee. The premium paid for all members of the Executive Management on this basis in 2007 amounted to € 238,921.23.

Two members of the Executive Management benefited from a loan awarded by a Foyer Group company to a cumulative amount of € 309,866.90 (situation on 31.12.2007).

The other emoluments (loan-related fringe benefits; entertainment expenses) amounted to € 53,976.00.

Other information

Following the law of 16 May 2006 on **market abuse** and in particular to transpose EC Directive 2003/6/EC on insider trading and market manipulations, the Board of Directors has adopted a set of Internal Regulations, which defines measures aimed at preventing such insider trading. This set of Regulations is published as Annex 4 of the Charter.

In compliance with Article 16 of the said law, a list of insiders which is constantly updated has been compiled and the relevant persons have been informed of their inclusion in this list.

In addition to the notifications transmitted to the CSSF, the Company publishes the transactions involving FOYER S.A. securities by persons with management responsibilities in the Foyer Group, persons who have regular or occasional access to insider information and by members of the Joint Representation Committee on its website **www.foyer.lu**, under the heading 'Investor Relations'.

Eighteen declarations were published in 2007, including 7 declarations of the sale of securities representing a global volume of 1,490 shares and 11 declarations relating to the acquisition of securities comprising a total volume of 7,384 shares.

Consolidated Management Report

presented to the Annual General Meeting
of the Shareholders of Foyer S.A. on 1. April 2008

1. GROUP RESULT

Earned premium based turnover increases from € 298.78 million to € 331.39 million, an increase of 10.9%. This increase in turnover is mainly due to the dynamic development of the Life insurance business the increase of which is 23.0% on the local market and 74.5% on those markets that are serviced within the framework of the freedom of services directive. Turnover achieved in Non-life business has increased by 6.5%

Consolidated net profit (Group share) reaches € 76.07 million on 31. December 2007, 1.7% lower than the 2006 result. The 2007 result includes an extraordinary profit on the sale of AUDIOLUX stock of an amount of € 20.98 million, comparable to the 2006 result which included an extraordinary profit on the sale of tangible assets following the sale of two buildings impacting the consolidated net profit by € 20.34 million. Without these extraordinary profits 2007 net profit would have been € 55.21 million, 3.6% lower than the 2006 result.

2. SEGMENT ACTIVITY

2.1 NON-LIFE INSURANCE

The Non-Life insurance segment is made up by Foyer Assurances, Foyer Re and Foyer-ARAG which are fully consolidated, Foyer Santé which is proportionally consolidated (50.0%) and Europ Assistance Luxembourg S.A. which is consolidated according to the equity method (49.0%).

Non-life gross written premiums increased by 6.5% compared to 2006 and reach € 243.05 million, mainly because of a 26.9% increase of the turnover in the captive reinsurance business. Without this phenomenon, non-life gross written premiums would have increased by 3.7%.

In the local market progression of turnover in the motor-vehicle sector is 2.6% compared to 6.6% a year earlier. This less dynamic evolution is mainly due to the loss of a major motor vehicle fleet contract in the course of 2007.

In the non motor-vehicle sectors, premiums written increased by 3.7% compared to an increase of 2.0% in 2006. Despite tenacious competition in the special risk and the industrial risk sector which led to major tariff reductions, turnover increased mainly due to a very satisfactory sales increase of products to households and small and medium-size companies.

The health insurance sector continues to show a very dynamic performance with a turnover increase of 24.9%

In the Belgian market gross written premiums increased by 5.9% as a result of new collaboration agreements signed with intermediaries.

In 2007 claims expense in the non-life segment increased by 17.8% before reinsurance as a consequence of major claims due to the occurrence of 3 climate change induced phenomenon during the first 6 months of the year, as well as the occurrence of several major claims. Sine most of these are well covered by reinsurance, claims expense after reinsurance increased merely by 9.5%.
Expense levels in the non-life sector remain at the same level as in 2006 as a result of strict cost controlling.

Without taking extraordinary profits on sale of assets in consideration in 2006 and 2007, profit before tax is € 52.39 million in 2007, 1.0% higher than in 2006.

Contribution of the non-life sector to the overall profit after tax is € 63.86 million in 2007, 4.4% lower than in 2006.

2.2 LIFE INSURANCE

Activity in the Life segment regroups Foyer Vie, and Foyer International which are fully consolidated and Raiffeisen Vie which is proportionally consolidated (50.0%)

Gross written premiums in the Life segment reached € 91.03 million at the end of 2007, an increase of 29.2% compared to 2006. This increase can be explained essentially through the commercial success on the local market of a new product which is strongly savings orientated and gives a guaranty on the capital invested, as well as the increase in Life premiums written by Foyer International.

Funds collected as well for the life insurance business as for the investment contract business by Foyer International increased 25.8% positively reflecting the commercial diversification strategy that was implemented in 2006.

In total, funds collected by Foyer Vie increased 22.2% mainly due to the marketing of a new product sold exclusively to individuals as one shot premiums. Group life insurance turnover maintained a positive commercial dynamic thanks to the acquisition of new customers.

The turnover of Raiffeisen Vie fell short by 1.1% in 2007 in a highly competitive market.

Claims expense in the Life segment was € 98.58 million at the end of 2007 2.4% lower then in 2006.

Overhead cost in the segment was 7.3% higher in 2007 compared to 2006.

Taking into account financial revenues, contribution of the Life segment to 2007 after tax profit of the Group is € 9.81 million, an increase of 11.1% compared to 2006.

2.3 ASSET MANAGEMENT

Asset management activity centres around Foyer Asset Management S.A. (100%), Foyer Patrimonium S.A. (100%) and Foyer Sélection SICAV (100%), all fully consolidated and also includes financial results achieved by Foyer S.A. itself.

Foyer Asset Management and Foyer, Patrimonium & Associates prepared their merger in the course of 2007 and finalised it on the 1. January 2008. On 31. December 2007 these two entities managed together € 1 725.27 million in assets.

Income derived from asset management activities contribution to the Group's consolidated net profit in 2007 increased 27.4%, thanks also to a positive evolution of financial revenues and profits derived from asset trading.

Cost and expense incurred on current operations increased by 30.0% and reached € 5.29 million due in particular to higher staff cost and cost in connection with the merger.

The contribution to the consolidated net profit of the asset management segment is € 2.52 million on 31. December 2007 an increase of 26.9% compared to 2006.

3. INVESTMENT STRATEGY OF THE GROUP

Financial markets in 2007 were characterised by high volatility since the American mortgage credit crises has had repercussions on the money, credit and stock markets.

Globally bond markets saw a consolidation in Europ with 10 year interest rates increasing from 3.95% at the start of 2007 up to 4.33% at year end. After an important increase during the first half of the year, rates on sovereigns did profit from a run towards quality securities following the crises within the risky American structured mortgage bond market, which finally affected all geographic zones as well as all kinds of risk bearing investments. Whilst the American Central Bank cut massively back on its key interest rates, the European Central Bank left its rates unchanged translating its apprehension of inflationary pressures on raw materials and personnel cost. Margins asked on credit, even for good quality credit, remain at an historical high level.

It is true that stock markets closed on a positive level, however very largely below its July 2007 highs. Whilst results of non-financial companies remain good, such is not the case for banks or entities whose evolution either depends on the American mortgage economic cycle, or linked to margins in the risk asset markets. Slowdown in consumption leads the United-States to a growth rate close to recession. Asset reallocation and the fear of an economic spill-over have induced price corrections in the European market. Emerging markets with high growth or important economic resources of raw materials remain well oriented.

Investment policy remains oriented in accordance with a reference structure which allows for 20.0% stock, 75.0% bonds and 5.0% liquidity.

Management takes into account legal constraints, in particular criteria guiding valorisation at current yields and fiscal constraints. Asset allocation presently underweight bond investments and overweigh liquidity. In case margins in the credit market were becoming more interesting, a reallocation towards bonds issued by first rate issuers could be made.

Market Value (%)	2007	2006
Bonds	64.0	65.3
Stocks	19.6	21.2
Investment funds	8.4	7.7
Deposits	8.1	5.8
Total	100.0	100.0

Exchange risk is very small, since non-euro assets are generally currency matched.

Credit risk which represents the risk of failure of bond issuers is limited through the choice of high rating issuer and large spreading between issuers. The bond portfolio is composed by only 0.3% of securities with a rating of BBB- or without rating.

Interest rate risk is managed mainly by adapting the duration of the bond portfolio. This parameter stood at the end of 2007 at 5.07 years.

Market risk is managed by means of a large diversification on stock markets and issuers as well as an ongoing evaluation of stocks held in view of their performance.

A more detailed description of these risks and their management can be found in Note 6 annexed to the consolidated financial statements.

4. OUTLOOK

On the local non life market we expect that commercial development in 2008 will progress at a similar level then the one of previous years, thanks to a redesigning process of several important products that was started in 2006, and despite an increasingly competitive environment.

Its is planned to transfer the insurance portfolio of Europ Assistance Luxembourg to a Luxembourg Branch of Europ Assistance Belgium with which a collaboration agreement was signed.

On the local Life insurance market, the dynamic increase of the turnover will be maintained through the marketing of a new business line that started at the end of 2007.

Thanks to a market diversification strategy and an increase of our sales force, activity in international Life insurance market should increase significantly in the course of 2008.

For the private asset management segment, we expect for 2008 a significant increase of assets under management with Foyer Patrimonium following the merger of Foyer Asset Management and Foyer Patrimonium.

Profit after tax should be maintained at a high level thanks to effective cost controlling and increasing financial income.

However, net profit will remain subject to technical uncertainties inherent to the insurance activity and financial risks linked to market development.

Leudelange, 04 March 2008

The Board of Directors

Foyer

DECLARATION

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 responsibilty, 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 statement of FOYER S.A., and that the management report truly presents the company's evolution, its results and its global 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 consolidated annual accounts
Following our appointment by the General Meeting to the Shareholders dated 4 April 2006, we have audited the accompanying consolidated annual accounts of Foyer S.A., which comprise the consolidated balance sheet as at December 31, 2007, and the consolidated income statement, consolidated statement of recognised income and expense and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes to the consolidated annual accounts.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the judgement of the "Réviseur d'Entreprises", including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'Entreprises" considers internal control relevant to the entity's preparation and fair presentation of the consolidated annual accounts in order to design audit procedures that are appropriate in the 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, as well as evaluating the overall presentation of the consolidated annual accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated annual accounts give a true and fair view of the consolidated financial position of Foyer S.A. as of December 31, 2007, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

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

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

Jean-Michel PACAUD

Luxembourg 4 march 2008

Consolidated balance sheet

at as 31 december 2007

€ thousands ASSETS	Notes	31.12.2007	31.12.2006
Intangible Fixed Assets	11	**4 954.5**	**4 532.6**
Tangible fixed assets		**53 547.4**	**53 571.4**
- Investment property	13	6 013.5	6 354.7
- Business premises	12	42 695.5	42 249.8
- Other tangible fixed assets	12	4 838.4	4 966.8
Investments in associates	2	**-**	**361.2**
Equity instruments		**346 583.3**	**323 406.2**
- Available for sale	14	276 965.2	290 666.8
- At fair value through income	14	69 618.1	32 739.4
Fixed income securities		**768 868.0**	**717 754.0**
- Available for sale	14	757 968.7	707 706.6
- At fair value through income	14	10 899.3	10 047.4
Financial assets at fair value through income		**1 434 392.0**	**1 442 590.0**
Deferred income tax	19	**2 240.4**	**2 771.4**
Insurance receivables and other receivables	15	**89 115.5**	**88 880.1**
Reinsurers' share of liabilities in respect of insurance contracts	17	**138 597.9**	**66 681.6**
Cash and cash equivalents	16	**209 082.3**	**141 121.0**
Assets held for sale	3	**398.7**	**-**
TOTAL ASSETS		**3 047 780.0**	**2 841 669.5**

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

€ thousands LIABILITIES	Notes	31.12.2007	31.12.2006
Shareholders equity – Group Share			
- Capital	8	44 994.2	44 994.2
- Treasury shares	8	-76.2	-
- Share premium account	8	3 106.0	3 106.0
- Reserves and retained earnings	9	336 197.2	287 525.8
- Financial year result	10	76 065.7	77 370.6
Total shareholders equity – Group Share		***460 286.9***	***412 996.6***
Shareholders equity – Minority interests	10	**334.1**	**750.3**
Total equity		**460 621.0**	**413 746.9**
Technical provisions		**1 456 395.3**	**1 330 758.1**
- Other technical provisions	17	849 031.3	723 843.3
- Provisions relating to unit-linked insurance contracts	17	607 364.0	606 914.8
Provisions		**24 242.3**	**24 972.7**
- Retirement benefit obligations	21.22	22 239.3	23 337.9
- Provisions for other liabilities and charges	21	2 003.0	1 634.8
Deferred income tax	19	**65 700.4**	**67 305.0**
Financial liabilities		**926 526.6**	**866 460.3**
- Other financial liabilities		-	29.6
- Liabilities in respect of investment contracts	20	833 523.7	835 073.6
- Loans and deposits from reinsures	17	93 002.9	31 357.1
Insurance debts and other debts	18	**114 294.4**	**138 426.5**
TOTAL LIABILITIES		**3 047 780.0**	**2 841 669.5**

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

Consolidated profit and loss account
for the year ended 31 December 2007

€ thousands	Notes	31.12.2007	31.12.2006
Insurance premium income	23	331 386.1	298 779.7
Insurance premiums ceded	23	-55 167.2	-48 140.3
Net insurance premium income		**276 218.9**	**250 639.4**
Commission and profit sharing received in respect of reinsurance contracts	26	4 751.2	5 063.8
Acquisition commission on investment contracts	28	1 023.1	565.2
Commission earned by the Asset Management segment	27	6 137.9	6 955.7
Management commission on investment contracts	28	6 641.3	6 569.4
Management commission on insurance contracts	25	5 857.6	5 405.2
Net realised gains on financial assets	30	45 550.4	26 408.7
Variation of the fair value of assets/liabilities at fair value through income	31	2 634.6	25 729.8
Other Investment income	29	43 516.8	34 660.6
Other Investment costs	29	-11 526.5	-12 376.1
Capital gains on sale of fixed assets		-	29 416.8
Total net operating income		**104 586.4**	**128 399.1**
Life insurance benefits - Gross	24	-97 117.7	-94 165.7
Non-life insurance claims and loss adjustment expenses - Gross	24	-133 031.0	-112 894.2
Reinsurers' share of benefits and claims and loss adjustment expenses	24	24 994.9	14 196.6
Net insurance benefits and claims		**-205 153.8**	**-192 863.3**

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

€ thousands	Notes	31.12.2007	31.12.2006
Acquisition expense	32	-54 676.0	-53 633.4
Administration expense	32	-17 768.8	-18 359.4
Costs related to investment contracts	32	-5 601.9	-5 425.1
Other operating expense	32	-70.5	-14.9
Expense		**-78 117.2**	**-77 432.8**
Operating profit		**97 534.2**	**108 742.3**
Group's share in the profit of associated companies	2	115.6	88.2
Profit before tax		**97 649.9**	**108 830.6**
Taxes	19	-21 455.7	-31 212.8
Profit for the year		**76 194.2**	**77 617.8**
- o/w Group share		76 065.8	77 370.6
- o/w minority interests		128.4	247.2
Profit of the year on ordinary undiluted shares of the company (€)	8	8.5	8.6

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

Statement of recognised income and expenses

for the year ended 31 December 2007

€ thousands	31.12.2007	31.12.2006
Profit for the year	**76 194.2**	**77 617.8**
Capital gains on variation of the fair value of assets (net of deferred income tax)	-16 871.2	-996.5
Actuarial gains or losses on employee retirement benefit scheme (net of deferred income tax)	822.5	1 276.3
Income and expense recognised in shareholders equity	**-16 048.7**	**279.8**
Sum of income and expenses recognised	**60 145.5**	**77 897.6**
- Group share	60 028.0	77 659.0
- Minority share	117.5	238.6

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

Consolidated cash flow statement

Consolidated cash flow statement for the year ended 31 December 2007

€ thousands	31.12.2007	31.12.2006
Profit for the year before taxes	**97 649.9**	**108 830.6**
Income taxes paid	-6 303.6	-6 399.2
Adjustments for:		
Amortisation	4 873.2	4 583.2
Group's share in the profit of associated companies	-115.6	-88.2
Depreciation on receivables	425.8	-
Fair value of the financial instruments	9 838.6	7 609.0
Fair value of the financial instruments at fair value through income	-8 888.5	-66 541.8
Net decrease of reinsurance assets	-73 427.8	1 267.8
Net increase in insurance commitments	134 996.8	53 071.4
Increased liabilities in respect of investment contracts	539.4	48 423.4
Acquisition of financial instruments at fair value through income	-200 674.6	-196 432.6
Proceeds from financial instruments at fair value through income	217 761.0	201 325.9
Proceeds from the sale of tangible fixed assets	-	-29 653.8
Net decrease of loans and receivables	-24 167.0	-14 095.0
Net decrease of other financials assets	-7 322.5	-952.3
Net increase of current liabilities	56 145.5	9 316.9
Other non cash	118.6	-
Acquisition of financial assets	-6 993 099.5	-2 356 383.3
Sale of financial assets	6 878 255.8	2 248 961.5

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

Consolidated cash flow statement (continued)

Consolidated cash flow statement for the year ended 31 December 2007

€ thousands	Notes	31.12.2007	31.12.2006
Net cash flows from operating activities		**86 605.5**	**12 843.5**
Including:			
Interest paid		-73 445.5	-109 415.9
Interest received		106 865.8	133 866.8
Acquisition of tangible and intangible assets		-5 838.1	-12 517.7
Proceeds from the sale of tangible and intangible assets		301.5	35 333.5
Dividends paid by associate companies		78.4	78.4
Net impact of the acquisition of FOYER-ARAG		-	-681.1
Net cash flows from investment activities		**-5 458.1**	**22 213.1**
Dividends paid		-12 085.0	-10 828.4
Net cash flows from financing activities		**-12 085.0**	**-10 828.4**
Variation of cash flow		**69 062.4**	**24 228.2**
Opening cash flow	16	109 985.9	85 757.7
Closing cash flow	16	179 048.3	109 985.9
Variation of cash flow		**-69 062.4**	**-24 228.2**

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

Notes to the consolidated accounts

Foyer

Summary

General information on the Group and information on Business combinations and links with subsidiaries, joint ventures and associates

Information on accounting policies

Information on accounting judgments and estimates

Information on Group activities

Information on shareholders equity

Information on accounting assets and liabilities

Information concerning the consolidated income statement

Other information

Foyer

Note 1. General information

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

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

As of 31 December 2007, the Group had a staff of 442 in Luxembourg and 8 in Belgium.
Of a total of 8 998 842 FOYER S.A. shares issued, 7 074 995 (78,6%), are held by FOYER FINANCE, Compagnie Luxembourgeoise S.A., an unlisted financial holding company which prepares consolidated financial statements in accordance with Luxembourg ("LuxGAAP") accounting standards.

The Company's registered office is located 12, rue Léon Laval in L-3372 Leudelange.
At its meeting of 4. March 2008, the Board of Directors of FOYER S.A. approved the consolidated accounts to be submitted to the Annual General Meeting of Shareholders on 1. April 2008.

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

1. TABLE OF PERCENTAGE SHAREHOLDINGS AND METHOD OF CONSOLIDATION

Name and address of fully consolidated companies	% held 31.12.2007	% held 31.12.2006
Foyer Assurances S.A. 12, rue Léon Laval, L-3372 Leudelange	100.0	100.0
Foyer Vie S.A. 12, rue Léon Laval. L-3372 Leudelange	100.0	100.0
Foyer Re S.A. 12, rue Léon Laval, L-3372 Leudelange	100.0	100.0
Foyer International S.A. 12, rue Léon Laval, L-3372 Leudelange	100.0	100.0
FOYER-ARAG S.A. 12, rue Léon Laval, L-3372 Leudelange	90.0	90.0
Foyer Asset Management S.A. 12, rue Léon Laval, L-3372 Leudelange	100.0	100.0
Foyer Patrimonium S.A. 12, rue Léon Laval, L-3372 Leudelange	100.0	88.0
Foyer Sélection SICAV 19-21, bd. Prince Henri, L-1724 Luxembourg	100.0	100.0

Name and address of companies consolidated using the proportionate consolidation method	% held 31.12.2007	% held 31.12.2006
Foyer Santé S.A. 12, rue Léon Laval, L-3372 Leudelange	50.0	50.0
Raiffeisen Vie S.A. 12, rue Léon Laval, L-3372 Leudelange	50.0	50.0

Name and address of companies consolidated using the equity method

The Luxembourg company EUROP ASSISTANCE S.A., located at 12, rue Léon Laval in L-3372 Leudelange, was established in 1976 by "EUROP ASSISTANCE", a French société anonyme [public limited company] and Le FOYER, Compagnie Luxembourgeoise d'Assurances S.A.. As the Group has only a 49.0% stake in the company, it is not considered to be a joint venture. On 31. December, this company is classified as "Asset held for sale", (Note 3)

2007 **€ thousands**	Capital	% held	Shareholder's guide	Profit for the period
Europ Assistance S.A.	380.0	49.0%	283.1	115.6

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

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

Name and address of fully consolidated companies **€ thousands**	Share in shareholder's equity 31.12.2007	Acquisition value 31.12.2007	Share in shareholder's equity 31.12.2006
Foyer Assurances S.A. 12, rue Léon Laval, L-3372 Leudelange	142 444.6	23 175.4	129 335.1
Foyer Vie S.A. 12, rue Léon Laval, L-3372 Leudelange	71 477.3	7 784.7	71 481.5
Foyer Re S.A. 12, rue Léon Laval, L-3372 Leudelange	60 240.2	3 100.0	50 332.6
Foyer International S.A. 12, rue Léon Laval, L-3372 Leudelange	15 528.4	9 936.8	14 091.6
FOYER-ARAG S.A. 12, rue Léon Laval, L-3372 Leudelange	1 851.0	874.0	1 035,7
Foyer Asset Management S.A. 12, rue Léon Laval, L-3372 Leudelange	7 823.3	1 489.5	7 481.2
Foyer Patrimonium S.A. 12, rue Léon Laval, L-3372 Leudelange	12 836.9	3 860.1	3 241.3
Foyer Sélection SICAV 19-21, bd. Prince Henri, L-1724 Luxembourg	22 986.9	9 280.0	21 462.0

Name and address of companies consolidated using the proportionate consolidation method € thousands	Share in shareholder's equity 31.12.2007	Acquisition value 31.12.2007	Share in shareholder's equity 31.12.2006
Foyer Santé S.A. 12, rue Léon Laval, L-3372 Leudelange	1 118.1	1 450.0	1 110.3
Raiffeisen Vie S.A. 12, rue Léon Laval, L-3372 Leudelange	2 527.3	2 500.0	2 533.2

2. LINE-BY-LINE RECOGNITION OF SHARES IN THE PROFIT OF JOINT VENTURES IN 2007 AND 2006

€ thousands	Foyer Santé 2007	Foyer Santé 2006	Raiffeisen Vie 2007	Raiffeisen Vie 2006
Premiums earned net of reinsurance	2 622.6	2 099.6	1 890.4	1 943.6
Other operating income	166.2	151.5	396.4	284.3
Insurance service costs net of reinsurance	- 1 790.5	- 1 329.1	- 1 669.6	- 1 667.9
Costs	- 615.0	- 608.8	- 523.5	- 529.6
Consolidation eliminations	- 27.6	- 33.2	- 2.3	- 1.2
Profit before tax	**355.7**	**280.0**	**91.3**	**29.2**
Taxes	- 98.9	- 80.8	- 40.1	- 21.0
Financial year profit	**256.8**	**199.2**	**51.2**	**8.2**
o/w Group share	256.8	199.2	51.2	8.2

3. LINE BY LINE CONTRIBUTION OF JOINT VENTURES' TO THE MAIN GROUPS OF ASSETS AND LIABILITIES IN 2007 AND 2006

2007 € thousands	Foyer Santé	Raiffeisen Vie
Asset		
Fixed assets	3.7	0.4
Variable income securities	537.3	1 462.4
Fixed income securities	2 374.4	5 962.4
Receivables	859.8	249.0
Deferred taxes	3.9	2.4
Cash and cash equivalents	512.9	1 350.6
Liabilities		
Technical provisions	2 547.0	6 393.1
Financial liabilities	-	391.0
Deferred taxes	20.7	63.0

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

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

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

Note 3. Assets held for sale

On 19. December 2007, Foyer Assurances S.A. signed a collaboration agreement with Europ Assistance (Belgium) S.A., a company incorporated under Belgian law. In accordance with this agreement it was decided to transfer the entire insurance portfolio of Europ Assistance S.A., a company incorporated in Luxembourg, to Europ Assistance (Belgium) S.A.. The participation held by Foyer Assurances S.A. in the share-capital of Europ Assistance Société d'assistance S.A. (49%), will be sold in the course of the first half of 2008 to Europ Assistance (Belgium) S.A., which should ultimately allow the latter company to absorb Europ Assistance, Société d'Assistance S.A.. This participation is part of the Non-life insurance business.

Note 4. Principals 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 Note 8. The Euro has also been selected as the currency of operation for all Group entities. The consolidated accounts are based on the principle of historical cost with the exception of:

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

Non-current assets and groups of assets held for sale, classified as held for sale, which are valued at the lowest of either net book value or at fair value less cost incurred in connection with the sales transaction.

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

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

The main accounting rules applied when preparing the consolidated financial statements are described below. These accounting principles have been applied as standard application throughout the Group. These accounting methods have been applied coherently with those of previous annual accounts except for the following items:

- IFRS 7 Financial Instruments: Disclosures
  This standard has been applied by the Group for the first time during the period ended 31. December 2007. This note requires all entities to make disclosures concerning their annual accounts that enable users of the financial statements to evaluate the significance of the Group's financial instruments in respect of the current situation and the nature and extent of risks arising from those financial instruments and the performance achieved as well as the nature and the extent of risk incurred by such financial instruments to which the entity is exposed during the period under

review and at the date of closing and the way in which the entity manages these risks. The new disclosures are included in Note 6.

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

- IAS 1 "Presentation of Financial Statements";
- IFRIC 8: Scope of IFRS 2;
- IFRIC 9: Reassessment of Embedded Derivatives
- IFRIC 10: Interim Financial Reporting and Impairment

Certain standards and interpretations of standards have been the adapted by the IASB but are not required to be applied in connection with the establishment of 2007 accounts. Consequently the Group has decided not anticipate the adoption of the following standards and interpretations of standards:

- IFRS 8 "Operating Segments" is applicable for annual periods beginning on or after 1. January 2009. This standard requires disclosure of information concerning the Group's operating segments. This standard only affects the Notes to the financial Statements.
- IFRS 3R "Business Combinations": This standard will be applicable to business combinations for which the acquisition date is on or after 1. July 2009. IFRS 3 introduces a number of changes in accounting for business combinations that will impact the amount of goodwill to be recognised, accounting for step-acquisitions and the treatment of contingent consideration. Furthermore cost incurred at the time of acquisition will be recognised at the time when the transaction is made.
- IFRS 27R: "Consolidated Financial Statements": is applicable for annual periods beginning on or after 1. July 2009 and must be adopted simultaneously with the adoption of IFRS 3R. The revised IAS 27 will require entities to account for changes in the ownership of a subsidiary, which does not result in loss of control, as an equity transaction and therefore will not give rise to a gain or a loss in income. In addition losses incurred by a subsidiary will be required to be allocated between the controlling and the non-controlling interests, even if the losses exceed the non-controlling equity investment in the subsidiary. In case of loss of control of a subsidiary, entities will be required to re-measure to fair value any retained interest, which will impact the gain or loss recognised on the disposal linked to the loss of control. The Group is in the process of assessing the impact on their financial statements.

The changes linked to IFRS 3R and IAS 27R will be applied retrospectively and only an im pact on future acquisitions and transactions with minority shareholders.

3. PRINCIPLES AND METHODS OF CONSOLIDATION

3.1 Basis of preparation

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

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 based on the same homogenous accounting methods.
All intra-group debts 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 are all entities over which the Group has the power to govern the financial and operating policies. This control is essentially the consequence of a direct or indirect shareholding of more than 50% of the voting rights.
The existence as well as the effect of potential voting rights and, if applicable, conversion options that are currently exercisable are considered when assessing whether the Group controls another entity over the period under review.

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

3.3 Joint ventures

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

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

3.4 Associates

An associate is a company in which the Group has considerable influence on the financial and operating policies but does not exert control. This is generally the case when the Group holds between 20% and 50% of the voting rights.

Associates are consolidated by using the equity method from the date on which this notable influence is transferred to the Group until the date on which it ceases.

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

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

3.5 Business combinations

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

4. FOREIGN CURRENCY TRANSACTIONS

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

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

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

5. INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

5.1 General: Definitions

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

The policyholder is defined as the party with entitlement to compensation under the insurance contract should the insured event materialise.

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

An insurance risk is a non-financial risk transferred by the policyholder to the policy issuer.

An insurance risk is significant if, should an insured event materialise, the issuer has to pay significant additional benefits (amounts in excess 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

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

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

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

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

5.2.2 Accounting procedures for IFRS 4 insurance contracts

IFRS 4 insurance contracts continue to be recorded under LuxGAAP standards except in case when adjustments are necessary due to the rules imposed 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

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

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

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

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

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

- From the insurer's point of view, the commitment equates to the sum of the present value of future benefits and the present value of management costs, taking into account the probability of the occurrence of the insured event;
- The policyholder's commitment equates to the present value of net premiums still outstanding plus any management costs applicable, adjusted for the probability of payment of said premiums

The mathematical provisions are not zillmerised. The mortality tables used are those deemed appropriate for the local market.

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

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

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

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

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

In the event that all or 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 falling within the scope of IFRS 4

5.3.1 The main types of investment contracts with DPF

Individual life contracts with financial risk only, which include a DPF clause, are classified as investment contracts with DPF under IFRS.

Group life contracts, other than those mentioned in 5.2.1 above, with pension benefit either in the form of a guaranteed savings rate or with DPF or unit-linked with the option to convert to a sub-fund with a discretionary participation feature as a complement to a contract with guaranteed rate (with commercial substance) are also classified as investment contracts with discretionary participation feature.

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

5.3.2 Accounting procedures for investment contracts with DPF

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

5.4 Investments contracts falling within the scope of IAS 39

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

5.4.1 Main types of investment contracts coming under IAS 39

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

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

5.4.2 Accounting procedures for investment contracts coming under IAS 39

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

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

5.5 Separate accounting of embedded derivatives

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

5.6 Liability adequacy test

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

5.7 Reinsurance

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

under these contracts are shown independently of the corresponding insurance liabilities. Likewise, the income and expense from reinsurance contracts are not offset against the income and costs from the corresponding insurance contracts.
The 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 below).

6. FINANCIAL INSTRUMENTS AND DERIVATIVES

6.1 Recognition and derecognition of financial assets and liabilities

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

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

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

6.2 Amortised cost

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

6.3 Fair value

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

Accrued interest on fixed rate bonds are recognised under deferred income and deferred expenses

6.4 Classification and accounting of financial assets and liabilities

Financial assets are split between the following categories:

- Financial assets available for sale;
- Financial assets at fair value through income;
- Loans and receivables.

Financial liabilities are split into two categories:

- Financial liabilities at fair value through income;
- Other financial liabilities.

6.5 Impairment

On each balance sheet date, the Group decides whether there are any objective indications of impairment of an individual financial asset or a group of assets as a result of events occurring subsequent to their initial recognition in the accounts. In the affirmative, the Group assesses the amount of the loss suffered by the financial asset or group of financial assets and this amount is immediately recorded in income. Expected losses as a consequence of events occurring after the close of the period are not being considered. Amongst criteria considered as indications of depreciation are:

- Important financial difficulties of the issuer;
- Default on interest or reimbursement of principal;
- Increased risk of bankruptcy or debt restructuring;
- Retreat from an active market as a consequence of financial difficulties.

6.6 Derivatives

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

6.7 Financial assets available for sale

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

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

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

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

- Equity investments:

For these instruments, the Group takes into account amongst others significant technological, market, economic or legal changes having a detrimental effect on the issuer and a significant or prolonged drop in the fair value of the instrument below its acquisition cost. An objective indication of depreciation would be the fact that the value of a share held would show a market value of 20% below its net accounting value during an uninterrupted period of nine months. The amount of accumulated impairment transferred from shareholders' equity to income is the difference between the acquisition cost and the fair value, less any impairment of this asset previously recorded in income. Any subsequent loss on a depreciated equity is immediately recognised through income whether or not it is significant or lasting. If the equity investment in question should subsequently appreciate in value, impairment recorded is not written back through income but is recognised in the "revaluation reserve" until the asset in question is sold.

- Debt instruments:

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

6.8 Financial assets at fair value through income

6.8.1 Financial assets held for trading purposes

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

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

The variation of fair value of financial assets held for trading purposes over the period is recorded in the income statement. Fair value of fixed income assets do not take accrued interest into account.

6.8.2 Financial assets at fair value through income

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. The evaluation method used for financial assets at fair value through income is identical to that used for securities held for trading purposes

6.9 Loans, receivables and financial liabilities

a) Insurance receivables

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

b) Loans secured by life insurance contracts

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

c) Mortgages and other loans

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

d) Depreciation of these financial assets

Impairment is calculated as soon as there is objective evidence of depreciation of all or some of these insurance receivables, down payments or loans.
The amount of the impairment is the difference between the book value and the recoverable value (if the latter is lower than the book value), where the recoverable value is defined as being the present value of estimated future cash-flows. This depreciation is recorded in the income statement.

e) Financial liabilities

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

6.10 Cash and cash equivalents

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

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

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

7. TANGIBLE FIXED ASSETS

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

7.1.1 Land and property

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

a) Investment property

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

b) Business premises

- Business premises are recognised at acquisition cost less amortisation and impairment. Land is an exception to this

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

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

7.1.2 Plant, equipment, machinery and furniture

These tangible assets are recognised at acquisition cost. The acquisition cost is defined as the acquisition price plus any accessory costs related to the acquisition. The acquisition cost includes:
- The purchase price, inclusive of non-refundable taxes and customs duty, less any commercial discounts and rebates;
- All costs directly attributable to the transfer of the asset to its place of operation and its preparation for operation as per Management specifications.

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

7.1.3 Amortisation and impairment

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

Amortisation is calculated using the linear method on the basis of the estimated life of the assets, i.e.:
- 25 to 50 years for the structure of the building. Investment property is written off over a 50-year period;
- 10 years for the technical components of the buildings;
- 3 to 10 years for equipment, machinery and furniture.

The amount subject to amortisation of these assets is calculated after deduction of their residual value. The amortisation method applied is examined at the end of each annual period. Land is deemed to be a non-amortisable asset. An impairment loss is recognised to take into account any losses in value thereon.

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

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

7.2 Intangible fixed assets

7.2.1 General

An intangible fixed asset is recognised when:

- It is probable that the future economic benefit generated by the asset will flow to the company;
- The cost of the asset can be reliably measured.

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

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

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

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

7.2.2 Categories of intangible fixed assets

a) Goodwil

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

Goodwill resulting from the acquisition of shares held by minority shareholders is deducted directly from equity in the year of acquisition of theses shares.

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

b) Other intangible fixed assets

- Intangible fixed assets purchased

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

The residual value is deemed to be zero.

- Intangible fixed assets generated within the company

These are IT projects developed internally.

Expenditure during the research phase of the internal projects is not considered as an asset and is recognised in the income statement when incurred.

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

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

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

8. CAPITAL

Ordinary shares are recognised under "Capital". Expenses directly linked to the issue of new shares and the issue of options are recognised in shareholders' equity, net of tax, are deducted from the value of the shares issued. When a Group company purchases shares in the parent company, the price paid, inclusive of the direct costs thus incurred, is deducted from the shareholders' equity until such time as these shares are cancelled or sold. When the shares are sold, the selling price, net of tax and any direct costs incurred in the transaction, is added to the Group's shareholders' equity.
Following a decision taken by the Annual General Meeting of Shareholders, shares issued entitle the holder to a dividend upon presentation of the detached coupon.

9. TAX ON PROFIT AND DEFERRED TAXES

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

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

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

a. where the deferred tax liability arises out of the initial recognition of the Goodwill of a business combination or the initial recognition of an asset or a liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit and loss, and

b. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

10. STAFF BENEFITS

10.1 Long-term benefits

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

Pension benefit plan

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

The employee chooses where the employers' contributions to the supplementary pension fund, net of expenses, are paid on his or her behalf each year. This can be a unit-linked savings instrument, stipulating the various funds into which these payments are made, and/or into a guaranteed rate savings instrument. Should the employee die before retirement, his or her beneficiaries receive the accumulated savings plus a death benefit. Any dependent children receive an orphan's pension.

In the event of full or partial invalidity prior to the retirement date, a supplementary invalidity benefit is paid by the employer in accordance with the rules of the plan. The Group has no obligations other than to pay the aforementioned employers' contributions.

A feature of the defined contribution plans is that payments are made to institutions which release the employer from any subsequent obligation.

Consequently, once the contributions have been paid, no liability or commitment is recognised in the accounts of the various entities. FOYER VIE S.A .acts as the insurer for the other Group entities operating defined contribution pension plans for their respective employees.

This means that both unit-linked and non-unit-linked life insurance and pension benefit commitments, covering the assets which represent the retirement capital accumulated by the individual employees, are recognised in the Group's consolidated accounts.

The 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.

Other commitment

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

The projected credit unit method is used to calculate the discounted value of the defined benefits, the cost of the services rendered over the period and, where applicable, of past services. Present value of the commitments is calculated by discounting future flows at a market rate based on category 1 corporate bond issues.
The Group does not use the corridor method to recognise the actuarial variations of the commitments under these plans. As a result, any variations (actuarial gains or losses) are recognised in full in equity under the item "Reserves" for the period in which they occur.

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

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

11. PROVISIONS AND OTHER LIABILITIES

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

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

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

12. SEGMENT INFORMATION

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

The Group defines a segment as a pool of operational infrastructures or assets providing services in which the risks incurred and the results obtained differ from those in other segments. In the Group these are:

- Non-life insurance;
- Life insurance (insurance and savings services);
- Asset management.

The Group delivers secondary segment information according to the geographical location of the assets.
miscellaneous expenses such as accounts administration, financial management and legal management services are assumed by the various segments through their constituent entities. These expenses are identified and allocated to the Group's entities using an internal cost allocation system and a common accounting system.

13. INCOME FROM ORDINARY ACTIVITIES

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

- Insurance premiums are collected either for non-renewable periods agreed on a case-by-case basis with clients or for fixed, tacitly renewable periods.

- As a general rule, services rendered are tasks performed under contract by a Group entity within a given deadline. Services may be rendered in the course of a single accounting period or over several accounting periods.

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

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

14. LEASE AGREEMENTS

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

Note 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.

2. LIFE INSURANCE CONTRACTS AND LONG TERM SUPPLEMENTARY PENSION BENEFIT

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

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

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

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

2.2 Mathematical provisions

Mathematical provisions for life insurance contracts with high mortality risk are calculated according to current principles approved by the supervisory authorities in line with prospective principles on the basis of assumptions relating to rates of return, mortality/morbidity and administration expenses.
If the mortality table changes, an additional provision is set aside to cover the variance between the provisions calculated on the basis of the old table and those calculated in line with the new table.

When contracts offer a guaranteed minimum rate, a provision is set aside to cover shortfalls in future returns.

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

3. ESTIMATING FINANCIAL INCOME

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

4. (UNIT-LINKED) INVESTMENT CONTRACTS

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

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

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

Note 6. Management of insurance and financial risks

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

1. INSURANCE RISK

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

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

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

1.1 Non-life insurance

1.1.1 General

The Group sells non-life insurance products mainly in the Grand-Duchy of Luxembourg and to a much lesser degree in Belgium under the freedom of services directive. These activities expose the Group to three types of insurance risk. The first two types relate to current and future activities which carry a tariff risk and a risk of extreme claims. The third risk relates to past activities which carry a provisioning risk.
For current activities, the main course of action for managing the selection of risks is acceptance of the risks proposed in line with the selection criteria set forth in the Group's commercial policy.

Risk management is by essence a major pillar of the activity of an insurance company. Furthermore, by participating actively in different quantitative impact studies commissioned as a European project in view of redesigning the rules and the means necessary for an adequate prudential control of insurance companies, named "Solvency II ", the Group has adopted new methods aiming at a better assessment of its risk exposure.

1.1.2 Tariff risk

1.1.2.1 Definition of tariff risk

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

1.1.2.2 Managing tariff risk

The Group has several methods for managing this risk.
a) Technical methods
As a major player on the domestic market, the Group has a large statistical database which enables it to reduce volatility when calculating the probability of occurrence of the insured event and average anticipated costs. The Group's actuaries

use this statistical database to calculate tariffs.

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

b) Legal framework

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

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

c) external expertise

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

1.1.3 Extreme claims risk

1.1.3.1 Definition of extreme claims risk

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

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

1. A storm where the total accumulated cost per event exceeds € 3.0 million.
2. A civil liability claim costing in excess of € 1.7 million.
3. A fire or explosion claim exceeding € 1.5 million.

1.1.3.2 Managing the extreme claims risk

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

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

1.1.3.3 Particular case concerning high risk concentration

Extreme risk claims may be split as very important claims concerning one event on one side and events of low and average cost but relating to an important 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 occurrence is highly improbable and at reasonable cost since the insured sums are limited. Reinsurance plays a major role in the management of the high concentration risk.

Civil liability branches

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.

Claims cost (€ millions) payments + provision on 31.12.2007	Year of occurrence		
	2007	2006	2005
Before applying reinsurance	42.4	54.0	47.2
After applying reinsurance	41.8	46.3	43.0

For the period from 2002-2007, the Group did not have to support a major claim resulting from high risk concentration. Extreme claims resulted only from claims in connection with a single third party.

Damage branches

Taking into account the importance of the market share of the Group in the motor vehicle sector and climate changes observed in passed years, the risk of hail to which in 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 31.12.2007	**Year of occurrence**		
	2007	2006	2005
Before applying reinsurance	72.8	57.9	50.2
After applying reinsurance	63.8	53.2	47.2

The Group did have to support in 2007 two claims caused by hail and resulting from high risk concentration. The more important of these two claims was largely supported by reinsurance as suggested by the table above.

Accident

High concentration risks for the accident branch which are considered to be of catastrophic nature are (air crash, terrorism, bus or train accident, fire or explosion on the site of an insured entity in connection with a group contract). In order to prevail itself against the risks of death and invalidity, the Group has written non-proportional reinsurance treaties with cover event by event and adapted to the structure of our portfolio.

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 31.12.2007	**Year of occurrence**		
	2007	2006	2005
Before applying reinsurance	1.6	1.2	2.3
After applying reinsurance	1.6	1.2	2.3

The Group did not have to support a single major claim resulting from a high concentration risk.

1.1.3.4 Sensitivity analysis

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

Definition of the stress tests

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

Impact on profit before tax in € thousands	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
Reinsurers part of claim fac.	-	-	-	13 215.0	26 430.0
Reinsurers part of claim proportional treaties	-	-	-	10 178.0	20 355.0
Reinsurers part of claim non-proportional treaties	48 300.0	-	22 000.0	107.0	13 000.0
Impact on reinsurance	**- 1 700.0**	**- 7 500.0**	**- 3 000.0**	**- 1 500.0**	**- 2 715.0**

As shown by the "stress test" results, the most catastrophic scenario would have a maximum negative impact of € 7,5 million (before tax) on the profit after reinsurance, i.e. less than 2.0% of consolidated shareholders' equity. This shows the efficiency of our reinsurance program in the light of potential high claims risk.

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 unsettled

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

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 then for damage branches, and more particularly in the field of bodily injuries arising in motor vehicle accidents. Indeed in the 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 occurrence		Year of occurrence 0	1	2	3	4	5
	2002	90 628.2	89 336.2	85 849.3	83 635.5	82 531.8	81 156.2
	2003	103 127.4	99 874.4	95 041.3	90 698.1	88 125.5	
	2004	94 276.5	88 930.9	84 302.4	82 319.5		
	2005	102 269.0	100 396.8	96 809.9			
	2006	107 164.9	107 602.9				
	2007	116 778.0					

Net of reinsurance

(€ thousands)		Year of occurrence					
		0	1	2	3	4	5
Year of occurrence	2002	86 317.3	85 085.2	82 303.6	80 517.2	79 084.1	77 549.5
	2003	99 701.0	96 501.8	91 484.6	87 220.8	84 825.5	
	2004	92 381.5	87 272.5	82 843.1	80 794.5		
	2005	99 060.0	95 574.6	92 241.9			
	2006	102 141.3	100 567.1				
	2007	107 211.8					

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 2007: € 19 445.2 thousand). In addition. the claims expense as at 31 December 2007 does not include claims where the Group is not responsible for administration of the claim but where it is involved through national agreements, such as claims managed by the "Bureau Luxembourgeois" and the "Fonds commun de garantie automobile" (provision gross of reinsurance and net of payments € 1 532.3 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 € 10 340.5 thousand). The claims expense gross of reinsurance for the years of occurrence prior to 2002 is € 133 778.6 thousand, net of payments and the payments for the years of occurrence 2002 to 2007 is € 424 337.5 thousand. Taking into account all these factors, the gross claims provision was € 313 551.1 thousand as at 31 December 2007.

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

In the second stage, the Group takes account of the volatility of the result obtained by 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 hypothesis were to be below that level, the Group would then determine a complementary provision to be added to the provision for claims incurred bet 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% of the confidence interval to the development factors used in the chain ladder calculations. Once the confidence interval has been calculated, the Group compares the balance sheet provision described in point a) with this interval of estimation. If it is close to the lower end of the interval of estimation or even outside the interval, the Group sets aside an IBNER provision. As the Group's confidence interval is currently very good, no IBNER provision has been set aside.

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 provide death and invalidity cover only, such as "temporary outstanding loan annuities" contracts, and combined contracts which cover the risk and include a savings element.

a) Frequency and accumulation risk

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

b) Concentration of risks

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

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

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

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

For life insurance contracts with guaranteed return and DPF, estimates are made, taking into account the probability of death, cancellation, interest rates and general expenses, at the time these contracts are written. Using these assumptions, the Group calculates the insurance commitment for the duration of the contract. Subsequent to this, further estimates are made on a regular basis to ascertain whether the initial estimates are still adequate. If current estimates are inadequate, additional provisions are set aside.

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

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

1.2.3 Sensitivity assumptions

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

As of 31 December 2007, the surplus of hedging assets in excess of the technical provisions calculated according to current regulations has the rate of cover vary as follows:

- At the 4.31% reference rate (2006: 3.95%), the excess cover was up 73.0% (2006: 42.0%);
- At the rate of 5.39% (2006: 4.95%), representing an increase of 25.0%, the excess cover increased by 98.0% (2006: 70.0%);
- At the rate of 3.23% (2006: 2.96%), representing a drop of 25.0%, the excess cover increases by 48.0% (2006: 11.0%);

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

In an economic environment favourable for an increase of interest rates, the shortfall established in 2006 in the face of an interest rate scenario of 2.8% to 2.9% is maintained. The shortfall can be estimated at between 15.0% (2006: 15.4%) and 9.4% (2006: 11.9%) of the excess cover, in other words a current maximum fluctuation of € 4 317.0 thousand, impacting directly on the shareholders' equity of the Group at the rate of € 3 021.9 thousand after tax.

At the 2007 year-end, the shortfall was entirely covered by additional provisions.

The reinsurance agreements only cover the insurance risks as such and do not concern the asset cover of insurance commitments.

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

1.2.4 Short-term life insurance contracts

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

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

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

In addition to the above contracts, the Group sells life contracts outside Luxembourg under the freedom of services act. These are classified as either investment contracts or insurance contracts, depending on whether or not there is significant insurance risk as defined by IFRS 4.

In the majority of cases, the policyholder pays a single premium in the form of a savings capital which is invested according to a pre-defined investment policy. Consequently, the financial risk is borne by the policyholder, except of course for the portion of insurance risk covered by the contract.

2. FINANCIAL RISK

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

On the basis of the profile of its insurance liabilities and cash flows, the Group seeks a balanced return from its asset management activities in order to meet the risks incurred. It complies with the legal framework which sets restrictions on the investment of technical provisions by asset type and issuer in order to avoid a concentration risk. Beyond the legal limits, investments in financial assets are highly diversified. These are generally not hedged by derivatives. Any portfolio adjustments considered necessary are applied directly to the assets managed.

The most important risk factors are rate risks, the risk of fluctuations of stock market prices, credit risk and foreign exchange risk.

The Group has identified credit risk inherent to the management of clients, brokers and reinsurers. The first two are handled by the litigation department and the reinsurance committee is responsible for reinsurance risk.

The other risks arise from unhedged positions from interest rates, exchange rates, equities and Investment funds which are exposed to market movements. Taking into account the structure of the securities portfolio, the most important risk is the interest rate risk.

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

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

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

2.1 Credit risk limiting policy

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 Total credit risk exposure

In order to limit credit risk exposure to bond portfolios, the Group regularly checks the evolution of the various issuers ratings such as to maintain a high degree of quality and to evaluate if income as adequate for the credit risk incurred. The policy is to diversify issuers along 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 thousand and € 75 000 thousand

Risk 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 of which security wetting is considered sufficient. The reinsurance committee gathers periodically and analysis 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 letters of recall 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 their maximum credit risk exposure

31.12.2007 **€ thousands**	Others	Unit linked	Total
Equity instruments			
- Available for sale	276 965.2	-	276 965.2
- At fair value through income	69 618.1	-	69 618.1
Fixed income securities		-	
- Available for sale	757 968.7	-	757 968.7
- At fair value through income	10 899.3	-	10 899.3
Financial assets at fair value through income	-	1 434 392.0	1 434 392.0
Insurance receivables and other receivables	89 115.5	-	89 115.5
Reinsurers' share of liabilities in respect of insurance contracts	138 597.9	-	138 597.9
Cash and cash equivalents	209 082.3	-	209 082.3
Total credit risk exposition	1 552 247.0	1 434 392.0	2 986 639.0

31.12.2006 **€ thousands**	Others	Unit linked	Total
Equity instruments			
- Available for sale	290 666.8	-	290 666.8
- At fair value through income	32 739.4	-	32 739.4
Fixed income securities			
- Available for sale	707 706.6	-	707 706.6
- At fair value through income	10 047.4	-	10 047.4
Financial assets at fair value through income	-	1 442 590.0	1 442 590.0
Insurance receivables and other receivables	88 880.1	-	88 880.1
Reinsurers' share of liabilities in respect of insurance contracts	66 681.6	-	66 681.6
Cash and cash equivalents	141 121.0	-	141 121.0
Total credit risk exposition	1 337 842.9	1 442 590.0	2 780 432.9

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

	2007	2006
AAA à AA-	87.9%	87.5%
A+ to BBB-	11.8%	11.0%
Lower than BBB- *	0.3%	1.5%
Total	100.0%	100.0%

* or without rating

On 31. December. credit risk exposure was the following:

Sovereign risk (including supranational issuers)		Corporate risk	
2007	2006	2007	2006
76.0%	67.0%	24,0%	33.0%

b) Reinsures part within liabilities pertaining to reinsurance contracts

Reinsurers part within these liabilities amounted to € 138 597.9 thousand (2006 € 66 681.6 thousand). Captive reinsurance contract represent € 55 402.8 thousand (2006: € 46 330.3 thousand)

On 31. December 2007, more than 78.89% (2006: 85.99%) of provisions in relation with these captive reinsurance contracts are ceded to reinsurers whose S&P rating is at least AA and 13.62% (2006: 8.09%) to reinsurers whose rating is at least A.

€ thousands	AA	A S&P	A Interne	Others	Total
2007	158 799.3	9 067.0	28 412.8	12 803.2	209 082.3
2006	83 401.0	14 261.5	27 036.3	16 422.2	141 121.0

With an identical security object as the one applied to the management of the bond portfolio, 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.

2.1.4 Other information

On closing the Group had no assets pending depreciated.

The Group charged against income depreciation of € 300.0 thousand on premiums owed by clients and € 425.8 thousand on funds owed by reinsurers. These amounts where estimated on the basis of historical date.

Within its reinsurance activity, the Group received deposits from different reinsurance companies in the amount of € 93 002.9 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 liabilities and assets

The following table shows the maturity calendar of liabilities

31.12.2007 € thousands	< 1 year	1 to 3 years	> 3 years	Unit linked	Total
Other technical provisions	162 861.1	168 404.3	517 765.9	-	849 031.3
Provisions relating to unit-linked insurance contracts	-	-	-	607 364.0	607 364.0
Retirement benefit obligations	-	-	22 239.3	-	22 239.3
Provisions for other liabilities and charges	-	2 003.0	-	-	2 003.0
Liabilities in respect of investment contracts	-	-	-	833 523.7	833 523.7
Loans and deposits from reinsures	93 002.9	-	-	-	93 002.9
Insurance debts and other debts	114 294.4	-	-	-	114 294.4
	370 158.4	**170 407.3**	**540 005.2**	**1 440 887.7**	**2 521 458.6**

31.12.2006 € thousands	< 1 year	1 to 3 years	> 3 years	Unit linked	Total
Other technical provisions	134 405.7	143 554.3	445 883.2	-	723 843.3
Provisions relating to unit-linked insurance contracts	-	-	-	606 914.8	606 914.8
Retirement benefit obligations	-	-	23 337.9	-	23 337.9
Provisions for other liabilities and charges	-	1 634.8	-	-	1 634.8
Other financial liabilities	29.6	-	-	-	29.6
Liabilities in respect of investment contracts	-	-	-	835 073.6	835 073.6
Loans and deposits from reinsures	31 357.1	-	-	-	31 357.1
Insurance debts and other debts	138 426.6	-	-	-	138 426.6
	304 219.0	**145 189.2**	**469 221.1**	**1 441 988.4**	**2 360 617.7**

The following table shows the maturity calendar of assets:

31.12.2007 € thousands	Current	Non-current	Total
Equity instruments			
- Available for sale	-	276 965.2	276 965.2
- At fair value through income	69 618.1	-	69 618.1
Fixed income securities			
- Available for sale	-	757 968.7	757 968.7
- At fair value through income	10 899.3	-	10 899.3
Financial assets at fair value through income	-	1 434 392.0	1 434 392.0
Insurance receivables and other receivables	82 250.1	6 865.4	89 115.5
Reinsurers' share of liabilities in respect of insurance contracts	43 422.5	95 175.4	138 597.9
Cash and cash equivalents	209 082.3	-	209 082.3
	415 272.3	**2 571 366.7**	**2 986 639.0**

31.12.2007 € thousands	Current	Non-current	Total
Equity instruments			
- Available for sale	-	290 666.8	290 666.8
- At fair value through income	32 739.4	-	32 739.4
Fixed income securities			
- Available for sale	-	707 706.6	707 706.6
- At fair value through income	10 047.4	-	10 047.4
Financial assets at fair value through income	-	1 442 590.0	1 442 590.0
Insurance receivables and other receivables	65 188.2	23 691.8	88 880.1
Reinsurers' share of liabilities in respect of insurance contracts	20 344.5	46 337.1	66 681.6
Cash and cash equivalents	141 121.0	-	141 121.0
	269 440.5	**2 510 992.4**	**2 780 432.9**

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. Determination 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 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 Rate risk

The impact of the rate risk for the valuation of the bond portfolio was calculated considering a variance of 50 basis points against the rate decided upon by the European Central Bank and considered possible and reasonable over the next 12 month period

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 2007, an upwards variation of 50 basis points would have generated a decrease in value of € 30 000.0 thousand (2006: € 20 350.0 thousand). At the same time, a downwards variation of 50 basis points would have generated an increase in value of € 30 000.0 thousand (2006: € 20 350.0 thousand)

2.3.3 Exchange risk

The Group does not maintain speculative currency positions when investing in financial assets denominated in other currencies than the Euro. For instance, a purchase order for a dollar denominated security automatically clinches a loan on a period to cover this position. So only remains the risk of a potential price variation.

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

2007 € thousands	GBP	EUR	USD	EUR	CHF	EUR	NOK	EUR
ASSETS								
Equity instruments	232.4	316.9	33 177.7	22 537.7	6 060.5	3 662.6	4 755.4	597.6
Fixed income securities	-	-	4 745.0	3 223.3	-	-	-	-
Reinsurers' share of liabilities in respect of insurance contracts	1.6	2.2	260.2	176.8	33.2	20.1	-	-
Cash and cash equivalents	20.6	28.1	291.9	198.3	87.2	52.7	41.7	5.2
Total assets	254.6	347.2	38 474.8	26 136.0	6 181.0	3 735.4	4 797.1	602.8

2007 € thousands	GBP	EUR	USD	EUR	CHF	EUR	NOK	EUR
LIABILITIES								
Insurance debts and other debts	-	-	-37 545.0	-25 504.4	-5 853.5	-3 537.5	-8 552.7	-1 074.7
Total liabilities	-	-	-37 545.0	-25 504.4	-5 853.5	-3 537.5	-8 552.7	-1 074.7

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 risk

The impact of price risk on the share portfolio was estimated on the basis of a variation of 5.0% both upwards and downwards for one day at the trading close of the DJ index and the Eurostoxx 50 index. This scenario stands the possibility of occurring of about 1.0% over the review period of 7 years. The "look back statistic) method will be applied in 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 all by considering other variables

remaining unchanged.
On 31. December 2007, a variation of 5.0% increase in value on one day and on the basis of trading close of the DJ Eurostoxx 50 index, generates an increase in the value of the share portfolio of € 12 350.0 thousand (2006: € 14 350.0 thousand). A the same date a downward variation would have generated a decrease in the value of the same portfolio of € 12 350.0 thousand (2006: € 14 350.0 thousand)

2.4 Guaranty instruments

At the end of 2007, the total amount of guaranties given by the Group amounted to € 43.2 thousand (2006: € 43.2 thousand). These guaranties were essentially given in relation with office lease contracts. In addition to these the Group as active member on the Luxembourg Stock Exchange had to pay a caution of € 12,4 thousand (2006: € 12.4 thousand) as a cover to its commitments towards the company running the Luxembourg Stock Exchange.

2.5 Management of Capital and reserves

The Groups associated companies are under the supervision of government agencies in charge of the insurance and reinsurance sector and the financial sector and respect each of them solvency margin requirement imposed by law and the respective existing rules which apply to them.

Note 7. Segment information

1. INFORMATION BY SEGMENT OF ACTIVITY

The Group is organised around three business activities:

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

Results per segment for the year ending 31 December 2007 were the following:

Consolidated profit and loss account for the year ended 31 December 2007 € thousands	Non-life	Life	Asset management	Consolidated
Net insurance premium income	189 478.9	86 740.0	-	276 218.9
Total net operating income	52 813.6	42 433.7	9 339.1	104 586.4
Net insurance benefits and claims	-108 578.6	-96 575.2	-	-205 153.8
Expense	-52 696.7	-20 135.5	-5 285.0	-78 117.2
Group's share in the profit of associated companies	115.6	-	-	115.6
Profit before tax	**81 132.8**	**12 463.0**	**4 054.1**	**97 649.9**
Taxes	-17 268.0	-2 649.8	-1 537.9	-21 455.7
Profit for the year	**63 864.8**	**9 813.2**	**2 516.2**	**76 194.2**

Amortisation and depreciation expense in 2007 € thousands	Non-life	Life	Asset management	Consolidated
Amortisation of purchased IT software	-652.4	-106.9	-289.3	-1 048.6
Amortisation of internally generated IT software	-639.6	-	-	-639.6
Amortisation on business premises, land and buildings	-1 989.3	-	-0.2	-1 989.5
Amortisation on equipment, furniture and machinery	-1 026.9	-77.1	-64.8	-1 168.8
Amortisation on investment property	-7.4	-220.8	-	-228.1

Additions by segment € thousands	Non-life	Life	Asset management	Consolidated
Intangible Fixed Assets	792.6	573.2	995.4	2 361.3
Tangible fixed assets	3 329.0	60.5	279.8	3 669.4

Assets and liabilities by segment on 31 December 2007 € thousands	Non-life	Life	Asset management	Consolidated
ASSETS				
Intangible Fixed Assets	3 093.0	741.9	1 119.6	4 954.5
Tangible fixed assets	47 285.1	6 035.1	227.2	53 547.4
Equity instruments	176 348.1	152 701.9	17 533.3	346 583.3
Fixed income securities	371 697.0	327 488.5	69 682.5	768 868.0
Financial assets at fair value through income	-	1 434 392.0	-	1 434 392.0
Insurance receivables and other receivables	45 803.2	23 154.7	20 157.6	89 115.5
Deferred income tax	1 937.0	273.5	29.9	2 240.4
Reinsurers' share of liabilities in respect of insurance contracts	135 489.4	3 108.6	-	138 597.9
Cash and cash equivalents	139 793.7	45 737.5	23 551.2	209 082.3
Assets held for sale	398.7	-	-	398.7

	Non-life	Life	Asset management	Consolidated
LIABILITIES				
Technical provisions	440 383.7	1 016 011.6	-	1 456 395.3
Provisions	15 569.4	8 574.6	98.3	24 242.3
Financial liabilities	91 764.5	834 762.1	-	926 526.6
Insurance debts and other debts	63 945.0	25 853.2	24 496.2	114 294.4
Deferred income tax	45 885.0	19 524.3	291.1	65 700.4

Results per segment for the year ending 31. December 2006 were the following:

Consolidated profit and loss account for the year ended 31 December 2006 € thousands	Non-life	Life	Asset management	Consolidated
Net insurance premium revenue	183 451.0	67 188.4	-	250 639.4
Total net operating income	63 209.1	57 857.4	7 332.6	128 399.1
Net insurance benefits and claims	-98 591.8	-94 271.5	-	-192 863.3
Expense	-54 241.0	-19 125.3	-4 066.5	-77 432.8
Group's share in the profit of associated companies	88.2	-	-	88.2
Profit before tax	**93 915.4**	**11 649.0**	**3 266.2**	**108 830.6**
Taxes	-27 106.6	-2 822.3	-1 283.9	-31 212.8
Profit for the year	**66 808.8**	**8 826.7**	**1 982.3**	**77 617.8**

Amortisation and depreciation expense in 2006 € thousands	Non-life	Life	Asset management	Consolidated
Amortisation of purchased IT software	-820.2	-103.4	-361.0	-1 284.6
Amortisation of internally generated IT software	-417.0	-	-	-417.0
Amortisation on business premises, land and buildings	-1 363.2	-	-0.4	-1 363.6
Amortisation on equipment, furniture and machinery	-1 127.4	-89.8	-64.4	-1 281.6
Amortisation on investment property	-16.2	-220.1	-	-236.3

Additions by segment € thousands	**Non-life**	**Life**	**Asset management**	**Consolidated**
Intangible Fixed Assets	1 139.3	73.8	102.8	1 315,9
Tangible fixed assets	10 889.0	115.2	193.3	11 197.5

Result per segment year ending 31.12 2006 € thousands	**Non-life**	**Life**	**Asset management**	**Consolidated**
ASSETS				
Intangible Fixed Assets	3 843.6	275.6	413.5	4 532.7
Tangible fixed assets	47 066.2	6 272.5	232.6	53 571.3
Investments in associates	361.2	-	-	361.2
Equity instruments	171 379.9	136 290.9	15 735.4	323 406.2
Fixed income securities	372 011.9	293 533.9	52 208.2	717 754.0
Financial assets at fair value through income	-	1 442 590.0	-	1 442 590.0
Insurance receivables and other receivables	52 140.8	18 664.1	18 075.2	88 880.1
Deferred income tax	2 190.6	542.2	38.6	2 771.4
Reinsurers' share of liabilities in respect of insurance contracts	63 037.5	3 644.1	-	66 681.6
Cash and cash equivalents	64 291.9	47 105.6	29 723.5	141 121.0

	Non-life	Life	Asset management	Consolidated
LIABILITIES				
Technical provisions	358 219.0	972 539.1	-	1 330 758.1
Provisions	16 164.2	8 682.1	126.4	24 972.7
Financial liabilities	30 010.9	836 419.8	29.6	866 460.3
Insurance debts and other debts	84 617.1	24 003.5	29 805.9	138 426.5
Deferred income tax	45 382.5	21 491.2	431.3	67 305.0

2. INFORMATION BY GEOGRAPHICAL SECTOR

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

€ thousands	2007	2006
Luxembourg	312 798.7	286 810.2
European Union	18 587.4	11 969.5
Total	**331 386.1**	**298 779.7**

All tangible assets are located in Luxembourg

Note 8. Share capital, share premium account

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

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

The Group has not issued new shares. During the month of December the Group has repurchased 1 567 shares for a total consideration of € 76.2 thousand bringing the total number of issued shares to 8 997 275. The repurchase of own shares was made in line with the asset management contract which the Group has signed with Foyer Asset Management S.A. which is in charge of the management of the Groups assets. These shares will be resold in the course of the first six month period of 2008 and are no indication as to the Groups' intention to repurchase its own shares.

The following table shows the breakdown share premium account:

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

A dividend to be paid in 2008 with reference to the financial year 2007 of € 1.482353 gross per share will be proposed to the Annual General Meeting of the shareholders, against € 1.341176 per share a year earlier. The 2007 financial year accounts do not include the dividend to be proposed at the annual general meeting of shareholders of 1. April 2008.

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

	2007	2006
Profit of the year attributable to Ordinary shareholders € thousand	76 065.7	77 370.6
Average number of shares outstanding	8 998 776.0	8 998 842.0
Profit per base share €	8.5	8.6

Note 9. Reserves and retained earnings

The table below shows a breakdown of reserves:

€ thousands	2007	2006
-Reserves and profits carried forward	336 197.2	287 525.7
- Of which: Revaluation reserve	21 150.2	38 021.4

The "Reserves" item contains the following components

Statutory reserve

This is the statutory reserve of the parent company FOYER S.A. to which at least 5.0% 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 share capital. This reserve may not be disposed off (2007:€ 4 499.4 thousand; 2006: € 4 499.4 thousand).

Special reserves

The Group companies reduced their wealth tax liability as permitted by tax law. Accordingly Group companies allocate an amount corresponding to five times the reduced wealth tax liability to a blocked reserve. This reserve may not be disposed off for five years starting the year following the one in which the wealth tax liability was reduced (2007 : € 15 955,5 thousand; 2006: € 16 026.4 thousand).

Other reserves

The "other reserves", include the Group's share in the reserves of the different group entities as well as the "revaluation reserve".

The latter gives the fair value adjustments of the securities portfolios in accordance with IAS 39.

During 2007 this reserve has evolved as follows:

€ thousands	2007	2006
Reserve as of 01 January 2007	38 021.4	39 012.7
Variation of the consolidation perimeter-	-	5.2
Transfer to income	-17 326.2	-5 452.9
Impairment via Income Statement	825.2	2 256.4
Increase of the year	-370.2	2 200.0
Reserve as of 31 December 2007	21 150.2	38 021.4

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

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

Actuarial differences

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

€ thousands	2007	2006
Reserve for actuarial differences	1 866.4	1 043.9

Note 10. Consolidated statement of changes in equity

€ thousands	Subscribed capital
Shareholders equity as of 31.12.2005	**44 994.2**
Distribution of results 2005	
- Dividends paid during the year	
Income and expenses directly recognised in equity	
Change of consolidation perimeter and other changes	
Net income 2006	
Shareholders equity as at 31.12.2006	**44 994.2**
Distribution of results 2006	
- Dividends paid during the year	
Income and expenses directly recognised in equity	
Change of consolidation perimeter through repurchase of minority interests	
Other changes	
Net income 2007	
Shareholders equity as at 31.12.2007	**44 994.2**

Treasury shares	Share premium account	Reserves, retained earnings and profit of the year	Shareholders equity - Group share	Shareholders equity - Minority interests
-	**3 106.0**	**298 190.8**	**346 291.0**	**8 425.1**
-	-	-10 798.6	-10 798.6	-29.8
-	-	279.8	279.8	-8.6
-	-	-146.1	-146.1	-7 883.6
-	-	77 370.6	77 370.6	247.2
-	**3 106.0**	**364 896.4**	**412 996.6**	**750.3**
-	-	-12 069.0	-12 069.0	-16.0
-	-	-16 037.8	-16 037.8	-11.0
-	-	-958.7	-958.7	-517.6
-76.2		366.3	290.1	-
-	-	76 065.7	76 065.7	128.4
-76.2	**3 106.0**	**412 262.9**	**460 286.9**	**334.1**

Note 11. Intangible fixed assets

Changes registered for intangible fixed assets over the 2007 financial year can be summarised as follows:

€ thousands	Purchased software	Internally generated software	Goodwill	Total
Gross amount on 01.01.	**9 795.1**	**3 197.8**	**251.2**	**13 244.1**
Additions	2 110.0	-	-	2 110.0
Gross amount on 31.12.	**11 905.2**	**3 197.8**	**251.2**	**15 354.2**
Accumulated amortisation on 01.01.	-8 294.5	-417.0	-	-8 711.5
Amortisation of the year	-1 048.6	-639.6	-	-1 688.2
Accumulated amortisation on 31.12.	**-9 343.1**	**-1 056.6**	**-**	**-10 399.7**
Carrying value on 31.12.	**2 562.1**	**2 141.2**	**251.2**	**4 954.5**

In the course of the year the Group acquired certain software packages and licences for an aggregate amount of € 1 548.6 thousand. This software was recognised as "Entries of the year" in the column "Acquired Software" but has as yet not become operative. For this reason no amortisation has been charged in 2007 on this software. (*: see table at the end of note 11)

Changes registered for intangible fixed assets in 2006 were the following:

€ thousands	Purchased software	Internally generated software	Goodwill	Total
Gross amount on 01.01.	**9 534.0**	**2 781.4**	**4 764.7**	**17 080.1**
Additions	401.9	662.8	251.2	1 315.9
Change of consolidation perimeter	-140.8	-246.4	-4 764.7	-5 151.9
Gross amount on 31.12.	**9 795.1**	**3 197.8**	**251.2**	**13 244.1**
Accumulated amortisation on 01.01.	-7 150.6	-246.4	-	-7 397.0
Amortisation of the year	-1 284.6	-417.0	-	-1 701.6
Accumulated depreciation on 01.01.	-	-	-4 764.7	-4 764.7
Additions	-	-	-	-
Change of consolidation perimeter	140.8	246.4	4 764.7	5 151.9
Accumulated amortisation on 31.12.	**-8 294.4**	**-417.0**	**-**	**-8 711.4**
Carrying value on 31.12.	**1 500.7**	**2 780.8**	**251.2**	**4 532.7**

Major purchased and generated software packages recognised in the Groups' accounts are as follows:

Designation	Entity	Accounting value 31.12.2007	Residual Amortisation Time
Systems sofware	Foyer Assurances	31.1	2 - 4 years
Technical software	Foyer Assurances	276.2	1 year
Application software	Foyer Assurances	2 515.3	0,5 year
Application software	Foyer Vie	573.2	(*)
Application software	Foyer Patrimonium	975.4	(*)

Note 12. Business premises, plant and equipment

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

€ thousands	Land and Buildings	Materials, furniture and equipment	Total
Gross amount on 01.01.2007	**43 675.3**	**13 015.7**	**56 691.1**
Additions	2 435.1	1 266.1	3 701.3
Disposals	-	-381.7	-381.7
Gross amount on 31.12.2007	**46 110.5**	**13 900.2**	**60 010.7**
Accumulated amortisation on 01.01.2007	-1 425.5	-8 048.9	-9 474.4
Amortisation of the year	-1 989.5	-1 168.8	-3 158.3
Disposals	-	155.9	155.9
Accumulated amortisation on 31.12.2007	**-3 415.0**	**-9 061.8**	**-12 476.8**
Carrying value on 31.12.2007	**42 695.5**	**4 838.4**	**47 533.9**

The fair value on 31 December 2007 of "Business premises" as shown in column "Land and buildings", was estimated by independent experts well known by the market. Fair value estimated by these experts amounts to € 48 431.2 thousand (2006: € 48 431.2 thousand), net of any transaction costs.

On 14. December 2004 the building in Leudelange, which is the main component of this line of assets, was pledged to the Luxembourg government as guaranty for the technical commitments of FOYER ASSURANCES in accordance with legal regulations in this respect.

Amortisation of the year has been reconised in the income statement as "Administrative expense".

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

€ thousands	Land and Buildings	Buildings under construction	Materials, furniture and equipment	Total
Gross amount on 01.01.2006	**20 005.0**	**29 837.3**	**11 083.1**	**60 925.4**
Additions	7 120.6	-	4 076.9	11 197.5
Transfers	29 076.6	-29 837.3	420.1	- 340.6
Change of consolidation perimeter	-	-	-169.6	- 169.6
Disposals	-12 526.9	-	-2 394.7	- 14 921.7
Gross amount on 31.12. 2006	**43 675.3**	**-**	**13 015.7**	**56 691.0**
Accumulated amortisation on 01.01.	-7 663.5	-	-9 100.4	- 16 763.9
Amortisation of the year	-1 363.6	-	-1 281.6	- 2 645.3
Transfers	119.5	-	81.3	200.8
Change of consolidation perimeter	-	-	133.2	133.2
Disposals	7 482.1	-	2 118.6	9 600.7
Accumulated amortisation on 31.12.2006	**-1 425.5**	**-**	**-8 048.9**	**- 9 474.4**
Carrying value on 31.12.2006	**42 249.8**	**-**	**4 966.8**	**47 216.6**

Note 13. Investment property

Movements registered in the line "Investment property" in 2007 and 2006 were as follows:

€ thousands	Land and Buildings 2006	Land and Buildings 2007
Gross amount on 01.01.	**9 561,7**	**9 811,2**
Additions	26.9	-
Disposals	-185.4	-580.2
Transfers	-	330.7
Gross amount on 31.12.	**9 403.2**	**9 561.7**
Accumulated amortisation on 01.01.	-3 207.0	-3 077.0
Amortisation of the year	-228.1	-236.3
Disposals	45.4	225.7
Transfers	-	-119.4
Accumulated amortisation on 31.12.	**-3 389.7**	**-3 207.0**
Carrying value on 31.12.	**6 013.5**	**6 354.7**

The fair value on 31 December 2007 of item "Investment property", was estimated by independent experts well known by the market. Fair value estimated by these experts based on current sales prices amounts to € 12 071.1 thousand (2006: € 12 256.5 thousand).
Rental income of investment property amounted in 2007 to € 885.8 thousand (2006: € 872.4 thousand). Expenses incurred on these buildings amounted in 2007 to € 279.3 thousand (2006: € 281.3 thousand).
At the end of the amortisation period, the residual value of these buildings is considered to be zero.
Amortisation of the year has been charged to income in the line "Administrative expenses"

Foyer

Note 14. Equity securities and fixed income securities

These financial assets are shown by category in the table below. These do not include assets at fair value through income (assets representing unit-linked contracts) which are detailed in note 20. The financial assets representing the technical commitments of the insurance and investment contracts issued by the Group constitute a separate set of assets and are used first and foremost as guaranty for the payment of these commitments.

Break down by category :

€ thousands	2007		2006	
	Available for sale	At fair value through income	Available for sale	At fair value through income
Equity instruments				
Shares				
- quoted	270 693.1	69 618.1	287 974.0	32 739.4
- non-quoted	6 272.1	-	2 692.8	-
Fixed income securities				
Bonds				
- quoted	757 968.7	10 899.3	707 706.6	10 047.4
- non-quoted	-	-	-	-
Total	**1 034 933.9**	**80 517.4**	**998 373.4**	**42 786.8**
Total of the year	**1 115 451.3**		**1 041 160.2**	

Price variance during the financial year by portfolio category

€ thousands	2007 Available for sale	2007 At fair value through income	2006 Available for sale	2006 At fair value through income
Carrying value on 01.01.	**998 373.4**	**42 786.8**	**903 037.6**	**44 611.3**
Acquisitions	636 366.1	6 372 052.8	502 231.2	1 854 152.0
Disposals and redemption	-556 382.3	-6 330 918.0	-400 217.5	-1 848 744.0
Revaluation through profit and loss account	-939.2	-3 404.2	-2 593.2	1 701.6
Revaluation through revaluation reserve	-33 484.1	-	-5 500.8	-
Change of consolidation perimeter	-	-	1 416.1	-8 934.1
Carrying value on 31.12	**1 034 933.9**	**80 517.4**	**998 373.4**	**42 786.8**

Note 15. Insurance receivables and other receivables, accruals

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

€ thousands	2007	2006
- Gross receivables from policyholders	10 939.8	10 880.6
- Impairment of receivables from policyholders	-300.0	-300.0
- Receivables from intermediaries	1 561.2	12 715.4
- Receivables from reinsurers	8 303.2	652.7
- Other accounts receivables	40 082.4	39 101.7
- Accrued income and deferred expenses	19 005.2	17 048.6
- Subrogation and recoveries	3 341.5	3 126.1
- Loans	6 182.2	5 655.0
Total	**89 115.5**	**88 880.1**

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

Loans

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

	Depreciated cost (€ thousands)	Average life in years	Average rate
- Loans to policy holders	1 221.8	8.1	6.3%
- Loans to agents	4 274.1	7.9	5.2%
- Loans to related parties	686.3	10.7	3.0%
Total	**6 182.2**	**-**	**-**

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

Accrued income and deferred expenses

€ thousands	2007	2006
Interest and rent accrued but not collected	18 306.6	16 429.1
Deferred acquisition expenses	683.2	578.2
Other accrued income and deferred expenses	15.4	41.3
Total	**19 005.2**	**17 048.6**

Other accounts receivable

€ thousands	2007	2006
Sundry receivables	39 396.1	38 562.2
Receivables from related parties	686.3	539.5
Total	**40 082.4**	**39 101.7**

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

	2007		2006	
€ thousands	Current	Non current	Current	Non current
Insurance receivables	20 504.2	-	23 948.7	-
Other accounts receivable	40 082.4	-	21 643.0	17 458.7
Accrued income and deferred expenses	18 322.0	683.2	16 470.4	578.2
Subrogation and recoveries	3 341.5	-	3 126.1	-
Loans	-	6 182.2	-	5 655.0
Total	**82 250.1**	**6 865.4**	**65 188.2**	**23 691.9**

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

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

Note 16. Cash and cash equivalents

This line can be detailed as follows:

€ thousands	2007	2006
Time deposits	184 520.3	100 361.7
Cash in hand, current and short term call accounts	24 562.0	40 759.3
Total	**209 082.3**	**141 121.0**
Short term bank debt (Note 18)	-30 034.1	-31 135.1
Total	**179 048.2**	**109 985.9**

The maturity of time deposits varies between 2 and 64 days and the interest rates are those of the short-term financial market, averaging 3.6 % as of 31 December 2007. The fair value of these assets has not been recognised as discounting has a negligible effect on the original amounts.

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

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

1. TECHNICAL PROVISIONS NET OF REINSURANCE

€ thousands	2007	2006
Gross amounts		
- Claim provision	313 551.1	296 344.7
- Provision for unearned premiums	82 760.4	80 066.6
- Provision for life insurance	996 078.7	953 021.3
- of which investment contracts with DPF	*67 407.1*	*42 308.2*
- Provision for contract aging	1 755.7	1 325.5
- Other technical provision	62 249.4	-
Total gross technical provisions	**1 456 395.3**	**1 330 758.1**
Reinsurers share		
- Claim provision	67 150.7	57 849.8
- Provision for unearned premiums	8 421.1	8 155.0
- Provision for life insurance	776.8	676.8
- Other technical provision	62 249.4	-
Total technical provisions - reinsurers share	**138 597.9**	**66 681.6**
Net amounts		
- Claim provision	246 400.4	238 494.9
- Provision for unearned premiums	74 339.3	71 911.6
- Provision for life insurance	995 301.9	952 344.5
- Provision for contract aging	1 755.7	1 325.5
Total net technical provisions	**1 317 797.4**	**1 264 076.5**

The provision for non-life claims includes an estimated amount of € 10 965.2 thousand (2006: € 11 250.8 thousand) for late-reported claims. This provision has been calculated on the basis of historic frequency and average cost data. The claims provision also contains a provision for administration expense in the amount of € 19 561.6 thousand (2006: € 19 303.6 thousand) aimed at providing the Group with the necessary funding to meet run-off costs of outstanding claims should the Group cease to write insurance contracts.

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

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

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

2.1 Variation of gross Life & Non-life insurance liabilities and related reinsurance assets

	2007			2006		
€ thousands	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Provision 01.01.	296 344.7	57 849.9	238 494.9	286 374.6	55 901.2	230 473.4
Variation of the consolidation perimeter	-	-	-	787.1	-	787.1
Current year variation	17 206.3	9 300.8	7 905.5	9 183.0	1 948.7	7 234.4
Provision 31.12.	313 551.1	67 150.7	246 400.4	296 344.7	57 849.9	238 494.9

2.2 Variation for unearned premium

	2007			2006		
€ thousands	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Provision 01.01.	80 066.6	8 155.0	71 911.6	80 340.0	11 182.6	69 157.4
Variation of the consolidation perimeter	-	-	-	304.2	-	304.2
Current year variation	2 693.8	266.1	2 427.7	-577.6	-3 027.6	2 450.0
Provision 31.12.	82 760.4	8 421.1	74 339.3	80 066.6	8 155.0	71 911.6

2.3 Variation of the Life provision

2.3.1 Variation of the Life provision

€ thousands	2007 Gross	2007 Reinsurance	2007 Net	2006 Gross	2006 Reinsurance	2006 Net
Provision 01.01.	336 816.3	676.8	336 139.5	307 406.3	865.6	306 540.7
Current year variation	40 263.5	99.9	40 163.5	29 410.0	-188.8	29 598.8
Provision 31.12.	377 079.8	776.8	376 303.0	336 816.3	676.8	336 139.5

2.3.2 Variation of the unit linked Life provision

€ thousands	2007 Gross	2007 Reinsurance	2007 Net	2006 Gross	2006 Reinsurance	2006 Net
Provision 01.01.	606 914.8	-	606 914.8	625 833.7	-	625 833.7
Transfer to liabilities for investment contrats	-	-	-	-28 894.4	-	-28 894.4
Current year variation	449.2	-	449.2	9 975.5	-	9 975.5
Provision 31.12.	607 364.0	-	607 364.0	606 914.8	-	606 914.8

2.3.3 Variation of the provision for DPF

€ thousands	2007 Gross	2007 Reinsurance	2007 Net	2006 Gross	2006 Reinsurance	2006 Net
Provision 01.01.	9 290.1	-	9 290.1	4 559.5	-	4 559.5
Current year variation	2 344.8	-	2 344.8	4 730.6	-	4 730.6
Provision 31.12.	11 635.0	-	11 635.0	9 290.1	-	9 290.1

3. VARIATION OF THE AGING PROVISION

	2007			2006		
€ thousands	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01.	1 325.5	-	1 325.5	975.6	-	975.6
Current year variation	430.2	-	430.2	349.9	-	349.9
Provision 31.12.	1 755.7	-	1 755.7	1 325.5	-	1 325.5

4. LOANS AND DEPOSIT RECEIVED FROM REINSURERS

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

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

€ thousands	2007	2006
Non-life contracts	91 764.4	30 010.9
Life contracts	1 238.5	1 346.2
Total	**93 002.9**	**31 357.1**

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

Note 18. Tax and social security liabilities

€ thousands	2007	2006
Debts arising from direct insurance transactions	16 710.1	16 174.1
Debts arising from reinsurance transactions	4 009.6	12 807.4
Debts with credit institutions	30 034.1	31 135.1
Tax ans social security liabilities	36 089.5	45 752.1
Debts with group companies	6.7	256.5
Other debts	27 444.4	32 301.3
Total	**114 294.4**	**138 426.5**

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

Debts arising from reinsurance transactions account for the balances on reinsurance accounts at the end of the period under review.
Debts with credit institutions are occasional overdrafts on the Group's current accounts maintained with these institutions. These overdraft facilities are non-contractual, unconfirmed current account credit facilities granted by these institutions.

The tax and social security liabilities are sums due to these authorities by virtue of income tax returns received, tax and social security contributions deducted at source and provisions for income tax and wealth tax calculated each year in line with the tax laws of the countries in which the entities are established.

Debts with group companies essentially represent the balance on the current accounts held with proportionally-consolidated joint ventures.
The other debts are due to securities transactions which are pending settlement at the end of the period.

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

Note 19. Income tax and deferred income tax

1. TAX CHARGE DUE

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

€ thousands	2007	2006
IRC	-10 024.3	-9 823.7
ICC	-3 545.0	-3 398.0
Wealth tax	-330.5	-301.6
Total allocation to the tax provision	**-13 899.8**	**-13 523.3**

2. DEFERRED TAX INCOME AND EXPENSE FOR THE YEAR

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

€ thousands	2007	2006
Deferred tax assets as at 01.01.	**2 771.4**	**5 658.8**
- Deferred tax recoverable within 12 months	- 243.1	- 2 257.3
- Deferred tax recoverable after 12 months	- 287.9	- 630.1
Deferred tax assets as at 31.12.	**2 240.4**	**2 771.4**
Deferred tax liabilities as at 01.01.	**67 305.0**	**49 203.5**
- Deferred tax recoverable within 12 months	- 4 328.9	4 937.9
- Deferred tax recoverable after 12 months	2 724.3	13 163.6
Deferred tax liabilities as at 31.12.	**65 700.4**	**67 305.0**
Deferred tax charged to the profit and loss account	**- 7 555.9**	**- 17 689.5**
Deferred tax charge	- 8 497.3	- 18 068.1
Deferred tax revenue	941.4	378.6

Deferred tax related to items debited or credited directly to equity can be detailed as follows:

€ thousands	2007	2006
IAS 39	**9 250.8**	**2 739.8**
IAS 19	**814.4**	**556.9**
Total	**10 065.2**	**3 296.7**

3. DEFERRED TAX ASSET

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

€ thousands	IAS 38	IAS 37	IAS 19	IAS 12	Total
Beginning of the year 2006	**1.5**	**459.3**	**2 696.2**	**2 501.8**	**5 658.8**
Variation of consolidation perimeter and other variations	- 0.8	3.0	-	-	2.2
Debit/credit to profit and loss account	- 0.5	0.4	- 75.3	- 2 257.2	- 2 332.6
Debit/credit to the valuation reserve	-	-	- 557.0	-	- 557.0
End of year 2006	**0.2**	**462.7**	**2 063.9**	**244.6**	**2 771.4**
Beginning of the year 2007	**0.2**	**462.7**	**2 063.9**	**244.6**	**2 771.4**
Debit/credit to profit and loss account	- 0.2	- 17.5	88.7	- 243.1	- 172.2
Debit/credit to the valuation reserve	-	-	- 358.9	-	- 358.9
End of year 2007	**-**	**445.2**	**1 793.7**	**1.4**	**2 240.3**

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

IAS 37: The variation in the deferred tax amount results from an increase in the provision for paid holiday leave as well as a provision for 10 years work recognition The variation registered in 2007 is due mainly to the latter of these provisions.

IAS 12: Changes in the amount of deferred tax in relation with IAS 12 of € -243.1 thousand is in essence due to the variation of losses carried forward. which were incurred by the various Group companies under LuxGAAP. They have been determined in accordance with the Grand-Duchy of Luxembourg's tax laws.

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

4. DEFERRED TAX CREDIT

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

€ thousands	IAS 39	IAS 37	IAS 19	IAS 12	IFRS 5	Total
Beginning of the year 2006	**18 115.8**	**19 579.1**	**326.1**	**11 116.5**	**66.0**	**49 203.5**
Variation of consolidation perimeter and other variations	4.9	-	-	-	-	4.9
Debit/credit to profit and loss account	2 193.2	4 020.5	-	9 209.1	- 66.0	15 356.8
Debit/credit to the valuation reserve	2 739.8	-	-	-	-	2 739.8
End of year 2006	**23 053.7**	**23 599.6**	**326.1**	**20 325.6**	**-**	**67 305.0**
Beginning of the year 2007	**23 053.7**	**23 599.6**	**326.1**	**20 325.6**	**-**	**67 305.0**
Debit/credit to profit and loss account	- 3 661.5	3 394.0	-	- 759.0	-	- 1 026.6
Debit/credit to the valuation reserve	- 578.0	-	-	-	-	- 578.0
End of year 2007	**18 814.2**	**26 993.6**	**326.1**	**19 566.6**	**-**	**65 700.4**

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

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

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

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

5. RECONCILIATION OF TAX EXPENSE AND TAX INCOME

€ thousands	2007	2006
Profit before tax	97 649.9	108 830.6
Tax expense according to (1) above	13 899.8	13 523.3
Tax expense according to (2) above	7 555.9	17 689.5
Total tax expense	**21 455.7**	**31 212.8**
Theoretical tax expense	29 666.0	33 062.7
Impact of fixed tax allowance	-10.2	-7.9
Wealth tax	263.9	303.6
Final taxation of previous years received	-41.2	-149.5
Non taxable income	-8 285.1	-2 001.1
Unrecoverable tax expenses	-155.2	-48.8
Other impacts	17.4	53.8
Total tax expense	**21 455.7**	**31 212.8**

Tax expense for both IRC and ICC was calculated at an aggregate rate of 30.38% on the profit before tax, minority share included. Wealth tax was calculated at the rate of 0.5% separately on the wealth of each individual entity.

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

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

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

€ thousands	2007			
	Luxembourg	UE	Hors UE	Total
Liabilities in respect of investment contracts	11 260.2	821 416.2	847.4	833 523.7

€ thousands	2006			
	Luxembourg	UE	Hors UE	Total
Liabilities in respect of investment contracts	10 708.8	823 531.0	833.8	835 073.6

All these amounts are financial liabilities which the Group classifies as financial liabilities at fair value through income (Note 3 paragraph 5.4.2). The value at maturity of these financial liabilities equals the fair value of the underlying investment units of these contracts at maturity. The book value will be the same as the amount which the Group shall be contractually bound to pay at maturity. The credit risk of liabilities inherent to these investment contracts is supported by the subscribers of these unit-linked contracts.

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

€ thousands	2007	2006
Value of the investment units at fair value through income	1 434 392.0	1 442 590.0

Note 21. Employee benefits

1. 1. LONG TERM BENEFITS: POST EMPLOYMENT BENEFITS

The Group offers pot employment benefits as well to active employees as to retired employees. Calculations required under IAS 19 for liabilities in this respect were made on 31 December 2007. These liabilities have not been outsourced and correspond therefore to a net liability.

1.1 Employee retirement scheme

1.1.1 External scheme

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

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

1.1.2 Régime interne

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

1.2 Assumptions

The actualisation rate is based on bond market data

	31.12.2007	31.12.2006
Actualisation rate	4.6%	4.1%
Inflation rate	2%	2%
Rate of salary increases	2.5%	2.5%
Mortality tables for active employees	GBM 90-95	GBM 90-95
Rate of increase of current pensions	2%	2%
Mortality tables for pensioners	ERF (1990) Suisse	ERF (1990) Suisse

The following factors have also been taken into account:

- Personnel turnover rate;
- The investments selected by affiliated personnel are considered to be constant in the projection;
- Tax under Article 142 LIR (20%) as well as the "taxe rémunératoire" are born by the employer and added to the cost of the plan. 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. There are being cumulated in the Statement of recognised income and expense statement.

1.4 Data

a) External pension scheme

	2007	2006
Number of active employees	442	458
Average age	39 years	39 years
Annual payroll for pension calculations	€ 26 274.2 thousand	€ 26 648.5 thousand
Average residual period	18	21

b) Internal pension scheme

	2007	2006
Number of beneficiaries	65	67
Average age	68 years	67 years
Annual benefits	€ 844.7 thousand	€ 848.5 thousand

1.5 Calculation of commitments

a) Year 2007

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

€ thousands	Total	Employed	Retired
Present value of funded obligation on 01.01.2007	21 249.4	7 617.6	13 631.8
Current service cost	941.5	941.5	-
Interest cost	837.3	294.4	542.9
Contribution paid by the employer	-	-	-
Actuarial (Gain) Loss	-1 181.3	-370.3	-811.0
Benefits paid	-1 746.4	-901.7	-844.7
Present value of funded obligations on 31.12.2007	20 100.5	7 581.5	12 519.0

Employer contribution to the plan in 2008 is expected to be € 991.9 thousand.

Balance sheet amounts

€ thousands	Total	Employed	Retired
Liabilities	20 100.5	7 581.5	12 519.0
Assets	-	-	-
Liabilities net (Assets)	**20 100.5**	**7 581.5**	**12 519.0**
Amounts recognised in income & expenses (IAS 19.§93A)			
Actuarial (Loss) or gain recognised during the period	1 181.3	370.3	811.0
Impact of IAS 19 §58(b)	-	-	-
Declared opening actuarial Gain (Loss)	1 499.9	689.4	810.5
Accumulated Gain (Loss) at the end of the period	**2 681.2**	**1 059.7**	**1 621.5**

Total expenses recognised in income

€ thousands	Total	Employed	Retired
Current service cost	941.5	941.5	-
Interest cost	837.3	294.4	542.9
Expected return on plan assets	-	-	-
Net actuarial recognised loss (gains)	-	-	-
Past service cost	-	-	-
Impact IAS 19 §58(b)	-	-	-
Total cost	**1 778.8**	**1 235.9**	**542.9**

Deficit reconciliation

€ thousands	Total	Employed	Retired
Deficit on 01.01.2007	21 249.4	7 617.6	13 631.8
Total cost	1 778.8	1 235.9	542.9
Contribution paid by the employer	-	-	-
Benefits paid	-1 746.4	-901.7	-844.7
Actuarial (Gain) Loss	-1 181.3	-370.3	-811.0
Deficit on 31.12.2007	**20 100.5**	**7 581.5**	**12 519.0**

Evolution

a) Present value of defined benefit obligation (in € thousands)	Commitment	Asset	Deficit
2007	20 100.5	-	20 100.5
2006	21 249.4	-	21 249.4
2005	23 480.1	-	23 480.1
2004	23 894.1	-	23 894.1

b) Adjustments linked to past experience of commitments (in %)

2007	-6%
2006	-9%
2005	-5%
2004	6%

b) Year 2006

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

€ thousands	Total	Employed	Retired
Present value of funded obligation on 01.01.2006	23 480.1	8 413.7	15 066.4
Current service cost	1 361.8	1 361.8	-
Interest cost	790.5	269.3	521.2
Contribution paid by the employer	-	-	-
Actuarial (Gain) Loss	-1 833.7	-726.3	-1 107.4
Benefits paid	-2 549.3	-1 700.9	-848.4
Present value of funded obligations on 31.12.2006	**21 249.4**	**7 617.6**	**13 631.8**

Balance sheet amounts

€ thousands	Total	Employed	Retired
Liabilities	21 249.4	7 617.6	13 631.8
Assets	-	-	-
Liabilities net (Assets)	**21 249.4**	**7 617.6**	**13 631.8**
Amounts recognised in income & expenses expenses (IAS 19.§93A)			
Actuarial (Loss) or gain recognised during the period	1 833.7	726.3	1 107.4
Impact of IAS 19 §58(b)	-	-	-
Declared opening actuarial Gain (Loss)	333.8	36.9	296.9
Accumulated Gain (Loss) at the end of the period	**1 499.9**	**689.4**	**810.5**

Total expenses recognised in income

€ thousands	Total	Employed	Retired
Current service cost	1 361.8	1 361.8	-
Interest cost	790.5	269.3	521.2
Expected return on plan assets	-	-	-
Net actuarial recognised loss (gains)	-	-	-
Past service cost	-	-	-
Impact IAS 19 §58(b)	-	-	-
Total cost	**2 152.3**	**1 631.1**	**521.2**

Deficit reconciliation

€ thousands	Total	Employed	Retired
Deficit on 01.01.2006	23 480.1	8 413.7	15 066.4
Total cost	2 152.3	1 631.1	521.2
Contribution paid by the employer	-	-	-
Benefits paid	-2 549.3	-1 700.9	-848.4
Actuarial (Gain) Loss	-1 833.7	-726.3	-1 107.4
Deficit on 31.12.2006	21 249.4	7 617.6	13 631.8

2. SHORT-TERM BENEFITS

2.1 Provisions for paid leave

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

€ thousands	2007	2006
Provision at 01.01	1 513.0	1 513.0
Movements during the year	-356.2	-
Provision at 31.12	1 156.8	1 513.0

2.2 Provision for presents for length of service

Presents are made to members of the personnel in connection with their length of service within the limits detailed hereafter.

a) up to € 2.3 thousand when the present is made for uninterrupted length of service of 25 years
b) up to € 3.4 thousand when the present is made for uninterrupted length of service of 40 years

Legal Social security contributions in connection with such a present may not be deducted from income tax.

Present value of commitments in connection with these presents are calculated applied the actuarial method units of credits taking into account mortality and personnel turnover. Assumptions applied are similar to those used for the calculation of pension commitments.

The evolution of this provision is the following:

€ thousands	2007	2006
Provision on 01.01	-	-
Change of the year	308.3	-
Provision on 31.12	308.3	-

Note 22. Agents' pension benefit commitment

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

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

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

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

At 31 December, the provisions stood at:

€ thousands	2007	2006
Provisions at 31.12.	2 030.6	1 980.2

Note 23. Net insurance premium income

€ thousands	2007	2006
Gross Non-life premiums written		
Fire and other damage to property	60 646.5	55 105.7
Motor, civil liability	52 033.4	48 609.2
Motor, other branches	65 782.6	62 847.3
Civil liability	19 503.8	19 307.5
Health, accident	6 385.9	9 048.0
Business turnover losses	26 324.8	18 980.0
Other branches	12 370.8	13 843.3
Total gross Non-life premiums written	**243 047.9**	**227 741.0**
Variation gross unearned premiums provision		
Fire and other damage to property	-598.9	1 086.8
Motor, civil liability	-19.6	22.7
Motor, other branches	-819.6	-1 186.8
Civil liability	-533.9	63.3
Health, accident	-33.5	1.7
Business turnover losses	-208.9	25.8
Other branches	-85.7	1 026.2
Total variation gross unearned premiums provision	**-2 300.1**	**1 039.8**
Gross earned premiums Non-life		
Fire and other damage to property	60 047.6	56 192.5
Motor, civil liability	52 013.8	48 631.8
Motor, other branches	64 963.0	61 660.5
Civil liability	18 969.9	19 370.8
Health, accident	6 352.4	9 049.7
Business turnover losses	26 115.9	19 005.8
Other branches	12 285.1	14 869.6
Total gross earned premiums Non-life	**240 747.7**	**228 780.8**

€ thousands	2007	2006
Gross premiums written Life (contracts IFRS 4)		
Life without unit-linked	76 193.0	61 956.1
- *o/w contracts with DFP*	26 476.3	11 194.2
Life unit-linked	14 839.1	8 504.8
Total gross Life premiums written	**91 032.1**	**70 460.9**
Variation gross unearned premiums provision		
Life without unit-linked	-393.7	-462.2
Life unit-linked	-	-
Total variation gross unearned premiums provision	**-393.7**	**-462.2**
Gross earned premiums Life		
Life without unit-linked	75 799.3	61 494.0
Life unit-linked	14 839.1	8 504.8
Total gross earned premiums Life	**90 638.4**	**69 998.8**
Gross premiums earned	**331 386.1**	**298 779.7**
Ceded Non-life premiums		
Fire and other damage to property	-14 702.6	-11 232.0
Motor, civil liability	-1 270.3	-1 292.6
Motor, other branches	-353.7	-28.2
Civil liability	-5 556.3	-5 640.8
Health, accident	-392.2	-416.7
Business turnover losses	-24 555.0	-17 358.8
Other branches	-4 704.8	-6 333.2
Total ceded Non-life premiums	**-51 534.9**	**-42 302.3**

€ thousands	2007	2006
Variation unearned premiums provision, reinsurers share		
Fire and other damage to property	-8.2	-1 823.4
Motor, civil liability	-	-
Motor, other branches	-51.4	376.7
Civil liability	187.8	-44.2
Health, accident	2.4	1.0
Business turnover losses	178.0	-30.1
Other branches	-42.5	-1 507.7
Total variation unearned premiums provision, reinsurers share	**266.1**	**-3 027.7**
Ceded earned Non-life premiums		
Fire and other damage to property	-14 710.8	-13 055.4
Motor, civil liability	-1 270.3	-1 292.6
Motor, other branches	-405.1	348.5
Civil liability	-5 368.5	-5 685.0
Health, accident	-389.8	-415.6
Business turnover losses	-24 377.0	-17 388.9
Other branches	-4 747.3	-7 840.9
Total ceded earned Non-life premiums	**-51 268.8**	**-45 329.9**
Ceded Life premiums (contracts IFRS 4)		
Life without unit-linked	-3 862.9	-2 779.0
Life unit-linked	-35.5	-31.3
Total ceded Life premiums	**-3 898.4**	**-2 810.3**
Ceded earned premiums	**-55 167.2**	**-48 140.3**
Net earned premiums	**276 218.9**	**250 639.4**

Note 24. Insurance benefits and claims

€ thousands	2007	2006
Life insurance claims - Gross		
Claims paid	-54 038.9	-50 121.5
Variation claims provision	72.4	53.1
Variation of provision for life insurance	-40 263.5	-29 410.0
Variation of provision for contracts with DPF	-2 438.6	-4 711.9
Variation of provision for unit-linked contracts	-449.2	-9 975.4
Total	**-97 117.7**	**-94 165.7**
Non-life insurance benefits costs - Gross		
Claims paid	-115 537.5	-103 527.8
Variation claims provision	-17 278.8	-9 236.1
Variation of provision for legal proceedings (subrogations and recoveries)	215.4	238.3
Variation of the aging provision	-430.2	-349.9
Variation of provision for contracts with DPF	-	-18.7
Total	**-133 031.0**	**-112 894.2**
Reinsurers' share of the cost of insurance services		
Reinsurers' share of the cost of life insurance services		
Claims paid	1 078.0	1 396.1
Variation claims provision	-635.5	-1 313.0
Variation claims provision life	100.0	-188.9
Total	**542.5**	**-105.8**
Reinsurers' share of the cost of non-life insurance services		
Claims paid	14 494.7	11 040.7
Variation claims provision	9 936.3	3 261.7
Variation of provision for legal proceedings	21.5	-
Total	24 452.5	14 302.4
Total	**24 994.9**	**14 196.6**
Insurance benefits and claims net of reinsurance	**-205 153.8**	**-192 863.3**

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

Note 25. Management commission on insurance contracts

€ thousands	2007	2006
Asset management commission	5 691.8	5 366.7
Other technical income	165.8	38.5
Total	**5 857.6**	**5 405.2**

Note 26. Commission and profit sharing earned on reinsurance contracts

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

€ thousands	2007	2006
Non-life		
- Reinsurance commission	3 892.7	3 586.6
- Income from contracts with DPF	96.9	414.2
Life		
- Reinsurance commission	206.2	224.3
- Income from contracts with DPF	555.4	838.7
Total	**4 751.2**	**5 063.8**

Note 27. Commission earned by the Asset Management segment

Commission income concerns commissions earned by the Asset Management segment.

This income splits up as follows:

€ thousands	2007	2006
Net intermediary fees	1 811.8	1 682.9
Management commission on investment funds	3 216.5	4 014.5
Asset management commission	1 109.7	1 258.3
Total	**6 137.9**	**6 955.7**

Note 28. Acquisition and management commission on investment contracts

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

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

€ thousands	2007	2006
Expenses on acquisition of contracts	1 023.1	565.2
Management commission on contracts	6 641.3	6 569.4
Total	**7 664.4**	**7 134.6**

Note 29. Other net investment income

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

Income

€ thousands	2007	2006
Net financial revenue from land and buildings	576.8	588.7
Dividends earned from shares	5 816.5	6 255.6
Interest from bonds	32 112.1	23 604.6
Interest from loans and deposits	5 011.4	4 211.7
Total	**43 516.8**	**34 660.6**

Expenses

Interest paid on bank overdrafts	-4 334.8	-1 899.4
Exchange losses on deposits and securities	-293.5	-971.6
Depreciation on equity instruments available for sale	-29.0	-2 256.4
Depreciation on fixed income securities available for sale	-796.2	-
Other financing costs	-6 073.0	-7 248.7
Total	**-11 526.5**	**-12 376.1**

Note 30. Profit from the sale of financial assets

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

€ thousands	2007	2006
Capital gains on the sale of assets		
- Equity securities and other variable income securities and shares in investment funds	59 528.4	33 718.1
- Bonds	-1 955.4	1 591.9
Capital losses from the sale of assets		
- Equity securities and other variable income securities and shares in investment funds	-9 603.3	-4 306.2
- Bonds	-2 480.3	-4 595.1
- Other	61.0	-
Total	**45 550.4**	**26 408.7**

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

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

	2007		2006	
€ thousands	Local market	International market	Local market	International market
Variation of unrealised capital gains or losses from financial assets	119.3	6 894.2	603.6	57 836.5
Variation of unrealised capital gains or losses from financial liabilities	-41.2	-1 296.2	-305.1	-34 313.1
Total	**78.1**	**5 598.0**	**298.5**	**23 523.4**

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

€ thousands	2007	2006
Variation of unrealised capital gains from financial assets		
- Equity securities and other variable income securities and shares in investment funds	3.9	2 044.0
- Bonds	-	3.4
Variation of unrealised capital losses from financial assets		
- Equity securities and other variable income securities and shares in investment funds	-2 837.9	-20.8
- Bonds	-207.5	-118.7
Total	**-3 041.5**	**1 907.9**

Note 32. Expenses

1. ACQUISITION EXPENSES

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

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

€ thousands	2007	2006
Acquisition expenses		
Commission to intermediaries	-28 154.0	-29 762.0
Other acquisition expenses	-26 627.0	-23 951.9
Deferred acquisition expenses	105.0	80.5
Total	**-54 676.0**	**-53 633.4**

NB: The commission to brokers includes an amount of € 741.2 thousand (2006: € 754.4 thousand) of commissions on investment contracts with DPF.

2. ADMINISTRATION EXPENSES

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

€ thousands	2007	2006
Administration expenses	-17 768.8	-18 359.4
Total	**-17 768.8**	**-18 359.4**

3. EXPENSES RELATED TO INVESTMENT CONTRACTS

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

€ thousands	2007	2006
Expenses related to investment contracts	-5 601.9	-5 425.1
Total	**-5 601.9**	**-5 425.1**

4. OTHER EXPENSES

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

€ thousands	2007	2006
Other expenses	-70.5	-14.9
Total	**-70.5**	**-14.9**

Note 33. Employee benefit expense

The average number of employees during 2007 was 420.4 (2006: 416.2), represented by the following categories of staff:

Categories	2007	2006
Directors	23.0	24.1
Managers	50.0	49.5
Employees	347.4	342.6
Total	**420.4**	**416.2**

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

€ thousands	2007	2006
Wages and salaries	27 272.2	26 744.6
Social charges	3 049.1	2 921.9
Other staff costs	4 670.0	4 377.4
Total	**34 991.3**	**34 043.9**

Note 34. Information on related party transactions

1. INSURANCE CONTRACTS AND OTHER SERVICES

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

€ thousands	2007	2006
Contracts providing cover for Directors' civil liability. professional indemnity and fraud	88.3	106.0
Provision for financial management services	18.3	544.1

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

Remuneration paid to the members of the board of directors, the executive board, the supervisory board in respect of functions exercised and pension commitments to former board members

€ thousands	2007	2006
Members of the management	5 461.2	6 355.3
Board members	91.5	60.0

during the financial year can be broken down as follows: Remuneration allocated to members of management includes for the year 2007 an amount of € 158.8 thousand (2006: € 155.3 thousand) to the complementary pension benefit scheme

€ thousands	2007	2006
Pensions benefit premiums for members of management	383.4	446.8

3. LOANS GRANTED TO CERTAIN MEMBERS OF MANAGEMENT PERSONNEL

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

2007 € thousands	Amount outstanding	Interest rates	Term
Members of management	557.8	3.8%	up to 20 years

The amounts repaid during the year amount to € 143.2 thousand (2006: € 40.0 thousand). In respect of these loans, the Group allows the management personnel the benefit of the Luxembourg regulations enacting Article 104 LIR of the Law of 4 December 1967 governing tax exemption for payments in kind in the form of interest on loans.

4. AGENTS' PENSION COMMITTMENT

The Group has promised to pay the agents in its network a lump sum payment on retirement. The purpose of this commitment is to promote loyalty and encourage agents to work exclusively for the Group. If the activities cease for other reasons, such as serious misconduct or as a result of the agent changing its accreditation company, the agent's right lapses.

The provisions set aside as at 31 December of the years 2006 and 2007 are shown in note 22 "Agent's pension commitment".

5. LOANS TO CERTAIN AGENTS

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

Note 35. Operating leases

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

Situation € thousands	Expiry	Indexation	Rent 2007	Estimate 2008	Rent between 1 and 5 years
Liège	30.09.2007	yes	28.1	-	-
Bruges	31.12.2008	yes	12.0	-	-
Bruxelles Green Land	31.07.2016	yes	7.9	48.6	207.0
Total			**48.0**	**48.6**	**207.0**

Note 36. Information on events after balance sheet date

1. INTEGRATION FOYER ASSET MANAGEMENT S.A. / FOYER PATRIMONIUM S.A.

Foyer S.A. has decided Join its two associate companies Foyer Patrimonium S.A. and Foyer Asset Management S.A. into a single Asset Management unit.
On 1. January 2008, Foyer Patrimonium S.A. asset management company will absorb Foyer Asset Management S.A. which will then cease to exist.

2. PURCHASE OF A LIFE INSURANCE PORTFOLIO

On 18. December 2007 Foyer Vie S.A. signed a portfolio transfer agreement whereby a life insurance portfolio of an insurance company established in Luxembourg and operating under the freedom of services directive is being taken over. This portfolio transfer is subject to the authorisation of the competent Government agency in charge of insurance companies.
The ceding company and Foyer Vie have prepared a joint request in this respect.

Foyer

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Management Report
of Foyer S.A. presented to the Annual General Meeting of Shareholders on 1 April 2008

The results for the 2007 financial year showed a net profit of € 41.22 million compared with € 25.19 million in 2006.
The table below gives a breakdown of these results:

€ million	31.12.2007	31.12.2006
Income from participating interests	**33.50**	**25.76**
Foyer Assurances	27.00	22.27
Foyer Vie	5.50	2.48
Foyer Asset Management	1.00	0.79
Foyer Patrimonium	-	0.22
Income from the sale of an subsidiary company	**7.02**	**-**
Income from securities, cash and cash equivalents	**5.46**	**3.25**
Cost (amortisation, interest, financial expenses)	**- 2.88**	**-1.89**
General expenses	**-1.57**	**-1.72**
Profit before tax	**41.53**	**25.40**
Tax	**- 0.31**	**- 0.21**
Net profit	**41.22**	**25.19**

Total dividends received from affiliated companies have increased by € 7.74 million or 30.0%. Foyer Assurances increased its contribution by € 4.73 million, Foyer Vie by € 3.02 million and Foyer Asset Management by € 0.21 million, whereas Foyer Patrimonium did not declare a dividend.

Within the framework designed for the restructuring of Foyer Patrimonium, Foyer S.A. ceded its entire shareholding in Foyer Asset Management (100%) to Foyer Patrimonium, thereby realising a profit of € 7.02 million.

Investment income, other than income from dividend, is substantially higher and is the result of increased trading activity within the securities portfolios. Depreciation on these portfolios is also substantially higher following an increase of interest rates in the money market and a deterioration of the stock markets.

Expenses of the year are lower than in previous years. This is due mainly to a decrease of personnel expenditure.

Treasury shares

In accordance with the authorization given by the Annual General Meeting of shareholders of 3. April 2007, Foyer S.A. has repurchased in the course of 2007 a total of 1 567 of its own shares (0.017% of shares issued) at an average price of € 48.65 per share. At the same time an unavailable reserve for treasury shares of an amount of € 76 237.50 was recognized within balance sheet liabilities.

Since the end of 2007, Foyer S.A. has repurchased another 2 234 own shares at an average price of € 44.43 per share bringing number of the treasury shares repurchased to 3 801 (0.042% of shares issued). The unavailable reserve for treasury shares will be increased by an amount of € 99 256.20 bringing it to a total of € 175 493.70.

Outlook

Pending approval by the Annual General Meetings of shareholders of the respective companies, it is expected that, in the first half of the 2008 financial year, Foyer S.A. will perceive the following dividends from its subsidiaries:

€ millions	
Foyer Assurances	47.03
Foyer Vie	6.93
Foyer Asset Management	0.69
TOTAL	**54.65**

The dividends received from subsidiaries should rise from € 33.50 million in 2007 to € 54.65 million in 2008; an increase of 63.1%

Appropriation of profit

At the Annual General Meeting of Shareholders, the Board of Directors recommends the distribution of its disposable profit of € 43 311 210.16 consisting of the profit of the year of € 41 223 707.51, increased by profits carried forward of € 2 087 502.65 carried forward from the previous year:

€	
Other reserves	27 500 000.00
Gross dividend of € 1.482353 to 8 998 842 shares issued	13 339 460.44
Contribution to the special wealth tax reserve for 2007	397 000.00
Deduction from the special wealth tax reserve of 2002	- 388 000. 00
Transfer of the amount deducted from the special wealth tax reserve of 2002 to the Other reserves	388 000.00
Retained profit	2 074 749.72
Total	**43 311 210.16**

If you approve this proposal, the company will pay a gross dividend of € 1.482353 (2006: € 1.341176, which, after the deduction of 15% withholding tax on Luxembourg dividend income, gives a net dividend per share of € 1.26, (2006: € 1.14) available as from 15 April 2008, against remittance of coupon No. 8:

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

Leudelange, 4. March 2008
The Board of Directors

DECLARATION

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 responsibilty, in conformity with the complete set of accounting stanards, 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 that the management report truly presents the company's evolution, its results and its global situation.

Marc Lauer	François Tesch
COO	CEO

Independent Auditor’s Report

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

Following our appointment by the General Meeting of the Shareholders dated 4. April 2006 we have audited the accompanying annual accounts of Foyer S.A., which comprise the balance sheet as at December 31, 2007 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes to the annual accounts.

Board of Directors’ responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts. This responsibility includes: designing; implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the “Réviseur d’Entreprises”

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the “Réviseur d’Entreprises”, 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” considers internal control relevant to the entity’s preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Foyer S.A. as of December 31, 2007, 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.

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

Jean-Michel PACAUD

Luxembourg 4 march 2008

Balance sheet
at 31 december 2007

€ ASSETS	Notes	31.12.2007	31.12.2006
Fixed Assets	**3(b),4**		
Tangible fixed assets			
Other equipment, machines and furniture		5 652.50	5 652.50
Long term financial investments			
Investments in subsidiaries	5	53 269 200.28	44 769 864.44
Securities held as financial fixed assets		680 000.00	680 000.00
Treasury shares	8	76 237.50	-
Total fixed assets		**54 031 090.28**	**45 455 516.94**
Current assets			
Accounts receivable	3(c)		
Accounts receivable coming to maturity in less than 1 year		306 748.14	185 788.99
Financial assets			
Other short term financial assets	3(d),3(e)	74 388 656.94	55 219 827.69
Cash on hand and at bank		8 324 522.16	9 496 753.17
Total current assets		**83 019 927.24**	**64 902 369.85**
Deferred interest income		**1 356 877.97**	**762 567.39**
TOTAL ASSETS		**138 407 895.49**	**111 120 454.18**

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

€ LIABILITIES	Notes	31.12.2007	31.12.2006
Capital	6		
Issued share capital		44 994 210.00	44 994 210.00
Share premium account		3 106 002.40	3 106 002.40
Reserves			
Legal reserves	7	4 499 421.00	4 499 421.00
Reserve for treasury shares	8	76 237.50	-
Other reserves		37 823 762.50	25 400 000.00
Other reserves - Special reserve	9	2 140 500.00	2 140 500.00
Retained earnings		2 087 502.65	1 469 698.30
Profit of the year		41 223 707.51	25 186 835.27
Total capital and reserves		**135 951 343.56**	**106 796 666.97**
Provision for risk and expenses	10		
Provisions for pension benefit obligation		3 296.89	1 263.24
Tax provision		1 223 894.73	1 072 323.31
Total provision for risks and expenses		**1 227 191.62**	**1 073 586.55**
Liabilities	**3(f)**		
Borrowings from banks maturing in less than 1 year		659 277.31	2 679 936.18
Debts towards subsidiaries maturing in less than 1 year		212 813.91	265 851.16
Fiscal and social security liabilities			
Fiscal liabilities		28 027.41	11 565.16
Other liabilities maturing in less than 1 year		329 241.68	291 386.92
Total liabilities		**1 229 360.31**	**3 248 739.42**
Deferred interest expense		**-**	**1 461.24**
TOTAL LIABILITIES		**138 407 895.49**	**111 120 454.18**

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

Profit and loss account
for the financial year ended 31.12.2007

Expenses €	Notes	31.12.2007	31.12.2006
Other operating expenses		2 407 769.95	2 388 759.99
Depreciation of other financial assets	3(g)	1 565 256.23	681 394.44
Interest and assimilated expenses			
Other interest and expenses		399 187.66	584 741.67
Taxes on profits	13	-22 666.35	-21 861.47
Other taxes not included in items above		331 367.77	235 702.07
Profit after tax		41 223 707.51	25 186 835.27
Total expenses		**45 904 622.77**	**29 055 571.97**
INCOME			
Other operating income		2 062 922.73	873 320.87
Income from subsidiaries	14		
Dividend income		40 526 308.29	25 763 808.75
Other income derived from financial assets			
Other income		786 298.50	165 002.59
Other interest and assimilated income		2 500 188.25	2 131 234.76
Gains arising from revaluation of short term financial assets		28 905.00	122 205.00
TOTAL INCOME		**45 904 622.77**	**29 055 571.97**

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

Note 1. General

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

Note 2. Presentation of the annual accounts

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

Note 3. Summary of main accounting policies

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

(a) Conversion of items denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are converted to Euro (€) at the exchange rate in force on the date the accounts are closed.
Transactions denominated in foreign currencies carried out over the course of the year are converted to Euro (€) at the exchange rate in force on the date of the transaction.
Unrealised losses an gains in relation with the evolution of exchange rates are recognised in the profit and Loss account.

(b) Fixed assets

Intangible fixed assets are valued at the historical cost of acquisition, including related expenses.
Fixed assets are depreciated to reflect the lower value assigned to them at the date the accounts are closed.
By application of current fiscal legislation, depreciation was maintained even when the reasons having motivated it did, do no longer exist.

(c) Accounts receivable

Accounts receivable are recorded in the balance sheet at either their nominal value or their expected recovery value. These values are depreciated should their full or partial recovery appear to be uncertain.
The amount of depreciation is derecognised if the reasons giving rise to them have ceased to exist.

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

Other investments, excluding bonds and other fixed-income securities, are valued at acquisition cost including transaction cost.
Other short-term investments, excluding bonds and other fixed-income securities are depreciated to give them the lowest value of their acquisition cost and their estimated sales price at the time of year end closing.
Depreciation is not maintained when the reasons that motivated depreciation in the first place have ceased to exist.

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

(i) Evaluation after 1. January 2006 of securities acquired until 31 December 2006

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

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

Bonds and other fixed rate securities were depreciated to give them the lowest value of either their amortised acquisition cost or their market value at the time of year end closing.
By application of current fiscal legislation, depreciation were maintained even if the reasons having motivated it, did no longer exist.

On 1. January 2006, net accounting value of bonds and other fixed rate securities purchased until 31. December 2005 is left unchanged. However, securities presenting a negative difference between their net accounting value on 1. January 2006 and redemption price have the amount of this disagio spread pro-rata temporis over the period remaining between 1. January 2006 and their date of 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 year end closing.

Depreciation is not maintained once the reasons that give rise to this depreciation have ceased to exist.

(ii) Evaluation of securities acquired after the 1. January 2006

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 at the time of year end closing.

Amounts depreciated will be derecognised once the reasons that motivated them in the first place have disappeared.

(f) Accounts payable

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

(g) Depreciation

Depreciation is deducted from the concerned asset

Note 4. Fixed Assets

Movements of fixed assets during the year were as follows:

€	Other equipment machines and furniture	Shares in subsidiaries	Securities held as financial fixed assets	Treasury shares
Gross value on 01.01.2007	**5 652.50**	**44 769 864.44**	**1 528 750.00**	**-**
Increase of the year	-	9 988 778.67	-	76 237.50
Decrease of the year	-	-1 489 442.83	-	-
Gross value on 31.12.2007	**5 652.50**	**53 269 200.28**	**1 528 750.00**	**76 237.50**
Cumulated depreciation on 01.01.2007	-	-	-848 750.00	-
Depreciation of the year	-	-	-	-
Accumulated depreciation on 31.12.2007	**-**	**-**	**-848 750.00**	**-**
Net value on 31.12.2007	**5 652.50**	**53 269 200.28**	**680 000.00**	**-**
Net value on 31.12.2006	5 652.50	44 769 864.44	680 000.00	-

During the year the company contributed € 8 512 407.00 of Foyer Asset Management shares to the capital increase of Foyer Patrimonium thereby generating a profit of € 7 022 821.97. Furthermore the company acquired Foyer Patrimonium shares for a consideration of € 1 476 372.00 so as to hold 100% of that company's capital.

Note 5. Investments in subsidiaries

Shareholding in Group company's can be summed up as follows:

€	Share in capital held	Acquisition price	Capital & reserves 31.12.2007	Net profit of the year 31.12.2007
Foyer Assurances S.A.	99.9994%	23 175 257.94	108 665 798.13	49 964 574.91
Foyer Vie S.A.	99.9994%	7 784 662.72	30 604 506.99	6 174 111.79
Foyer International S.A.	99.9999%	9 936 780.95	22 581 163.37	1 289 248.41
Foyer Patrimonium S.A.	100.0000%	12 372 498.67	12 757 961.50	273 580.37
		53 269 200.28		**57 701 515.48**

Note 6. Shareholder' equity

Mouvements of the year ending 31. December 2007 were the following.

€	Issued Share Capital	Share premium Account	Legal Reserve
On 31.12.2006	**44 994 210.00**	**3 106 002.40**	**4 499 421.00**
Appropriation of profits			
- dividends			
- reserves and retained earnings			
Repurchase of own shares			
2007 net profit			
On 31.12.2007	**44 994 210.00**	**3 106 002.40**	**4 499 421.00**

On 31. December 2007, issued capital amounted to € 44 994 210.00 and is represented by 8 998 842 fully paid up shares without nominal 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. Treasury shares

On 31. December the company held 1 567 (2006: -) own shares for a rotal consideration of € 76 237.50 for which an unavailable reserve for treasury shares was recognised in liabilities. These shares are recognised as fixed assets in the line "Treasury shares".

Note 9. Other reserves – special reserve

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

Reserve for treasury shares	Other Reserves	Other Reserves special Reserve	Retained Earnings	Profit of the year2007
-	**25 400 000.00**	**2 140 500.00**	**1 469 698.30**	**25 186 835.27**
				-12 069 030.92
	12 500 000.00		617 804.35	-13 117 804.35
76 237.50	-76 237.50			
				41 223 707.51
76 237.50	**37 823 762.50**	**2 140 500.00**	**2 087 502.65**	**41 223 707.51**

the one in which the wealth tax liability was reduced.
The allocations made to this reserve are as follows:

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

€ 2 140 500.00

Note 10. Provisions for liabilities and charges

The provision for liabilities and charges details as follows:

€	31.12.2007	31.12.2006
Provision for pension benefit obligation	3 296.89	1 263.24
Tax provision	1 223 894.73	1 072 323.31

The tax provision is essentially made up by estimated tax liabilities for financial years for which definite taxation has not yet been received from fiscal authorities. The last such tax bulletin received is the one of the financial year 2002. Advance tax payments are recognized under "Accounts receivable".

Note 11. Personnel employed during the year

The company carried one half time employee on its payroll during financial year closed on 31. December 2007.(2006: 1). The expense amount has been recognised under the heading "Other operating expenses".

Note 12.Remuneration paid to members of administrative bodies

The company paid remunerations of € 91 542.47 (2006: € 45 000.00) to the members of the administrative bodies during the year ended 31 December 2007.

Note 13. Taxes on profits

On 31. December 2007, taxes on profit amounted to € 22 666.35.

This amount includes the derecognition of a tax amount of € 109 344.00 following the receipt of the 2002 tax bulletin.

Note 14. Income from subsidiaries

On 31. December 2007, income from subsidiaries included an amount of € 7 022 821.97 which is the profit realised on the sale of the company's participation in Foyer Asset Management to a Group company.

Note 15. Fees due to the statutory auditor

For the financial year closed on 31. December 2007, 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:

€	31.12.2007	31.12.2006
Legal audit of the companies Annual accounts	18 963.00	18 500.00

Foyer

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