Foyer

SOCIÉTÉ ANONYME

Annual report 2008

Financial Information

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Foyer

Corporate Governance
Annual report 2008

Introduction

In 2006, Foyer Assurance S.A. participated within a working group set up by the Luxembourg Stock Exchange which drew up the "The ten principle of corporate governance of the Luxembourg Stock Exchange". Theses principles address Luxembourg companies that are quoted on the Exchange. Their aim is to contribute to build added value in the long term:

"A sound regime of corporate governance should promote a strategy based on performance on one side and should favour adherence to viable management control systems and internal audit systems on the other. The latter implies responsibility, integrity and transparency; a performing strategy implies an entrepreneurial leadership." (Quotation from the preamble of the Ten Principles)

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

The Charter describes the principal aspects of Corporate Governance of the FOYER S.A. Group by outlining precisely the manner in which FOYER S.A. is managed and controlled. The Charter is made up of different parts:

- a description of the structure and the organisation of the Group;
- the components of issued share capital of FOYER S.A.;
- the role and functioning mode of Shareholder's Meetings;
- the composition, attributions and functioning mode of the Board of Directors and Standing committees which are assisting the Board of Directors as advisory bodies;
- a description and the functioning mode of the Executive Management in charge of daily management.
- An overview of the external controlling bodies which supervise Group activities and audit annual accounts.

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

The Charter sticks to all the principles of Corporate Governance as enacted by the Luxembourg Stock Exchange. However, in as far as the independence criteria of the board members is concerned, the Board of Directors believes that, to the contrary of the recommendation of 3.5 (see annexe D paragraph h) of the Ten Principles, that a long term mandate will probably constitute an advantage, given the fact that it allows the board member to acquire over the years a thorough knowledge of FOYER S.A. Group, without any incidence on his ability for critical examination and/or his independence.

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

An updated version of the Charter can be consulted on the e-mail site **www.foyer.lu.**

Shareholder's structure

The shareholder's structure on 31. December 2008 was the following :

Participation held in the share capital	**31.12.2008**
Foyer Finance S.A.	78.62 %
Luxempart	4.67 %
Public and institutional investors	16.67 %
Foyer S.A.	0.04 %
Total	**100.00 %**

On 31. December 2008, Foyer S.A. held 0.042% of its own shares. Since the end 2008, this percentage of shares under internal control has remained unchanged.

To the knowledge of the company, no individual shareholder, with the exception of Foyer Finance S.A., held on 31. December 2008 more than 5% of the share capital of FOYER S.A.

Foyer

The Board of Directors

Mission

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

Membership

The Board' membership is of at least 3 and maximum 12 members, where the majority are to be non-executive members. A large enough number, (at least one third) are independent members. The president of the board and, if possible, the vice-president(s) will be non-executive Board members.

Important events during 2008 regarding the composition of the Board were the following:

- As proposed by the Board of Directors to the Annual General Meeting of the shareholders on 1. April 2008, following mandates were confirmed for one year: MM. Romain BECKER, Dominique LAVAL, Henri MARX, Jacquot SCHWERTZER, François TESCH, Lucien THIEL, Théo WORRE and Patrick ZURSTRASSEN whose mandate ended on the day of the AGM;
- By decision of the Board of Directors of 1. April 2008, Mr. Lucien THIEL was confirmed as president of the Board;
- Mr. François TESCH was confirmed as Chief Executive Officer (CEO)

On 31. December 2008, the Board of Directors of FOYER S.A. was made up by 8 members:

- 1 Chief Executive Officer
- 7 non-executive members, of which 3 independent members.

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Mr. Lucien THIEL
President of the Board of Directors
Born in 1943
L.THIEL is a graduate from the "Ecole Supérieure de Journalisme" from Paris, as well as graduate of "Hautes Etudes Internationales" (Paris). During 20 years Mr. Thiel worked as journalist assuming successively the function of editor for two in Luxembourg well known weekly news-papers. In 1990 he became member of the executive body of the ABBL (Association des Banques et Banquiers, Luxembourg). Mr. Thiel held this post until 2004, year during which he became a member of "Chambre des Députés du Grand-Duché de Luxembourg. Mr. Thiel holds mandates as board member in non-quoted Luxembourg companies "Editions D'Letzeburger Land S.A." and Otto Finance S.A.. Since ...2009, Mr. Thiel is also a member of the board of "Compagnie Luxembourgeoise CLE S.A.". By decision of 19. October 2007, the Board of Directors of FOYER S.A. co-opted Mr. Thiel with effect of 1. November 2007 as board member and at the same time voted him as the new president of the Board of Directors. The Annual General Meeting of share-holders confirmed his election on 1. April 2008.

Mr. François TESCH
Executive Member of the Board
Chief Executive Officer Foyer S.A. Group
Born in 1951
Mr. Tesch holds a Bachelors degree in Economics and a Masters Degree from INSEAD. After having worked as financial analyst with W.R. Grace in New-York and finance manager with W.R. Grace in Paris, Mr. Tesch joined the Group in 1983 as secretary general. Since 1985 he holds the responsibility of Chief Executive Officer and assumed the presidency of the Board of Directors of FOYER S.A.. In line with the rules laid out in the Corporate Governance Charter, Mr. Tesch withdrew from the latter post on 1. November 2007 and handed it over a non-executive Board member. Mr. Tesch holds the post of executive board member of Foyer Finance S.A. and Chief Executive Officer of FOYER S.A. and Luxempart S.A. He is also a member o the Board of Directors of the following companies: SES S.A. Luxembourg and Atenor Group S.A.

Mr. Romain BECKER
Independent non-executive member of the Board
Born in 1954.
Mr. R. Becker is a member of the Board of Directors of FOYER S.A. since 6. April 2000. He is a graduated electromechanical engineer from EPF in Zurich in 1977. In 1978 he joined the Ministry of Economics and Energy where he held the important office of Government Counsel and Commissioner of the Government for Energy. He took office with CEGEDEL S.A. in 1996 were he became President of the Executive Committee in 1997. He is a member of the Board of various unquoted companies amongst which Cegedel Net, Luxenergie, SOTEG, Luxgaz distribution and SEO. He is also a member of the Board of FEDIL.

Mr. Dominique LAVAL
Non-executive Member of the Board
Born in 1948.
Mr. D. Laval is a member of the Board of Directors of FOYER S.A. since 2000. He holds a degree in Business Administration from E.C.A.D.E.(E.C.L. of Lausanne), as well as a post graduate diploma in management and International Commerce from "Ecole de Commerce Solvay (U.L.B.) Mr. Laval is a board member of different non-quoted companies such as Foyer Finance S.A., Alltec Solution Providers S.A., Alltec Participations S.A., Poudrerie de Luxembourg S.A., Teco N.V. and Foyer Patrimonium S.A..

Mr. Henri MARX
Non-executive member of the Board
Born in 1944.
Following his secondary studies, Mr. H. Marx started working for the company in 1967. From 1988 to 2006 he was a member of the management of the Foyer Group, and Assistant General Manager as of 2000. Mr. Marx left professional life in 2006, but continues to assume, just as in past years, the responsibility as president of the board of directors of Foyer Assurances S.A. and Foyer Vie S.A.. He is a member of the Board of Directors of FOYER S.A. since 2000.

Mr. Jacquot SCHWERTZER
Independent non-executive member of the Board
Born in 1956.
Mr. J. Schwertzer holds a masters degree in economics, company management section, of the Louis Pasteur University in Strasbourg.
Mr. Schwertzer was initially nominated to the Board of directors of Foyer S.A. in 2000. Since that date he is also a member of the Audit and Compliance Committee of the FOYER S.A. Group. He is Chief Executive Officer of the Group SOCIPAR S.A. and is a member of the management committee of the Luxempart S.A. Group. As such he is a member of the Board of Directors of Utopia S.A. and in Indufin S.A. a non-quoted company.

Mr. Théo WORRE
Non-executive member of the Board
Born in 1940.
Mr. Th. Worré graduated as architect at the Institute Saint-Luc of Saint-Gilles-lez-Bruxelles. He founded,more than 30 years ago, an architect design office in Luxembourg and acquired a solid reputation by participating in numerous large building projects. He became a member of the Board of Directors of Foyer Finance S.A. in 1990 and a member of the Board of FOYER S.A. in 2000. He is also a member of the board of directors of non-quoted public companies Sogeva Participations S.A., Alltec Solutions Providers S.A., Alltec Participations S.A.

Mr. Patrick ZURSTRASSEN
Independent non-executive member of the Board
Born in 1945.
Mr. Patrick Zurstrassen is a member of the Board of Directors of FOYER S.A. since 2002. He holds degrees of different faculties: Civil Engineering from the Liège University, Masters dgree in Physics from Leeds University, Masters degree from the University of California of Los Angeles as well as a graduate diploma in Banking Techniques from the Centre de Formation Bancaires of Brussels. From 1974 till 2001, Mr. Zurstrassen held various high ranking responsibilities within the Crédit Agricole Group, amongst others as Chief Executive Officer and as member of the Management Committee of Crédit Agricole Indosuez Luxembourg S.A.. (1987-2001). Since 1988 he is a professor at the faculty for economic sciences at the Université Catholique de Louvain. Mr. Zurstrassen holds numerous mandates as independent board member in OPCVM companies.

Mr. Marcel MAJERUS, Legal manager of the Group acts as **Secretary of the Board of Directors**.

Functioning mode

The Board meets upon notice of meeting from the President.

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

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

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

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

Activity report

Subjects for deliberation

The main subject of discussion and/or deliberation for Board meetings of 2008 were the following:

- Analysis of the annual accounts and annual consolidated accounts for the financial year 2007, as well the interim 6 month financial report of 2008, and approval of press releases.
- Publication of the Embedded Value as of 31. December 2007 of Foyer Vie S.A. and Foyer International S.A.
- Preparation of the Annual General Meeting of shareholders of 1. April 2008.
- Proposal for an adjustment of the remuneration for Board members as recommended by the Compensation and Benefits Committee; this proposal was approved by the Annual General Meeting of 1. April 2008.
- Nomination of the non-executive president of the Board of directors as prescribed by the Corporate Governance Charter of the company.
- Updating of the Corporate Governance Charter
- Updating of the internal operating rules in connection with transactions on financial assets and the prevention of insider operations.
- Exam of the conclusions and recommendations of proposed the various standing committees.
- Development strategy of the FOYER S.A. Group and the forecasts for the years 2009 - 2010.
- Follow-up of the economic and financial crisis and its impact on the Foyer Group.

- Opportunity analysis for a further development of "Bancassurance" and "Assurfinance".
- Analysis of an investment opportunity in the private banking sector which led to an acquisition offer for the CapitalatWork Group.
- Follow-up on the restructuring of the affiliate Foyer Patrimonium following the absorption of Foyer Asset Management S.A. effective per 1. January 2008.
- Sale of its 49% share in the capital of Europ Assistance, Société d'Assistance S.A. (Luxembourg) to Europ Assistance Belgium S.A. by Foyer Assurances S.A..
- Restructuring of the participation in the share capital of Société de la Bourse de Luxembourg S.A. following the constitution jointly with Banque de Luxembourg S.A. of a joint venture Tradhold S.A. having as sole purpose to hold a 10.54% share in the capital of Société de la Bourse de Luxembourg S.A.
- Purchase by Foyer Vie S.A. of the life insurance portfolio of Generali Luxembourg S.A.
- Real estate project for an extension of Leudelange location.

Periodicity of meetings and attendance

The Board met 9 times during the last year. The average rate of attendance of board members at the meetings was 87.5% during the last year.

Remuneration

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

In compliance with the principles and in compliance with the decision taken by Annual General Meting of the shareholders of 1. April 2008:

- The delegated board member, acting as Chief Executive Officer, did not receive any remuneration as Board member in 2008;
- The mandate held by non-executive Board members were remunerated as follow in 2008:
  - a gross yearly indemnity; total gross yearly indemnities allocated to all non-executive Board members was € 130 000.00
  - An attendance fee per attended meeting for every non-executive Board member; the total gross amount of attendance fees allocated to non-executive Board members was € 47 000.-
  - Amounts mentioned above take into account that one non-executive Board member waived the remuneration he was entitled to.

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Standing Committees of the Board of Directors

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

- the Audit and Compliance committee,
- the Nomination and Benefits committee.

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

The Board of Directors created the Audit Committee as early as 18. September 2000. At the time of enactment of the Charter and the adaptation of the articles of incorporation on 3. April 2007 rendering compulsory the constitution of this committee, the Board of Directors decided to adapt the composition of the Audit and Compliance Committee such as to comply with the terms of the Charter allowing only for non-executive Board members to sit on this Committee. The Committee in its new form, started work as of 3. April 2007.

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

Audit and Compliance Committee

Objective

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

Membership

Mr. Jacquot SCHWERTZER, President of the Committee, non-executive and independent Board member,
Mr. Dominique LAVAL, non-executive Board member,
Mr. Henri MARX, non- executive Board member.

The members of the Audit and Compliance Committee were nominated on 3. April 2007 for a three year period until the shareholders Annual General Meeting of 2010.

Mr. Franck TOUSCH who is responsible for Internal Audit acts as secretary of the Committee.

Mrs. Sylvie BERTHOLET, who is responsible for Compliance on Group level, also assists at the Committee meetings.

Activity report

Subjects for deliberation

- examination of financial and accounting information of the Group Foyer S.A. on 31. December 2007 and the relating comments of the external auditor, examination of semi-annual consolidated accounts and the limited review by the independent auditor on 30. June 2008;
- analysis of the management letter prepared by the independent auditor following the audit of the 2007 accounts of Group companies;
- report with the principal conclusions of internal audit concerning the valuation of internal control systems
- activity review of internal Audit and Compliance during 2008 planning of activities and missions for 2009;
- follow-up of the enacting of recommendations made by the Audit and Compliance Committee;
- first self-evaluation by the Committee in particular in connection with its composition, its organisation and its efficiency;
- proposal of an audit budget for the years 2009-2011;
- following the start of operation of the Olimpic software, the modification of evaluation rules on 1. July 2008 and write down of agios and disagios on bonds, the replacement of the effective interest rate method by the amortised cost method.

Periodicity of meetings and attendance

The Audit and Compliance Committee met three times in 2008. The attendance rate of its members at these meetings was 88.9%.

Remuneration

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

In compliance with the principle and in line with the decision taken by Annual Shareholders Meeting of 1. April 2008, the gross amount of attendance fees paid to the members of the Audit and Compliance Committee was € 6 000.00. One member of the Committee waived the fee he was entitled to.

Nomination and Benefits Committee

Objective

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

Membership

Mr. Patrick ZURSTRASSEN, President of the Committee, independent and non-executive Board member,
Mr. Romain BECKER, independent and non-executive Board member,
Mr. André ELVINGER external non-executive member (1),
Mr. François TESCH Executive Board member, CEO (2).

The members of the Nomination and Benefits Committee were nominated on 3. April 2007 for a three year period until the shareholders annual General Meeting of 2010.

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

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

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

Activity report

Subjects for deliberation

- advice on the renewal of Board membership for outgoing Board members in view of the Annual General Meeting of 1. April 2008;
- revision of the principles applicable to the remuneration of the Executive Management in particular the computation of the ear end bonus.;
- analysis of the benefits package of the members of the Executive Management of Foyer Group compared to the Luxembourg financial sector;
- proposal for the setting up of a stock option plan for members of the Group Management Committee as well as certain other beneficiaries to be selected by the Executive Committee together with the Nomination and Benefits Committee.
- Prospection for the recruitment of an executive "Private Banking" for Foyer Patrimonium and proposals for his remuneration package;
- Opinion concerning the remuneration package to be allocated to CRM's ("Client Relation Managers") and a stock option plan to be allocated to "Key People", in case of a possible merger of Foyer Patrimonium S.A. and the Capital*at*Work Group.

Periodicity of meetings and attendance

In 2008 the Nomination and Benefits Committee met 3 times. Average attendance rate was 91.7%.

Remuneration

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

In compliance with the principle and in line with the decision taken by Annual Shareholders Meeting of 1. April 2008, the gross amount of attendance fees paid to the members of the Audit and Compliance Committee was € 9 500.00 for 2008.

Executive Management

Objective

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

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

Membership

The Chief Executive Officer (CEO)

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

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

Mr. Tesch had his mandate as Executive Board member renewed in accordance with a decision by the Board of Directors of 1. April 2008.

The Chief Operating Officer (COO)

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

Marc LAUER holds a degree in economics and actuarial sciences.

The Executive Committee

The Executive Committee is not a standing Committee as provided for by article 18 of the articles of incorporation. The Executive Committee is a consulting body being composed by the CEO, the COO and the Executive Board member of Foyer Patrimonium, Mr. Vincent DECALF, were they consult, agree their actions and exchange information.

The Group Management

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

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

The Operational Management

Non-life insurance
Paul FOHL
Permanent member of the Group Management Committee and the Local Management Committee

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

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

Asset Management
Vincent DECALF
Permanent member of the Group Management Committee and the International Management Committee

Functional Management

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

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

Surveys and product development
Philippe BONTE
Permanent member of the Group Management Committee and the Local Management Committee

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

Human Resources management and Administration
Benoît DOURTE
Permanent member of the Group Management Committee, the Local Management Committee and the International Management Committee

Legal
Marcel MAJERUS
Permanent member of the Group Management Committee

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

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Activity Report

Subjects for deliberation

During 2008, Executive Management paid particular attention to the following points:

- result monitoring in comparison with the business plan;
- drafting and publishing of interim comments of management in relation with the financial situation of the Foyer Group and important events and transactions having an incidence on the financial situation of the Group;
- drawing up of the Business Plan 2009 – 2011:
- study and carrying out of projects concerning the development of the Group, such as the acquisition project of the CapitalatWork Group;
- analysis of the competitive environment;
- Renewal of business lines and marketing of new lines and services;
- IT management projects;
- Updating of the internet site www.foyer.lu in order to comply with the law in matters of transparency regarding issuers of financial assets and more specifically the publishing of compulsory information;
- Operational and organisational follow-up of Group company's;
- Follow-up of the elaboration process of a project for a EU directive in matters of solvency margins of insurance companies, called "Solvency II"

Periodicity of meetings

The **CD Group** meets in principle once every three months, the **CD International** once a month and **CD Local** every week.

Retribution

Total gross retribution allocated to the members of the Executive Management for the year 2008 amounted to € 3 724 240.58, of which € 2 076 949.50 were fixed salary and € 1.647.291.08 variable retribution. Members of the Executive Management benefit, just like company personnel from a pension benefit plan covering the pension, death and invalidity risks. Premium paid in this respect for 2008 for the entire Executive Management team amounted to € 219 086.26.

Two members of the Executive Management benefit from a loan for a total amount of € 309 866.90 (as per 31. December 2008). Other retributions (payments in kind, representation expense) amounted to € 50 258.00.

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Other Information

In accordance with the law of 16. May 2006 concerning market abuse transposing EU directive 2003/6/CE in matters of insider transactions and market manipulation, the Board of Directors adopted a set of internal code of conduct aiming at defining measures to avoid such insider transactions. This code of conduct, which was updated on 1. April 2008, following the coming into effect of the law of 11. January 2008 in relation with transparency obligations of issuers of financial instruments, are published in annex 4 of the Charter.

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

Compulsory information, such as the one prescribed by the law of 11. January 2008, is published on the web site **www.foyer.lu** and is made public through the news papers. The information is also deposited with the CSSF, and, since 1. January 2009, archived with the Société de la Bourse de Luxembourg acting as the Luxembourg OAM ("Officially Appointed Mechanism") responsible for centralised archiving of compulsory information.

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

In 2008, 16 such declarations were published, of which one in connection of the sale of 52 shares, and 15 in connection with the purchase of a total of 6 710 shares.

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Consolidated Management Report

of the Board of Directors of FOYER S.A. to the Annual General Meeting of the Shareholders of Foyer S.A. on 7. April 2009

1. GROUP RESULTS

Turnover generated by earned premium increased from € 331.39 million to € 332.37 million, an increase of .3%. This small increase in turnover is mainly due to the development of non-life business which progressed by 3.2% in the local market and a decrease in the life insurance business of 7.5%. Whereas local life business increased by 7.1%, premiums written in the international market under the freedom of services directive decreased significantly compared to the previous year following a drop of insurance contracts in favour of investment contracts, as well as the heavy influence of the financial crisis on new production.

Consolidated net profit (Group share) reaches € 12.21 million on 31. December 2008, a decrease of 83.9% compared to 2007.

It should be remembered that 2007 result included an extraordinary profit on the sale of AUDIOLUX stock for an amount of € 20.98 million. In 2008 however, the financial crisis weighed heavily by € 43.96 million on the result through depreciation acted on the financial asset portfolios.

Without this exceptional negative financial impact due to the financial crisis, the consolidated Group result would have been close to the 2007 result, a result considered as having been on an excellent level.

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 and Foyer Santé which is proportionally consolidated (50.0%).

Non-life gross written premiums increased by 3.2% compared to 2007 and reach € 248.52 million.

In the local market progression of turnover in the motor-vehicle sector is 2.0% compared to 2.6% a year earlier. It should be born in mind that this market sector is very competitive in particular in fleet business.

In the non motor-vehicle sectors, premiums written increased by 6.5% compared to an increase of 3.7% in 2007. Despite tenacious competition in the special risks and the industrial risk sector which led to major tariff reductions, turnover increased satisfactorily, in part thanks to the upgrading of different product lines. The health insurance sector continues to show a very dynamic performance with a turnover increase of 15.6%

In the Belgian market gross written premiums increased by 1.6%. A new market approach more selective in terms of choice of intermediaries and new more competitive products were introduced. On the other hand, commercial progress was slowed by the dismissal of brokers who did no longer fit Group strategy.

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In 2008 gross claims expense in the non-life segment increased by 1.6%. However, after reinsurance, claims expense increased by 7.8% compared to 2007 because a lesser amount of claims expense born by reinsurers.

Reinsurers achieved excellent results in 2008 as compared to 2007 on the Groups reinsurance programs.

Administrative cost of the non-life sector held the level reached in 2007, thanks to rigorous cost control.

Without taking extraordinary profits on sale of assets in 2007 and 2008 into consideration, profit before tax (Group share) is € 48.65 million in 2008, compared to € 52.26 million in 2007.

Contribution of the non-life sector to the overall profit after tax is € 11.72 million in 2008, compared to € 63.73 million in 2007, a decrease of 81.6%.

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 € 83.85 million in 2008, a decrease of 7.5% compared to 2007. Despite the marketing success in the local market of a new product with an important savings component and guaranteed capital, which produced a 7.1% progress in this market, the overall decrease can be explained through a lesser amount of lfe insurance premiums written by Foyer International.

Funds collected as well for the life insurance business as for the investment contract business by Foyer International decreased by 1.6% in 2008. Whereas by end of September 2008, Foyer International had seen an increase of funds collected through investment contracts of 28% compared to end of September 2007, new production during the last 3 month was considerably slowed due to the financial crises.

In total, funds collected by Foyer Vie increased 4.8% compared to the previous year. This increase is mainly due to the success of Group products which increased by 33.8% compared to 2007.

The turnover of Raiffeisen Vie progressed by 16.1% in 2008. This good performance is due to an increase of average premium income in long and short term debt financing life insurance business.

Claims expense in the Life segment showed an income of € 38.24 million at the end of 2008 compared to an expense of € 97.2 million in 2007. When neutralizing the influence of the market value, variation of assets considered as counterpart to technical provisions calculated as units of account, claims expense in the life insurance sector, which in 2008 showed a profit of € 119.98 million due to the bad performance of the financial markets, claims expense of the life segment decreased by 10.6%.

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Foyer

Overhead cost in the life segment increased by 2.6% from 2007 to 2008.

Taking into account financial income, contribution of the Life segment to 2008 after tax profit Group share is € 3.12 million, compared to € 9.81 million in 2007, a decrease of 68.2%.

2.3 ASSET MANAGEMENT

Asset management activity centres around 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 Patrimonium , a company which is the result of the merger between Foyer Asset Management S.A. and Foyer Patrimonium S.A. had as of 31. December € 1 541.62 million in assets under management, a decrease of 7.7% compared to 2007 explained mainly by the extremely unfavourable financial markets conditions.

Income generated by Foyer Patrimonium by the end of 2008 is 19.3% lower than in 2007. If this decrease is higher than the decrease of funds under management, this is caused by the fact that subscription fees for SICAV's is significantly lower.

Cost and expense incurred by Foyer Patrimonium increased by 15.0% mainly due to of the Belgian subsidiary, the reorganisation of the Leudelange premises and an increase of the number of staff.

The Group finalised in January 2009 the acquisition of CapitalatWork, a company operating in Luxembourg, Belgium the Netherlands, Switzerland and Spain. Through this acquisition the Group doubles the volume of assets under management and thus acquires a new size giving an international dimension to the private banking activities of the Group.

Cost related to the acquisition of CapitalatWork, mainly consulting fees, were born by Foyer S.A.. Finally the contribution to the consolidated result after tax of the Asset Management segment (Group share) fell from a profit of € 2.52 million in 2007 to a loss of € 2.63 million in 2008.

3. INVESTMENT STRATEGY OF THE GROUP

Financial markets in 2008 were characterised by extremely high volatility, a massive rush towards de-risking and massive debt reduction of financial institutions and investors. The financial crisis clinched in 2007 by the "sub primes" of the American residential real estate sector materialized through commercial paper, developed into a systemic global banking sector crisis. Risk parameters: spreads on credits and market volatility exploded, causing substantial losses in risky asset portfolios. Political and monetary authorities intervened massively in order to save the integrity of the banking system by lowering interest rates, increasing market liquidity and solvency capital. The staggering price increase of raw materials during the first half of the year followed by an even faster decrease, had a negative impact on both households and exposed companies. Developed countries thus experience since the fourth quarter 2008 a serious depression which will last during 2009, notwithstanding various economic stimulation plans set up by governments. Emerging countries also experience strong economic downturn pressure.

Sovereign bond markets, under pressure during the first half of 2008 due to inflation risks, knew a strong performance during the second half of the year due to a decrease in oil prices, the start of the recession and the flight of investors toward no risk assets. Bonds issued by the private sector remained seriously undervalued, credit and illiquidity spreads becoming very large.

Stock markets lost some 45%, reflecting cumulated problems of the banking and finance sphere on the one side and real economies in deep recession on the other. Profits outlook of private companies remain poor, and the visibility of an exit of the crisis dubious. The market also suffers from a marked absence of investors from risk bearing assets, following the loss of financial substance and an extremely high risk aversion of investors.

Foyer adjusted is financial asset allocation by substantially reducing the volume of share portfolios to the benefit of sovereign bond and high quality corporate bond portfolios.

Market Value (%)	2008	2007
Bonds	81.6	64.0
Stocks	6.8	19.6
Investment funds	5.5	8.4
Deposits	6.1	8.1
TOTAL	100.0	100.0

Complementary hedging measures were taken on share positions, which reduce even further exposure to the market risk. Exchange risk is very small, since non-euro assets are generally currency hedged.

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 of 98.3% of bonds rating "investment grade" and 1.7% of securities with a rating of BBB- or without rating.

Interest rate risk is managed mainly via the duration of the bond portfolio. This parameter stood at the end of 2008 at 5.41 years.

Market risk is managed by means of a large diversification of stocks and stock markets 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

The economic and financial environment will stay difficult in 2009.

However, notwithstanding the lack of visibility, we forecast an increase of the turnover of the Group in 2009.

On the local non life market we expect that commercial development will beat a similar level than in previous years. In the international life market in the area of freedom of service product sales, 2009 should again see a solid increase in turnover, thanks to marketing efforts in terms of new products and market diversification already operated in 2007 and 2008 and thanks to the acquisition of a life insurance portfolio.

The acquisition of CapitalatWork, will give a new dimension to the private banking activity of the Group. Following the merger with Foyer Patrimonium, the new entity will have more than 100 employees and will manage almost € 3.5 billion of assets.

Thanks to this acquisition, with affiliates in Belgium, the Netherlands, Switzerland and Spain, the Group offers itself an international dimension and a size that will allow it to offer services and products to an ever more demanding clientele.

However, net profit outlook will remain subject to technical uncertainties inherent to the insurance activity and financial risks linked to market development will continue to weight upon the results of 2009, despite the perspective of good operational results in the insurance segments.

Leudelange, 10. March 2009

The Board of Directors

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 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 of 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, 2008, 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 "Réviseurs 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 "Réviseurs d'Entreprises", including the assessment of the risks of material misstatement of the consolidated annual accounts,ou d'erreurs. En procédant à ces évaluations du risque, le Réviseur d'Entreprises prend
en compte le contrôle interne en vigueur dans l'entité relatif à l'établissement et la présentation

whether due to fraud or error. In making those risk assessments, the "Réviseurs 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, 2008, 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 24. March 2009

Foyer

Consolidated balance sheet

as at 31. December 2008

€ thousand ASSETS	Notes	31.12.2008	31.12.2007
Intangible Fixed Assets	11	**6 805.1**	**4 954.5**
Equity instruments		**53 010.3**	**53 547.4**
- Available for sale	13	5 640.3	6 013.5
- At fair value through income	12	42 395.9	42 695.5
- Other tangible fixed assets	12	4 974.1	4 838.4
Fixed income securities		**152 077.8**	**346 583.3**
- Available for sale	14	133 684.2	276 965.2
- At fair value through income	14	18 393.6	69 618.1
Fixed income securities		**971 509.1**	**768 868.0**
- Available for sale	14	940 467.8	757 968.7
- At fair value through income	14	11 902.8	10 899.3
- Held to maturity	14	19 138.5	-
Financial assets at fair value through income	20	**1 159 269.4**	**1 434 392.0**
Deferred income tax	19	**4 577.4**	**2 240.4**
Insurance receivables and other receivables	15	**58 504.9**	**89 115.5**
Reinsurers' share of liabilities in respect of insurance contracts	17	**156 530.7**	**138 597.9**
Cash and cash equivalents	16	**186 514.7**	**209 082.3**
Assets held for sale		**-**	**398.7**
Total assets		**2 748 799.4**	**3 047 780.0**

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

€ thousand LIABILITIES	Notes	31.12.2008	31.12.2007
Shareholders equity – Group Share		**411 106.4**	**460 286.9**
- Capital	8	44 994.2	44 994.2
- Treasury shares	8	-175.9	-76.2
- Share premium account	8	3 106.0	3 106.0
- Reserves and retained earnings	9	350 973.1	336 197.2
- Financial year result	10	12 209.0	76 065.7
Shareholders equity – Minority interests	**10**	**3 265.6**	**334.1**
Total equity		**414 372.0**	**460 621.0**
Technical provisions		**1 395 760.0**	**1 456 395.3**
- Other technical provisions	17	924 255.4	849 031.3
- Provisions relating to unit-linked insurance contracts	17	471 504.6	607 364.0
Provisions		**24 765.6**	**24 242.2**
- Retirement benefit obligations	21.22	22 476.5	22 239.3
- Provisions for other liabilities and charges	21	2 289.0	2 003.0
Deferred income tax	**19**	**48 791.6**	**65 700.4**
Financial liabilities		**767 875.5**	**926 526.6**
- Liabilities in respect of investment contracts	20	686 533.4	833 523.7
- Loans and deposits from reinsures	17	81 342.0	93 002.9
Insurance debts and other debts	**18**	**97 234.7**	**114 294.4**
Total liabilities		**2 748 799.4**	**3 047 780.0**

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

Foyer

Consolidated profit and loss account

for the year ended 31. December 2008

€ thousand	Notes	31.12.2008	31.12.2007
Insurance premium revenue	23	332 372.4	331 386.1
Insurance premium ceded to reinsurers	23	-53 305.3	-55 167.2
Net insurance premium income		**279 067.1**	**276 218.9**
Commission and profit sharing received in respect of reinsurance contracts	26	4 873.5	4 751.2
Acquisition commission on investment contracts	28	670.7	1 023.1
Commission earned by the Asset Management segment	27	4 738.7	6 137.9
Management commission on investment contracts	28	5 834.5	6 641.3
Management commission on insurance contracts	25	5 020.0	5 857.6
Net realised gains on financial assets	30	356.1	45 550.4
Variation of the fair value of assets/liabilities at fair value through income	31	-137 731.9	2 634.6
Other Investment income	29	51 301.9	43 516.8
Other Investment costs	29	-33 030.5	-11 526.5
Total net operating income		**-97 967.0**	**104 586.4**
Life insurance benefits - Gross	24	38 712.2	-97 117.7
Non-life insurance claims and loss adjustment expenses - Gross	24	-135 223.6	-133 031.0
Reinsurers' share of benefits and claims and loss adjustment expenses	24	18 236.5	24 994.9
Net insurance benefits and claims		**-78 274.9**	**-205 153.8**

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

€ thousand	Notes	31.12.2008	31.12.2007
Acquisition expenses	32	-60 885.4	-54 676.0
Administration costs	32	-21 541.5	-17 768.8
Costs related to investment contracts	32	-5 045.8	-5 601.9
Other operating costs	32	-180.9	-70.5
Expense		**-87 653.6**	**-78 117.2**
Operating profit		**15 171.6**	**97 534.3**
Group's share in the profit of associated companies	2	-	115.6
Profit before tax		**15 171.6**	**97 649.9**
Taxes	19	-3 040.2	-21 455.7
Profit for the year		**12 131.4**	**76 194.2**
- o/w Group share		12 209.0	76 065.8
- o/w minority interests		-77.6	128.4
Profit of the year on ordinary undiluted shares of the company (€)	8	1.4	8.5

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

Statement of recognised income and expense

for the year ended 31. December 2008

€ thousand	31.12.2008	31.12.2007
Profit for the year	**12 131.4**	**76 194.2**
Capital gains on variation of the fair value of assets (net of deferred income tax)	-48 193.0	-16 871.2
Actuarial gains or losses on employee retirement benefit scheme (net of deferred income tax)	594.1	822.5
Income and expense recognised in shareholders equity	**-47 598.9**	**-16 048.7**
Sum of income and expenses recognised	**-35 467.5**	**60 145.5**
- Group share	-35 389.0	60 028.1
- Minority share	-78.5	117.5

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

Consolidated cash flow statement
for the year ended 31. December 2008

€ thousand	31.12.2008	31.12.2007
Profit for the year before taxes	**15 171.6**	**97 649.9**
Income taxes paid	- 7 668.2	- 6 303.6
Adjustments for :		
Amortisation	5 061.9	4 873.2
Depreciation on receivables	286.1	425.8
Fair value of the financial instruments	14 480.9	9 838.6
Fair value of the financial instruments at fair value through income	269 386.2	- 8 888.5
Result on the proceeds of associated companies	- 251.8	-
Group's share in the profit of associated companies	-	- 115.6
Adjusted result after taxes paid	**296 466.7**	**97 479.8**
Net change in reinsurance assets	- 17 932.8	- 73 427.8
Net change in insurance commitments	- 60 635.3	134 996.8
Change in liabilities in respect of investment contracts	- 146 990.3	539.4
Acquisition of financial instruments at fair value through income	- 256 946.3	- 200 674.6
Proceeds from financial instruments at fair value through income	262 682.7	217 761.0
Acquisition of financial assets	- 1 586 884.5	- 6 991 623.1
Sale of financial assets	1 515 651.9	6 878 255.8
Change in insurance receivables	- 1 558.0	3 447.6
Change in insurance debts	9 902.2	- 8 261.8
Change in reinsurance deposits	- 11 660.9	61 645.8
Change in other debts and receivables	-4 150.1	- 32 056.9
Net cash flows from operating activities	**- 2 054.7**	**88 082.0**
Interest paid	- 9 389.8	- 73 445.5
Interest received	31 331.7	106 865.8

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

Consolidated cash flow statement (continued)

for the year ended 31. December 2008

€ thousand	31.12.2008	31.12.2007
Net cash flows from operating activities	**- 2 054.7**	**88 082.0**
Acquisition of tangible and intangible assets	- 6 839.8	- 5 838.1
Proceeds from the sale of tangible and intangible assets	464.5	301.5
Dividends paid by associate companies	-	78.4
Acquisitions/disposals of associated companies	398.7	- 1 476.4
Net cash flows from investment activities	**- 5 976.6**	**- 6 934.6**
Dividends paid	- 13 339.5	- 12 069.0
Net cash flows from financing activities	- 110.0	- 16.0
Variation of cash flow	**- 13 449.5**	**- 12 085.0**
Variation of cash flow	**- 21 480.8**	**69 062.4**
Opening cash flow	179 048.3	109 985.9
Closing cash flow	157 567.5	179 048.3
Variation of cash flow	**- 21 480.8**	**69 062.4**

(*) During 2008, the Group sold its stake in the capital of Europ Assistance, Société d'Assistance S.A.
The constitution of Tradhold S.A. had no effect on the net cash flow.
In 2007, the acquisition of minority shares of Foyer Patrimonium S.A. generated cash flow outflows.
These amounts were included in 2007 under the heading "Acquisition of financial assets.

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

Notes to the consolidated accounts

Summary

Foyer

Notes to the consolidated accounts

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 its 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 subsidiaries Foyer Assurances and FOYER-ARAG. 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.

On 1. January 2008, the Group merged its two affiliated companies active in the asset management sector. As a result Foyer Patrimonium S.A. absorbed Foyer Asset Management S.A., the latter being discontinued as of that date.

With effect as at 1. January 2008, Foyer Assurances sold its stake in the capital of EUROP ASSISTANCE, Société d'assistance S.A. to Europ Assistance (Belgium S.A.), a company incorporated under Belgian law. The stake in the capital of that company was 49% of its capital and was consolidated using the equity method in the accounts of the non-life sector.

On 11.April 2008, the Group founded, together with a partner its affiliate Tradhold S.A. of which it holds 50% of the share capital and of which control is shared with the partner.

On 31. December 2008, the Group had a staff of 459 in Luxembourg.

Out of a total of 8 998 842 shares issued by FOYER S.A., 7 074 995 (78.6), are held by FOYER FINANCE, Companie Luxembourgeoise S.A., an unlisted financial holding company which is the largest group of companies of which the Company is a member as an affiliate.

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

At its meeting of 10. March 2009, the Board of Directors of FOYER S.A. approved the consolidated accounts to be submitted to the Annual general Meeting of shareholders to be held on 7. April 2009.

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 31.12.2008	% held 31.12.2007	Activity sector
Foyer Assurances S.A. 12, rue Léon Laval, L-3372 Leudelange	100.0	100.0	Non-life
FOYER RE S.A. 12, rue Léon Laval, L-3372 Leudelange	100.0	100.0	Non-life
FOYER-ARAG S.A. 12, rue Léon Laval, L-3372 Leudelange	90.0	90.0	Non-life
Foyer Vie S.A. 12, rue Léon Laval, L-3372 Leudelange	100.0	100.0	life
Foyer International S.A. 12, rue Léon Laval, L-3372 Leudelange	100.0	100.0	life
Foyer Asset Management S.A. 12, rue Léon Laval, L-3372 Leudelange	-	100.0	Asset Management
Foyer Patrimonium S.A. 12, rue Léon Laval, L-3372 Leudelange	100.0	100.0	Asset Management
Foyer Sélection SICAV 19-21, bd. Prince Henri, L-1724 Luxembourg	88.2	100.0	Asset Management

On 1. January, Foyer Patrimonium S.A. absorbed Foyer Asset Management S.A.. This merger did not have any incidence on the results of the Foyer Group.

Name and address of companies consolidated using the proportionate consolidation method	% held 31.12.2008	% held 31.12.2007	Activity sector
Foyer Santé S.A. 12, rue Léon Laval, L-3372 Leudelange	50.0	50.0	Non-life
Raiffeisen Vie S.A. 12, rue Léon Laval, L-3372 Leudelange	50.0	50.0	life
Tradhold S.A. 14, boulevard Royal, L-2449 Luxembourg	50.0	-	Asset Management

Name and address of companies consolidated using the equity method	% held au 31.12.2008	% held 31.12.2007	Activity sector
EUROP ASSISTANCE Société d'Assistance S.A. 12, rue Léon Laval, L-3372 Leudelange	-	49.0	Non-life

Europ Asistance, Société D'Assistance S.A. incorporated under Luxembourg Law, was sold during the year 2008. On 31. December 2007, this company figured in line "Assets held for sale". The sale did not generate a result for Foyer Group. On 31. December 2008, consolidation perimeter no longer includes an associate company to be consolidated using the equity method.

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

Share in the results

2008 € thousand	Foyer Santé	Raiffeisen Vie	Tradhold
Premiums earned net of reinsurance	2 953.0	2 214.4	-
Other operating income	131.0	305.2	168.5
Insurance service cost net of reinsurance	-2 010.2	-1 717.1	-
Costs	-713.9	-437.9	-42.4
Consolidation eliminations	-39.9	-4.7	-
Profit before tax	**320.0**	**359.9**	**126.1**
Taxes	-94.8	-107.2	-
Result of the financial year	**225.2**	**252.7**	**126.1**
o/w Group share	225.2	252.7	126.1

2007 € thousand	Foyer Santé	Raiffeisen Vie	Tradhold
Premiums earned net of reinsurance	2 622.6	1 890.4	-
Other operating income	166.2	396.4	-
Insurance service cost net of reinsurance	-1 790.5	-1 669.6	-
Costs	-615.0	-523.5	-
Consolidation eliminations	-27.6	-2.3	-
Profit before tax	**355.7**	**91.3**	**-**
Taxes	-98.9	-40.1	-
Result of the financial year	**256.8**	**51.2**	**-**
o/w Group share	256.8	51.2	-

SHARE IN THE MAIN GROUPS OF ASSETS AND LIABILITIES

31.12.2008 € thousand	Foyer Santé	Raiffeisen Vie	Tradhold
Assets			
Fixed Assets	3.0	0.2	-
Variable Income Securities	230.6	863.9	5 961.1
Fixed income securities	3 266.5	5 322.4	-
Deferred taxes	4.7	1.0	-
Receivables	969.8	293.6	0.7
Part of reinsurance	-	644.2	-
Cash and cash equivalents	645.6	4 105.1	147.3
Liabilities			
Technical provisions	3 190.4	7 889.8	-
Other provisions	15.9	3.2	-
Deferred taxes	14.0	31.2	-
Financial liabilities	-	511.0	-
Insurance debts and other debts	430.9	245.9	2.9

31.12.2007 € thousand	Foyer Santé	Raiffeisen Vie	Tradhold
Assets			
Fixed Assets	3.7	0.4	-
Variable Income Securities	537.3	1 462.4	-
Fixed income securities	2 374.4	5 962.4	-
Deferred taxes	3.9	2.4	-
Receivables	859.8	249.0	-
Part of reinsurance	-	594.8	-
Cash and cash equivalents	512.9	1 350.6	-
Liabilities			
Technical provisions	2 547.0	6 393.1	-
Other provisions	15.9	3.2	-
Deferred taxes	20.7	63.0	-
Financial liabilities	-	391.0	-
Insurance debts and other debts	253.2	149.1	-

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

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

4. ASSETS HELD FOR SALE

EUROP ASSISTANCE, Société d'Assistance S.A. a company incorporated in Luxembourg and having its registered head-office at 12, rue Léon Laval in L-3372 Leudelange, eas sold during the year 2008.

On 31. December 2008 the Group held no assets for sale.

Note 3. Mode of application of accounting rules.

Subsequently to the introduction of new asset management software by fully consolidated companies, certain practices applied to accounting rules were adapted. The impact of these was not significant, neither on balance sheet figures as of 31. December 2008, nor on the 2008 result.

1. DATE FOR ACCOUNTING AND ACCOUNTING EXIT

In the case of standard purchases and sales, on 31. December 2007, financial assets and liabilities were accounted for on transaction date. As of 31. December 2008 these are being recorded on their respective value date.(cf. Note 6 § 6.1)

2. STOCK MANAGEMENT

Until 30. June 2008, financial assets being part of a single portfolio and purchase or sold on different dates, were accounted for according to the first-in, first-out principle.

As of 1. July 2008, these equities are accounted for according to the weighted average principle.

3. WRITE-OFF OF POSITIVE AND NEGATIVE DIFFERENCES VERSUS PAR.

Fixed income securities available for sale are written off according to the effective yield method. The difference between purchase price and redemption price is calculated actuarially and recorded in the books over the residual life-time of these securities. (cf. Note 6 § 6.7)

Starting 1. July 2008, write-off computing methods for variable yield bonds were changed.

Until 30. June 2008, amortization was calculated until maturity. As of 1. July 2008, amortization is calculated until next coupon date

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Note 4. Principles and methods of consolidation.

1. DECLARATION OF COMPLIANCE

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

2. BASIS OF PRESENTATION OF THE ANNUAL CONSOLIDATED ACCOUNTS

The consolidated financial statements are presented in Euro and rounded to the nearest thousand (€ thousand) with the exception of notes 6 and 8. The Euro has also been chosen as the operational currency for the 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.
* insurance contracts and investment contracts with a 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, are valued at the lowest of either net accounting value or fair value net of sales cost.

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 cost initially recognized. These estimates and assumptions are based on historical data and various other factors, which under these circumstances, are considered reasonable. The aggregate of these elements constitutes the basis of valuation of all assets and liabilities. Actual results may differ from theses estimates. Estimates and hypothesis are being reviewed continually. The result from a change of an accounting estimate is recognized within the same period as the one when the change was made and provided this period was the only one concerned, or within the period when the change occurred and subsequent periods when the change has an influence on the current period as well as subsequent periods.

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

The main accounting principles applied for the preparation of the annual consolidated accounts are described hereafter. These accounting principles have been continiously and harmoniously applied to Group entities. The accounting methods applied are coherent with those applied durig the previous accounting period.

The adoption of the following revised standards and interpretation of standards did not impact the Group's consolidated annual accounts, such as:

- Amendment of IAS 1 "Presentation of Financial Statements" published in September 2007;
- Amendment of IAS 23 "Borrowing Costs", published in March 2007;
- Amendments of IAS 39 "Recognition and measurement" and IFRS 7"Financial Investments: Disclosures" published in October 2008 and titled "Reclassification of financial assets"
- Amendments of IFRS 2 "Share based Payments" published in January 2008;
- IFRIC 13 "Customer Loyalty Programmes", published in June 2007
- IFRIC 14 "The limit on a defined benefit asset minimum funding requirements and their interaction" published in July 2007.

Certain standards and interpretations of standards by the IASB were not yet applicable at the time of preparation of 2008 accounts.:

- IFRS 8 "Operating Segment". This standard will be applicable as of 1. January 2009 and defines information to be published concerning operational segments of the Group.
- Amendments to IAS 32 "Financial instruments: Presentation" and IAS 1 "Presentation of financial statements" titled "Financial instruments redeemable at the bearers request and obligations following the redemption" , published in February 2008 but adopted by the EU in January 2009.
- Amendment to IAS 39: "Financial Instruments: Recognition and Measurements", titled "Eligible covered elements" (published in July 2008 but not adopted by the EU);
- Amendments to IFRS1 "First time adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements", titled "Cost of a Investment in a subsidiary, jointly controlled entity or associate", (published in May 2008 but adopted by the EU in January 2009).
- Revision of IFRS 3 "Business Combinations", (published in January 2008 but not adopted by the EU). This revision will be applicable for financial year end starting July 2009 and to Business Combinations dating after the adoption of this new standard. IFRS 3R introduces changes in accounting principles to be applied to Business Combinations and will amongst others have an impact on the amount of the recognized Good-will, recognition of step by step acquisitions and possible adjustments to be made to acquisition cost. Furthermore cost pertaining to the acquisitions will have to be recognised in the profit & loss account at the outset;
- Revision of IAS 27: "Consolidated and separate financial statements" (published in January 2008 but not adopted by the EU); this revision will be applicable for accounting years starting as of 1. July 2009 and has to be applied simultaneously with IFRS 3R. The revised standard IAS 27 requires entities to recognise changes of the shareholders of affiliates, when there is no loss of control, such as a transaction on capital without any impact on Goodwill and the Profit & Loss account. Furthermore losses made by an affiliate will have to be allocated between controlled and uncontrolled holdings even if these losses exceed the share of the uncontrolled holding in the capital of the affiliate. In case of loss of control, entities will have to remeasure fair value of the holding still held, which will impact gains and losses on sales linked to the los of control;
- Amendments to IFRS 1:"First time adoption of International Financial Reporting Standards", (published in November 2008 but not adopted by the EU);
- IFRIC 12 "SERVICE Concession

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Arrangements", (published in November 2006 but not adopted by the EU);
- IFRIC 15 "Agreements for the construction of Real Estate", (published on 3. July 2008 but not adopted by the EU)
- IFRIC 16 "Hedges of a net investment in a foreign operation", (published on 3. July 2008 but not adopted by the EU);
- IFRIC 17 "Distributions of Non-cash Assets to Owners", (published on 27. November but not adopted by the EU).

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". But, if on the other hand, the Group's interest in the net fair value of the assets, liabilities and any identifiable contingent liabilities exceeds the acquisition cost (negative goodwill), the assets, liabilities, any identifiable contingent liabilities and the acquisition cost are reassessed. 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.

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5. INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

5.1 General: Definitions

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

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

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

An insurance risk is significant if, should an insured event materialise, the issuer has to pay significant additional benefits (amounts in excess of 5% of the amount due to the policyholder in case the insured event does not materialise) in at least one of the scenarios, excluding those without commercial substance.

An investment contract is a contract which does not fit the IFRS 4 definition of "insurance contract" and which is viewed by the IFRS as a "financial instrument". It does however fall within the scope of IFRS 4 if it contains a discretionary participation feature and within the scope of IAS 39 if no such feature exists.

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

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

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

The timing is at the discretion of the issuer:

- When the latter determines the timing of incorporation of the discretionary participation into the individual commitments towards policyholders by use of a profit sharing provision;
- When the discretionary participation clause is based on the issuer's investment income and the issuer has discretionary control over its timing.

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

5.2 Insurance contracts falling within the scope of IFRS 4

5.2.1 Main contracts classified as IFRS 4 insurance contracts

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

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

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

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

5.2.2 Accounting procedures for IFRS 4 insurance contracts

IFRS 4 insurance contracts continue to be 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

The provisions for unearned premiums record the portion of premiums issued accruing to the next financial year, calculated on a pro-rata temporis basis.
The provisions for claims cover the total estimated cost of settlement of all claims arising by the end of a given period. With the exception of provisions for invalidity annuities, these are not discounted.

These provisions cover claims reported, claims incurred but not reported, claims reported but not enough reported, and all costs linked to the processing of these claims. They are estimated on the basis of historic data and trends, and are taking into account the frequency of indemnity payments in all branches of insurance.

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

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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.

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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 notes 6.9 and 6.10 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.

In the course of 2008, the Group decided to hold certain debt instruments until final redemption of these instruments which were previously recognised as assets available for sale.
The Group did not reclassify financial assets following amendments to IAS 39 and IFRS 7 published and adopted in October 2008.

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. Fair value of fixed income securities does not take into account accrued interest.

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

In order to avoid accounting discrepancies, the Group classifies financial assets held within unit-linked contracts, where the corresponding liabilities are valued on the basis of the fair value of the investments units underlying these contracts, as being at fair value through income.

6.9 Financial Assets held until maturity

Assets held until maturity are non-derivative, with determined or determinable payments as well as a fixed maturity which the Group maintains until maturity, with the exception of:

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

Financial assets held until maturity are valued at amortised cost using the effective interest rate method.

If it seems appropriate to recognise a financial asset at amortised cost rather than at fair value, for instance if the Group has changed its intention, the accounting value at fair value at that moment will be considered to be its new amortised cost.

6.10 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.

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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.

6.11Cash 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.

6.12 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.

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Amortisation begins as soon as the intangible asset is ready to be commissioned, i.e. when it is in the intended place of operation and ready for operation per Management's specifications. Amortisation shall cease as soon as the asset is classified as being held for sale as defined by IFRS 5 or at the time it is derecognised. The amortisation expense for each period is recognised in the income statement. The useful life of the intangible fixed asset and the method of amortisation used are reviewed at each financial year-end. Intangible fixed assets undergo impairment tests if there is an indication of loss in value. If there is any significant change to parameters such as intrinsic value, future profitability or market share, the value will be reduced in accordance with the provisions of IAS 36.

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

7.2.2 Categories of intangible fixed assets

a) Goodwill

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

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

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

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

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

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

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

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

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

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

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

The tax rate to be applied to temporary differences will be the maximum tax rate in the various tax categories, 29.34% in Leudelange since 1. January 2009 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.

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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 for 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 enewable periods.
- As a general rule, services rendered are tasks performed under contract by a Group entity within a given deadline. Services may be rendered in the course of a single accounting period or over several accounting periods. Income generated by investment contracts in the asset management segment is represented by commission paid in return for the management of the securities portfolio and underlying deposits. This commission is fixed at the time of the signature of the investment contract and is payable periodically. 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.

5. SHARES AVAILABLE FOR SALE PERMANENTLY DEPRECIATED

On each balance sheet date, the Group reviews equity investments with a market value of 20% below its net accounting value and decides whether there are objective indications of impairment of an individual financial asset or a group of assets. 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 a n uninterrupted period of nine month. In any such case, the Group books the impaired amount in the income statement.

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

1.1.2.1Definition 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) Possible resort to external expertise

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

1.1.3 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 € 2.5 million.
3. A fire or explosion claim exceeding € 2.0 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
Natural disasters	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 occurrences are 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.

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

Claims cost (€ millions) payments + provision on 31.12.2008	Year of occurrence		
	2008	2007	2006
Before reinsurance	52.8	43.3	50.5
After reinsurance	51.9	42.7	42.7

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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 an open air parking lot is exposed is considered a major high concentration risk. Other risk (explosion on an industrial site, air crash, fire in an underground parking lot) are also considered to be fairly important. In order to safeguard itself against these high concentration risks, the Group has written two non-proportional reinsurance treaties covering individually occurring events. The first treaty covers the storm and hail risk with a cover of an amount twice the maximum possible claim expenditure occurring once every two hundred and fifty years. The second treaty covers fire and explosion risks with a reinsurance cover adapted to the profile of our portfolio. In addition to these, and in order to limit highest exposure on industrial sites and large buildings, the Group has also written a proportional reinsurance treaty and case by case reinsurance cover for individual risks.

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

Claims cost (€ millions) payments + provision on 31.12.2008	**Year of occurrence**		
	2008	2007	2006
Before reinsurance	65.5	71.1	56.5
After reinsurance	63.4	61.9	51.7

In 2007 the Group suffered 2 extreme claims caused by hail and resulting from the high concentration risk. The most important of the claims was essentially supported by the reinsurers as suggested by the table below

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). Taking into account the low insured amounts of risk capital to which the entity is exposed in this insurance branch, (small portfolio and low insured risk capital), the Group did not consider necessary to take reinsurance for this type of insurance risk. In order to measure the impact of possible claims du to high risk concentration, the table below shows the total annual cost of claims per insurance year.

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.

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

Claims cost (€ millions) payments + provision on 31.12.2008	**Year of occurrence**		
	2008	2007	2006
Before reinsurance	3.1	1.1	1.2
After reinsurance	3.0	1.1	1.2

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
5	An explosion claim of € 50.0 million in a factory. Above this amount, the explosion damages in the surrounding area some 50 buildings within our insurance portfolio carrying a claims expenses of € 250.000 per building, giving a total claims expense of € 62.5 million

Impact on profit before tax in € thousand	**Stress Test 1**	**Stress Test 2**	**Stress Test 3**	**Stress Test 4**	**Stress Test 5**
Impact before reinsurance	- 50 000.0	- 7 500.0	-25 000.0	-25 000.0	-62 500.0
Claims expense ceded to the reinsurer	47 500.0	-	22 000.0	23 000.0	58 000.0
Impact on reinsurance	**- 2 500.0**	**- 7 500.0**	**- 3 000.0**	**- 2 000.0**	**- 4 500.0**

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 not settled

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 occurence	0	1	2	3	4	5
2003	103 127.4	99 874.4	95 041.3	90 698.1	88 125.5	88 102.4
2004	94 276.5	88 930.9	84 302.4	82 319.5	81 518.6	
2005	102 269.0	100 396.8	96 809.9	93 348.1		
2006	107 164.9	107 602.9	102 816.1			
2007	116 778.0	115 489.8				
2008	120 951.8					

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

(€ thousands)		Year of occurrence					
		0	1	2	3	4	5
Year of occurrence	2003	99 701.0	96 501.8	91 484.6	87 220.8	84 825.5	84 808.3
	2004	92 381.5	87 272.5	82 843.1	80 794.5	79 539.3	
	2005	99 060.0	95 574.6	92 241.9	88 751.0		
	2006	102 141.3	100 567.1	95 425.1			
	2007	107 211.8	105 754.6				
	2008	118 069.5					

In order to provide the most objective view of the evolution of claims expense per year of occurrence, it was necessary to remove all claims reported in connection with the fronting activities carried out by the entities on behalf of captive reinsurance companies (balance of provisions net of payments as at 31. December 2008: € 35 459.0 thousand). In addition, the claims expense as at 31. December 2008 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 € 1 194.4 thousand). Finally, with respect to the small size of Luxembourg and the impact a major claim could have on the claims expense in a year of occurrence, all events where cost exceeds the first risk limit set in the reinsurance treaty of € 1.5 million for a single claim have been eliminated (provision gross of reinsurance and net of payments as of 31. December 2008 € 10 122.2 thousand). The claims expense gross of reinsurance for the years of occurrence prior to 2003 is € 80 159.0 thousand, net of payments and the payments for the years of occurrence 2003 to 2008 is € 446 416.3 thousand. Taking into account all these factors, the gross claims provision was € 335 455.2 thousand as at 31. December 2008.

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

Provisioning for claims occurred but not declared

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

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

The first 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%.

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Then the Group considers the level of provision shown in the balance sheet and described under 1.1.4.2.1 compared to the confidence level of 95%. If the result of the hypothesis were to be below that level, the Group would then determine a complementary provision to be added to the provision for claims incurred 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%.

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.

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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 2008, 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 2.95% reference rate (2007: 4.31%), the excess cover was up 184.4% (2007: 73.0%);
- At the rate of 3.69% (2007: 5.93%), representing an increase of 25.0%, the excess cover increased by 308.5% (2007: 98.0%);
- At the rate of 2.21% (2007: 3.23%), representing a drop of 25.0%, the excess cover increases by 60.3% (2007: 48.0%);

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

In an economic environment of decreasing interest rates, the shortfall established for an interest rate scenario of 2.8% to 2.9% is maintained. The shortfall can be estimated at between 42.6% (2007: 15.0%) and 26.7% (2007: 9.4%) 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 for an amonut of € 3 021.9 thousand after tax.

At the 2008 year-end, the shortfall was entirely covered by additional provisions.

1.2.4 Short-term life insurance contracts

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

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

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

In addition to the above contracts, the Group sells life contracts 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 the stock markets, credit risk and foreign exchange risk.

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

The other risks arise from unhedged positions from interest rates, exchange rates, equities and Investment funds which are exposed to market movements. Taking into account the structure of the securities portfolio, the most important risk is the interest rate risk. Interest rate risk is especially high for long-term contracts since the probability of fluctuations of medium and long-term rates is important. Hence, a drop in return from assets due to a long-term drop in the bond rates and/or the equities markets could reduce the financial margin if the return from assets invested is not sufficient to cover the technical rates and accumulated profit sharing. A rise in the bond rates, on the other hand, reduces the value of the bond portfolios and may lead to significant depreciation.

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

Foreign 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 Credit risk limiting policy

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

Risk borne in relation with deposits with banks is limited through specific limits authorized by the Board of directors. These limits are reviewed periodically, at least annually, on the grounds of each bank's rating, or, if no such rating is available, on the basis of a balance sheet analysis of the bank concerned. These limits vary between € 2 000 thousand and € 75 000 thousand

Risks born with respect to reinsurers are managed by the reinsurance committee. In the process of transferring insurance risk towards reinsurers, the reinsurance committee takes into account the insolvency risk of these reinsurance companies by diversifying risk transfer to reinsurers for which security wetting is considered sufficient. The reinsurance committee gathers periodically and analyses at least annually security wetting.

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

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

2.1.2 The following table shows for financial assets their maximum credit risk exposure

31.12.2008 € thousand	Other	Unit linked	Total
Equity instruments			
- Available for sale	133 684.2	-	133 684.2
- At fair value through income	18 393.6	-	18 393.6
Fixed income securities			
- Available for sale	940 467.8	-	940 467.8
- At fair value through income	11 902.8	-	11 902.8
- Held to maturity	19 138.5	-	19 138.5
Financial assets at fair value through income	-	1 159 269.4	1 159 269.4
Insurance receivables and other receivables	58 504.9	-	58 504.9
Reinsurers' share of liabilities in respect of insurance contracts	156 530.7	-	156 530.7
Cash and cash equivalents	186 514.7	-	186 514.7
Total credit risk exposition	**1 525 137.2**	**1 159 269.4**	**2 684 406.6**

31.12.2007 € thousand	Other	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
- Held to maturity	-	1 434 392.0	1 434 392.0
Financial assets at fair value through income	89 115.5	-	89 115.5
Insurance receivables and other receivables	138 597.9	-	138 597.9
Reinsurers' share of liabilities in respect of insurance contracts	209 082.3	-	209 082.3
Cash and cash equivalents	**1 552 247.0**	**1 434 392.0**	**2 986 639.0**
Total credit risk exposition			

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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 2008 of the Group bond portfolio. (Ratings by Standard & Poor's or equivalent)

	2008	2007
AAA to AA-	67.2%	87.9%
A+ to BBB-	31.2%	11.8%
Lower than BBB- *	1.6%	0.3%
Total	**100.0%**	**100.0%**

* or without rating

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

	2008	2007
Sovereign or debt guaranteed by gvt. institution:	51.88%	63.24%
Supranational bodies	5.63%	6.69%
Hedged bonds	7.94%	7.39%
Corporate issuers, financial sector	20.87%	15.99%
Corporate issuers, non-financial sector	13.68%	6.69%
Total	**100.00%**	**100.00%**

On 31. December 2008, Maturities of the bond portfolio were the following:

	< 1 yr	1 - 5 yrs	5 - 10 yrs	> 10 yrs
Sovereign or debt guaranteed by gvt. institutions	4.02%	30.65%	46.28%	19.05%
Supranational bodies	0.00%	14.92%	61.00%	24.08%
Hedged bonds	9.35%	28.17%	16.63%	45.85%
Corporate issuers, financial sector	2.32%	30.32%	51.73%	15.63%
Corporate issuers, non-financial sector	0.00%	51.36%	40.78%	7.86%
Total	**2.77%**	**31.93%**	**45.84%**	**19.46%**

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b) Reinsures part within liabilities pertaining to reinsurance contracts

Reinsurers part within these liabilities amounted to € 156 530.7 thousand (2007 € 138 597.9 thousand). Non-captive reinsurance contracts represent € 49 829.1 thousand (2007: € 55 402.8 thousand) On 31. December 2008, more than 54.76% (2007: 78.89%) of provisions in relation with these Non-captive reinsurance contracts are ceded to reinsurers whose S&P rating is at least AA and 29.06% (2007: 13.62%) to reinsurers whose rating is at least A.

c) Cash and cash equivalents

€ thousand	AA	A S&P	A Company	Other	Total
2008	65 635.7	99 565.6	13 683.6	7 629.8	186 514.7
2007	158 799.3	9 067.0	28 412.8	12 803.2	209 082.3

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 holds no assets pending and which are not depreciated.

The Group charged against income depreciation of € 300.0 thousand (2007: 300.0 thousand) on premiums owed by clients and € 425.8 thousand (2007: 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 € 81 342.0 thousand (2007: € 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 assets and liabilities

The following table shows the maturity calendar of liabilities

31.12.2008 € thousand	< 1 year	1 - 3 years	> 3 years	Unit linked	Total
Other technical provisions	158 884.0	137 643.1	627 728.3	-	924 255.4
Provisions relating to unit-linked insurance contracts	-	-	-	471 504.6	471 504.6
Retirement benefit obligations	-	-	22 476.5	-	22 476.5
Provisions for other liabilities and charges	-	2 289.0	-	-	2 289.0
Liabilities in respect of investment contracts	-	-	-	686 533.4	686 533.4
Loans and deposits from reinsures	81 342.0	-	-	-	81 342.0
Insurance debts and other debts	97 234.7	-	-	-	97 234.7
Total	**337 460.7**	**139 932.1**	**650 204.8**	**1 158 038.0**	**2 285 635.6**

31.12.2007 € thousand	< 1 year	1 - 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
Total	**370 158.4**	**170 407.3**	**540 005.2**	**1 440 887.7**	**2 521 458.6**

The following table shows the maturity calendar of assets:

31.12.2008 € thousand	**Current**	**Non-current**	**Total**
Equity instruments			
- Available for sale	-	133 684.2	133 684.2
- At fair value through income	18 393.6	-	18 393.6
Fixed income securities			
- Available for sale	-	940 467.8	940 467.8
- At fair value through income	11 902.8	-	11 902.8
- Held to maturity		19 138.5	19 138.5
Financial assets at fair value through income	-	1 159 269.4	1 159 269.4
Insurance receivables and other receivables	51 506.7	6 998.2	58 504.9
Reinsurers' share of liabilities in respect of insurance contracts	41 696.1	114 834.6	156 530.7
Cash and cash equivalents	186 514.7	-	186 514.7
Total	**310 013.9**	**2 374 392.7**	**2 684 406.6**

31.12.2007 € thousand	**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
Total	**415 272.3**	**2 571 366.7**	**2 986 639.0**

Current assets are assets which:

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

2.3 Market risk

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

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

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

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

2.3.1 Market risk limiting policy

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

2.3.2 Rate risk

The impact of the rate risk for the valuation of the bond portfolio was calculated considering a variance of 100 basis points during one week, phenomenon which has not been observed during the 390 weeks over which the analysis was .

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 2008, an upwards variation of 100 basis points would have generated a decrease in value of € 52 155.1 thousand. At the same moment in time time, a downwards variation of 100 basis points would have generated an increase in value of € 52 243.2 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 in dollars to cover this position. Therefore the only remaining risk is a potential price variation.

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

2008 € thousand	GBP		USD		CHF		NOK	
	Currency	EUR	Currency	EUR	Currency	EUR	Currency	EUR
ASSETS								
Equity instruments	-	-	19 603.0	14 085.6	1 708.5	1 150.5	180.8	16.6
Fixed income securities	-	-	5 000.0	3 592.7	-	-	-	-
Insurance claims and other claims	3.2	3.3	547.4	393.7	17.7	11.9	47.9	4.4
Cash and cash equivalents	7.3	7.8	931.3	669.2	335.9	226.2	494.4	45.5
Total assets	**10.5**	**11.1**	**26 081.7**	**18 741.2**	**2 062.1**	**1 388.6**	**723.1**	**66.5**

2008 € thousand	GBP		USD		CHF		NOK	
	Currency	EUR	Currency	EUR	Currency	EUR	Currency	EUR
liabilities								
Insurance debts and other debts	-271.0	-366.2	-36 578.2	-26 283.1	-2 744.3	-1 847.3	-31.5	-3.1
Total liabilities	**-271.0**	**-366.2**	**-36 578.2**	**-26 283.1**	**-2 744.3**	**-1 847.3**	**-31.5**	**-3.1**

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 10.0% both upwards and downwards for one day at the trading close of the DJ Eurostoxx 50 index. This scenario stands the possibility of occurring of about 1.44% over the review period (16.February till 6. February 2009). The "look back statistic" method will continue to be applied in the future unless there occurs a drastic change of the environment.

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

On 31. December 2008, a variation of 10.0% 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 € 10 760.0 thousand . A the same date a downward variation would have generated a decrease in the value of the same portfolio of € 10 760.0 thousand .

2.4 Guaranty instruments

At the end of 2008, the total amount of guaranties given by the Group amounted to € 30.8 thousand (2007: € 43.2 thousand). These guaranties were essentially given in relation with office lease contracts.

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 2008 were the following:

Consolidated profit and loss account for the year ended 31. December 2008 € thousand	Non-Life	Life	Asset management	Consolidated
Net insurance premium revenue	196 815.8	82 251.3	-	279 067.1
Total net operating income	-7 728.8	-97 362.4	7 124.2	-97 967.0
Net insurance benefits and claims	-117 155.7	38 880.8	-	-78 274.9
Expense	-57 254.4	-20 658.0	-9 741.2	-87 653.6
Profit before tax	**14 676.9**	**3 111.7**	**-2 617.0**	**15 171.6**
Taxes	-2 829.0	13.2	-224.4	-3 040.2
Profit for the year	**11 847.9**	**3 124.9**	**-2 841.4**	**12 131.4**

Amortisation and depreciation expense in 2008 € thousand	Non-Life	Life	Asset management	Consolidated
Amortisation of purchased IT software	-356.5	-173.2	-426.2	-955.9
Amortisation of internally generated IT software	-639.6	-	-	-639.6
Amortisation on business premises, land and buildings	-2 100.1	-	-0.1	-2 100.2
Amortisation on equipment, furniture and machinery	-1 144.3	-59.2	-127.3	-1 330.8
Amortisation on investment property	-2.2	-222.7	-	-224.9

Additions and exit of assets by segment € thousand	Non-Life	Life	Asset management	Consolidated
Additions of Intangible Fixed Assets	97.9	1 173.9	2 240.4	3 512.2
Exit of Intangible Fixed Assets	-	-	-1 360.8	-1 360.8
Additions of Tangible Fixed assets	2 840.8	13.3	473.4	3 327.6
Exit of Tangible Fixed assets	-241.9	-	-21.5	-263.4

Consolidated Balance Sheet per 31. December 2008

Assets and liabilities by segment as at 31. December 2008 € thousand	Non-Life	Life	Asset management	Consolidated
ASSETS				
Intangible Fixed Assets	2 194.9	1 742.7	2 867.5	6 805.1
Tangible Fixed assets	46 670.8	5 766.5	573.0	53 010.3
Equity instruments	77 906.0	60 676.0	13 495.8	152 077.8
Fixed income securities	459 796.2	402 089.4	109 623.4	971 509.0
Financial assets at fair value through income	-	1 159 269.4	-	1 159 269.4
Insurance receivables and other receivables	3 123.0	878.3	576.1	4 577.4
Deferred income tax	38 472.8	17 487.3	2 544.8	58 504.9
Reinsurers' share of liabilities in respect of insurance contracts	153 911.4	2 619.3	-	156 530.7
Cash and cash equivalents	106 789.3	54 467.8	25 257.6	186 514.7

	Non-Life	Life	Asset management	Consolidated
LIABILITIES				
Technical provisions	474 930.3	920 829.7	-	1 395 760.0
Provisions	16 339.5	8 125.5	300.6	24 765.6
Financial liabilities	39 918.4	7 689.5	1 183.7	48 791.6
Insurance debts and other debts	80 114.3	687 761.2	-	767 875.5
Deferred income tax	67 971.9	23 996.1	5 266.7	97 234.7

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

Consolidated profit and loss account for the period ended 31.12.2007 € thousand	Non-Life	Life	Asset management	Consolidated
Net insurance premium revenue	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	-96 575.3	-	-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**	**9 813.1**	**2 516.2**	**76 194.2**

Amortisation and depreciation expense in 2007 € thousand	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

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Additions by segment € thousand	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

ASSETS € thousand	Non-Life	Life	Asset management	Consolidated
ACTIF				
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	152 701.8	17 533.4	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
Deferred income tax	1 937.0	273.5	29.9	2 240.4
Insurance receivables and other receivables	45 803.2	23 154.7	20 157.6	89 115.5
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	45 737.6	23 551.2	209 082.4
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
Deferred income tax	45 885.0	19 524.3	291.1	65 700.4
Financial liabilities	91 764.5	834 762.1	-	926 526.1
Insurance debts and other debts	63 945.0	25 853.2	24 496.2	114 294.4

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.

€ thousand	2008	2007
Luxembourg	325 528.2	312 798.7
European Union	6 844.2	18 587.4
Total	**332 372.4**	**331 386.1**

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.

All shares issued have 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. Between December 2007 and February 2008, the Group repurchased 3 801 issued shares for a total consideration of € 175.9 thousand bringing the total number of issued shares to 8 995 041. The repurchase of own shares was made in line with the asset management contract which the Group has signed with Foyer Patrimonium S.A. which is in charge of the management of the Groups assets. Given the financial market conditions, these shares were not resold in the market in the course of 2008. They do not however indicate any intention of a by-back action.

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 2009 with reference to the financial year 2008 of € 1.117647 gross per share will be proposed to the Annual General Meeting of the shareholders, against € 1.482353 per share a year earlier. The 2008 financial year accounts do not include the dividend to be proposed at the annual general meeting of shareholders of 7. April 2009.

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.

	2008	2007
Profit of the year attributable to Ordinary shareholders (€ thousand)	12 209.0	76 065.7
Average number of shares outstanding	8 995 320.0	8 998 776.0
Profit per base share (€)	1.36	8.45

Note 9. Reserves and retained earnings

The table below shows a breakdown of reserves:

€ thousand	2008	2007
Legal Reserve	4 499.4	4 499.4
Special reserve (wealth tax)	18 310.4	15 955.5
Revaluation reserve (IAS 39)	-27 022.3	21 169.7
Reserve for actuarial differences	2 460.5	1 866.4
Other reserves and retained earnings	352 725.1	292 706.2
Reserves and retained earnings	**350 973.1**	**336 197.2**

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.

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.

Revaluation reserve
This reserves details the change in fait value equity portfolios in accordance with IAS 39. The evolution of this reserve is the following:

€ thousand	2008	2007
Reserve on 01.01	21 169.7	38 040.9
Amounts recovered from Profit & Loss	-16 655.0	-17 326.2
Losses recognized via Profit & Loss	18 587.7	825.2
Allocation	-50 124.7	-370.2
Reserve on 31.12.	**-27 022.3**	**21 169.7**

Amounts recovered from income are essentially linked
Amounts recovered from income is essentially linked to the sale of equities that were part of the "Available for sale" portfolio.

Losses recognised via Profit & Loss is linked to depreciation of variable and fixed income equities, (significant decrease in value over a longer period of fair value below acquisition cost) which were formerly posted to capital funds and had now to be transferred to Profit & Loss.

Reserve for 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.

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.

Other reserves
Other reserves show the part of the reserves of entities which are part of the Group.

These reserves include a blocked amount of € 175.9 thousand (2007: € 76.2 thousand) for own shares. .

Note 10. Consolidated statement of changes in equity

€ thousand	Subscribed capital
Shareholders equity as of 31.12.2006	**44.994.2**
Dividends paid during the year	
Income and expenses directly recognised in equity	
Change of consolidation parameter and other changes	
Other changes	
Net income 2007	
Shareholders equity as at 31.12.2007	**44.994.2**
Dividends paid during the year	
Income and expenses directly recognised in equity	
Change of consolidation parameter through repurchase of minority interests	
Other changes	
Net income 2008	
Shareholders equity as at 31.12.2008	**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**	**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**
		-13.339.5	-13.339.5	-110.0
		-47.597.9	-47.597.9	-0.9
		-	-	3.120.0
-99.7		-352.4	-452.1	-
		12.209.0	12.209.0	-77.6
-175.9	**3.106.0**	**363.182.1**	**411.106.4**	**3.265.6**

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Note 11. Intangible fixed assets

Changes registered for intangible fixed assets over the 2008 financial year can be summarised as follows:

2008 **€ thousand**	**Purchased software**	**Internally generated software**	**Goodwill**	**Total**
Gross amount on 01.01.	**11 905.2**	**3 197.8**	**251.2**	**15 354.2**
Additions	3 512.2	-	-	3 512.2
Disposals	-1 360.8	-	-	-1 360.8
Gross amount on 31.12.	**14 056.6**	**3 197.8**	**251.2**	**17 505.6**
Accumulated amortisation on 01.01.	-9 343.1	-1 056.6	-	-10 399.7
Amortisation of the year	-955.9	-639.6	-	-1 595.4
Disposals				
Accumulated amortisation on 31.12.	**-9 004.3**	**-1 696.1**	**0.0**	**-10 700.5**
Carrying value on 31.12.	**5 052.3**	**1 501.6**	**251.2**	**6 805.1**

In the course of the year the Group replaced its asset management software; the new software package was recognised on line "Additions" whereas the previous software package is dereconised in line "Disposals"

On 31. December 2008, main intangible assets are the following:

€ thousand	**2008**
Non-life software	1 501.6
Life group assurance software	1 292.2
Asset management software	2 842.9

2007 € thousand	Purchased software	Internally generated software	Goodwill	Total
Gross amount on 01.01.	**9 795.1**	**3 197.8**	**251.2**	**13 244.1**
Additions	2 110.1	-	-	2 110.1
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**

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Note 12. Business premises, plant and equipment

Changes recognised in the line "Business premises, material, furniture and equipment "were as follows in the course of 2008:

2008 € thousand	Land and Buildings	Materials, furniture and equipment	Total
Gross amount on 01.01.	**46 110.5**	**13 900.2**	**60 010.7**
Additions of the year	1 800.9	1 526.7	3 327.6
Transfers of the year			
Disposals of the year	-1.6	-261.8	-263.4
Gross amount on 31.12.	**47 909.8**	**14 956.9**	**62 866.7**
Accumulated amortisation on 01.01.	-3 415.0	-9 061.8	-12 476.8
Amortisation of the year	-2 100.2	-1 330.8	-3 451.2
Transfers of the year			
Disposals of the year	1.3	201.7	203.0
Accumulated amortisation on 31.12.	**-5 513.9**	**-9 982.8**	**-15 496.7**
Carrying value on 31.12.	**42 395.9**	**4 974.1**	**47 370.1**

The fair value on 31. December 2008 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 (2007: € 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 is reconised in the income statement as "Administrative expense"

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2007 € thousand	Land and Buildings	Materials, furniture and equipment	Total
Gross amount on 01.01.	**43 675.3**	**13 015.7**	**56 691.1**
Additions of the year	2 435.1	1 266.1	3 701.3
Transfers of the year	-	-381.7	-381.7
Gross amount on 31.12.	**46 110.5**	**13 900.2**	**60 010.7**
Accumulated amortisation on 01.01.	-1 425.5	-8 048.9	-9 474.4
Amortisation of the year	-1 989.5	-1 168.8	-3 158.3
Transfers of the year	-	155.9	155.9
Accumulated amortisation on 31.12.	**-3 415.0**	**-9 061.8**	**-12 476.8**
Carrying value on 31.12.	**42 695.5**	**4 838.4**	**47 533.9**

Note 13. Investment property

Movements registered in the line "Investment property" in 2007 and 2008 were as follows:

€ thousand	Land and Buildings 2008	Land and Buildings 2007
Gross amount on 01.01.	**9 403.2**	**9 561.7**
Additions of the year	-	26.9
Transfers of the year	-189.1	-185.4
Gross amount on 31.12.	**9 214.1**	**9 403.2**
Accumulated amortisation on 01.01.	-3 389.7	-3 207.0
Amortisation of the year	-224.9	-228.1
Transfers of the year	40.8	45.4
Accumulated amortisation on 31.12.	**-3 573.8**	**-3 389.7**
Carrying value on 31.12.	**5 640.3**	**6 013.5**

The fair value on 31. December 2008 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 € 14 170.1 thousand (2007: € 12 071.1 thousand). Rental income of investment property amounted in 2008 to € 919.8 thousand (2007: € 885.8 thousand). Expenses incurred on these buildings amounted in 2008 to € 274.9 thousand (2007: € 279.3 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"

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.

Equity securities which are not quoted are valued either as a result of an analysis of the companies annual accounts, or by applying the price of a recent transaction close enough to the date of the annual closing.

On 31. December 2008, Foyer S.A., Foyer Assurances S.A., Foyer Vie S.A. and Foyer RE S.A. decided to keep certain bonds until their maturity which will occur between 2015 and 2022. These bonds were recognised previously at fair value in the category of securities available for sale and have been transferred to the category held to maturity.

Break down by category :

On 31. December 2008, securities were recognised as follows:

31.12.2008 € thousand	**Available for sale**	**Held for trading purposes**	**Held to maturity**	**Total**
Equity instruments				
Shares				
- quoted	127 474.4	18 393.6	-	145 868.0
- non-quoted	6 209.8	-	-	6 209.8
Fixed income securities				
Bonds				
- quoted	940 467.8	11 902.8	19 138.5	971 509.1
- non-quoted	-	-	-	-
Total	**1 074 152.0**	**30 296.4**	**19 138.5**	**1 123 586.9**

On 31. December 2007, securities were recognised as follows:

31.12.2007 € thousand	Available for sale	Held for trading purposes	Held to maturity	Total
Equity instruments				
Shares				
- quoted	270 693.1	69 618.1	-	340 311.2
- non-quoted	6 272.1	-	-	6 272.1
Fixed income securities				
Bonds				
- quoted	757 968.7	10 899.3	-	768 868.0
- non-quoted	-	-	-	-
Total	**1 034 933.9**	**80 517.4**	**-**	**1 115 451.3**

Price variance during the financial year by portfolio category

Financial asset mouvements during the year 2008 were the following:

2008 € thousand	Available for sale	Held for trading purposes	Held to maturity	Total
Carrying value on 01.01.	**1 034 933.9**	**80 517.4**	**-**	**1 115 451.3**
Acquisitions	681 679.3	911 105.6	-	1 592 784.9
Disposals and redemption	-534 465.1	-943 585.8	-	-1 478 050.9
Revaluation through profit and loss account	-26 305.8	-17 740.8	-	-44 046.6
Revaluation through revaluation reserve	-62 551.8	-	-	-62 551.8
Reclassification	-19 138.5	-	19 138.5	-
Carrying value on 31.12.	**1 074 152.0**	**30 296.4**	**19 138.5**	**1 123 586.9**

2007 € thousand	Available for sale	Held for trading purposes	Held to maturity	Total
Carrying value on 01.01.	**998 373.4**	**42 786.8**	**-**	**1 041 160.3**
Acquisitions	636 366.1	6 372 052.8	-	7 008 418.9
Disposals and redemption	-565 382.3	-6 330 918.0	-	-6 896 300.2
Revaluation through profit and loss account	-939.2	-3 404.2	-	-4 343.4
Revaluation through revaluation reserve	-33 484.1	-	-	-33 484.1
Carrying value on 31.12.	**1 034 933.9**	**80 517.4**	**-**	**1 115 451.5**

Note 15. Insurance receivables and other receivables, accruals

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

€ thousand	2008	2007
Insurance receivables	22 073.3	20 504.2
Subrogation and recoveries	3 301.9	3 341.5
Loans	6 214.0	6 182.2
Accrued income and deferred expenses	21 495.1	19 005.2
Other accounts receivables	5 420.6	40 082.4
Total	**58 504.9**	**89 115.5**

Insurance receivables

€ thousand	2008	2007
Gross receivables from policyholders	16 324.8	10 939.8
Impairment of receivables	-300.0	-300.0
Receivables from intermediaries	5 676.9	1 561.2
Receivables from reinsurers	371.6	8 303.2
Total	**22 073.3**	**20 504.2**

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”.

	Amortised cost (€ thousand)	Average life in (years)	Average rate
Advances on policies	1 089.3	10.7	5.7%
Loans to agents	4 449.1	8.5	5.3%
Loans to related parties	675.6	9.8	3.7%
Total	**6 214.0**	**-**	**-**

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

€ thousand	2008	2007
Interest and rent accrued but not collected	20 533.1	18 306.6
Deferred acquisition expenses	784.2	683.2
other accrued income and deferred expenses	177.8	15.4
Total	**21 495.1**	**19 005.2**

Other accounts receivable

€ thousand	2008	2007
Sundry receivables	5 290.5	39 396.1
Receivables from related parties	130.1	686.3
Total	**5 420.6**	**40 082.4**

Debts towards related parties represent the balance of the courant accounts maintained with joint ventures proportionally consolidated and with Foyer Finance S.A..

Analysis by maturity

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

€ thousand	2008		2007	
	Current	Non-current	Current	Non-current
Insurance receivables	22 073.3	-	20 504.2	-
Subrogation and recoveries		-	3 341.5	-
Loans	-	6 214.0	-	6 182.2
Accrued income and deferred expenses	20 710.9	784.2	18 322.0	683.2
Other accounts receivable	5 420.6	-	40 082.4	-
Total	**51 506.7**	**6 998.2**	**82 250.1**	**6 865.4**

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 after year end closing. 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 equivalent

This line can be detailed as follows:

€ thousand	2008	2007
Time deposits	156 357.8	184 520.3
Cash in hand, current and short term call accounts	30 156.9	24 562.0
Total	**186 514.7**	**209 082.3**
Short term bank debt (Note 18)	-28 947.1	-30 034.1
Total	**157 567.5**	**179 048.2**

The maturity of time deposits varies between 2 and 30 days and the interest rates are those of the short-term financial market, averaging 2.3 % as of 31. December 2008. The fair value of these assets has not been recognised as discounting has a negligible effect on the original amounts.

Time deposits include an amount of € 65 338.0 thousand (2007: € 62 831.2 thousand) that cover deposits from reinsures.

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.

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

1. TECHNICAL PROVISIONS NET OF REINSURANCE

€ thousand	2008	2007
Gross amounts		
- Claim provision	335 455.2	313 551.1
- Provision for unearned premiums	91 514.9	82 760.4
- Provision for life insurance	901 230.2	996 078.7
- of which investment contracts with DPF	*93 461.9*	*67 407.1*
- Provision for contract aging	2 221.7	1 755.7
- Other technical provision	65 338.0	62 249.4
Total gross technical provisions	**1 395 760.0**	**1 456 395.3**
Reinsurers share		
- Claim provision	77 660.5	67 150.7
- Provision for unearned premiums	12 603.6	8 421.1
- Provision for life insurance	928.6	776.8
- Other technical provision	65 338.0	62 249.4
Total technical provisions - reinsurers share	**156 530.7**	**138 597.9**
Net amounts		
- Claim provision	257 794.7	246 400.4
- Provision for unearned premiums	78 911.3	74 339.3
- Provision for life insurance	900 301.6	995 301.9
- Provision for contract aging	2 221.7	1 755.7
Total net technical provisions	**1 239 229.3**	**1 317 797.4**

The provision for non-life claims includes an estimated amount of € 11 801.2 thousand (2007: € 10 965.2 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 (2007: € 19 561.6 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

€ thousand	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01.	313 551.1	67 150.7	246 400.4	296 344.7	57 849.9	238 494.9
Current year variation	21 904.1	10 509.8	11 394.3	17 206.3	9 300.8	7 905.5
Provision 31.12.	335 455.2	77 660.5	257 794.7	313 551.1	67 150.7	246 400.4

2.2 Variation for unearned premium

€ thousand	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01.	82 760.4	8 421.1	74 339.3	80 066.6	8 155.0	71 911.6
Current year variation	8 754.5	4 182.5	4 572.0	2 693.8	266.1	2 427.7
Provision 31.12.	91 514.9	12 603.6	78 911.3	82 760.4	8 421.1	74 339.3

2.3 Variation of the Life provision

2.3.1 Variation of the Life provision

	2008			2007		
€ thousand	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01.	377 079.8	776.8	376 303.0	336 816.3	676.8	336 139.5
Current year variation	40 756.6	151.8	40 604.8	40 263.5	99.9	40 163.5
Provision 31.12.	417 836.4	928.6	416 907.8	377 079.8	776.8	376 303.0

2.3.2 Variation of the unit linked Life provision

	2008			2007		
€ thousand	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01.	607 364.0	-	607 364.0	606 914.8	-	606 914.8
Current year variation	-135 859.4	-	-135 859.4	449.2	-	449.2
Provision 31.12.	471 504.6	-	471 504.6	607 364.0	-	607 364.0

2.3.3 Variation of the provision for DPF

	2008			2007		
€ thousand	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01.	11 635.0	-	11 635.0	9 290.1	-	9 290.1
Current year variation	254.1	-	254.1	2 344.8	-	2 344.8
Provision 31.12.	11 889.1	-	11 889.1	11 635.0	-	11 635.0

2.4. Variation of the aging provision

€ thousand	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01.	1 755.7	-	1 755.7	1 325.5	-	1 325.5
Current year variation	466.0	-	466.0	430.2	-	430.2
Provision 31.12.	2 221.7	-	2 221.7	1 755.7	-	1 755.7

3. 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 bonds issued by the Belgian government. These rates are fixed on 1st January of the year following the year for which the cash deposits are made. The Group has not required the reinsurers to deposit the full amount of deposits to which it is entitled.

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

€ thousand	2008	2007
Non-life contracts	80 114.3	91 764.4
life contracts	1 227.7	1 238.5
Total	**81 342.0**	**93 002.9**

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.

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Note 18. Insurance debts and other debts

€ thousand	2008	2007
Debts arising from directs insurances transactions	22 800.8	16 710.1
Debts arising from reinsurances transactions	7 821.0	4 009.6
Debts with credit institutions (Note 16)	28 947.1	30 034.1
Tax and social security liabilities	24 323.9	29 927.8
Debts with group companies	5 329.6	6 161.7
Other debts	86.9	6.7
Total	7 925.4	27 444.4
Total	**97 234.7**	**114 294.4**

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

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

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

Debts with group companies essentially represent the balance on the current accounts held with proportionally-consolidated joint ventures and Foyer Finance S.A.

The other debts are due to securities purchase transactions transacted before year end and which are settled at the beginning of the new year.
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:

€ thousand	2008	2007
Income tax	-282.1	-10 024.3
Local tax	-95.2	-3 545.0
Wealth tax	-1 500.6	-330.5
Total allocation to the tax provision	**-1 877.9**	**-13 899.8**

2. DEFERRED TAX INCOME AND EXPENSE FOR THE YEAR

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

€ thousand	2008	2007
Deferred tax assets as at 01.01.	**2 240.4**	**2 771.4**
- Deferred tax recoverable within 12 months	2 291.0	-243.1
- Deferred tax recoverable after 12 months	46.0	-287.9
Deferred tax assets as at 31.12.	**4 577.4**	**2 240.4**
Deferred tax liabilities as at 01.01.	**65 700.4**	**67 305.0**
- Deferred tax recoverable within 12 months	-11 862.2	-4 328.9
- Deferred tax recoverable after 12 months	-5 046.6	2 724.3
Deferred tax liabilities as at 31.12.	**48 791.6**	**65 700.4**
Deferred tax charged to the profit and loss account	**-1 162.3**	**-7 555.9**
Deferred tax charge	-8 676.7	-8 497.3
Deferred tax revenue	7 514.4	941.4

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

€ thousand	2008	2007
IAS 39	12 025.1	9 250.8
IAS 19	-1 021.7	814.4
Total	**11 003.4**	**10 065.2**

3. DEFERRED TAX ASSET

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

€ thousand	IAS 38	IAS 37	IAS 19	IAS 12	Total
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
Deferred taxes on 31.12.2007	**-**	**445.1**	**1 793.8**	**1.4**	**2 240.3**
Deferred taxes on 01.01.2008	**-**	**445.1**	**1 793.8**	**1.4**	**2 240.3**
Debit/credit to profit and loss account	-	13.0	-452.7	2 291.1	1 851.4
Debit/credit to the valuation reserve	-	-	485.7	-	485.7
End of year 2008	**-**	**458.1**	**1 826.8**	**2 292.5**	**4 577.4**

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 jubilee awards.

IAS 12: Changes in the amount of deferred tax in relation with IAS 12 are 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:

€ thousand	IAS 39	IAS 37	IAS 19	IAS 12	Total
Deferred taxes on 01.01.2007	**23 053.7**	**23 599.6**	**326.1**	**20 325.0**	**67 305.0**
Debit/credit to profit and loss account	-3 661.5	3 393.9	-	-759.0	-1 026.6
Debit/credit to the valuation reserve	-578.0	-	-	-	-578.0
Deferred taxes on 31.12.2007	**18 814.2**	**26 993.5**	**326.1**	**19 566.6**	**65 700.4**
Deferred taxes on 01.01.2008	**18 814.2**	**26 993.5**	**326.1**	**19 566.6**	**65 700.4**
Debit/credit to profit and loss account	-1 401.6	-1 632.9	-	-3 413.8	-6 448.3
Debit/credit to the valuation reserve	-10 460.5	-	-	-	-10 460.5
Deferred taxes on 31.12.2008	**6 952.1**	**25 360.6**	**326.1**	**16 152.8**	**48 791.6**

IAS 39: The movement of deferred tax credits under IAS 39 represents the deferred tax generated by the variation 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.

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5. RECONCILIATION OF TAX EXPENSE AND TAX INCOME

€ thousand	2008	2007
Profit before tax	**15 171.6**	**97 649.9**
Tax expense according to (1) above	1 877.9	13 899.8
Tax expense according to (2) above	1 162.3	7 555.9
Total tax expense	**3 040.2**	**21 455.7**
Theoretical tax expense	4 609.1	29 666.0
Impact of fixed tax allowance	-2 372.3	-
Losses carried forward	-3.9	-10.2
Impact of Income tax rate variation	-1 251.1	-
Wealth tax	1 500.6	263.9
Final taxation of previous years received	-140.2	-41.2
Non taxable income	480.9	-8 285.1
Unrecoverable tax expenses	216.2	-155.2
Other impacts	0.9	17.4
Total tax expense	**3 040.2**	**21 455.7**

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

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

€ thousand	2008			
	Luxembourg	UE	Hors UE	Total
Liabilities in respect of investment contracts	13 914.9	663 078.1	9 540.4	686 533.4

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

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 will 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

€ thousand	2008	2007
Value of the investment units at fair value through income	1 159 269.4	1 434 392.0

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Note 21. Employee benefits

1. LONG TERM BENEFITS: POST EMPLOYMENT BENEFITS

The Group offers post 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 2008. 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 Internal scheme

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 actualization rate is based on bond market data.

	31.12.2008	31.12.2007
Actualization rate	3.15%	4.6%
Inflation rate	1%	2 %
Rate of salary increases	1.50%	2.50%
Mortality tables for active employees	GBM 90-95	GBM 90-95
Rate of increase of current pensions	1%	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" of 0.9% are born by the employer. This tax has been included in the calculations.

1.3 Method of recognition

Actuarial gains or losses of the financial year are entirely recognised in equity during the same period. There are cumulated in the Statement of recognised income and expense statement.

1.4 Data

a) External pension scheme

	2008	2007
Number of active employees	425	442
Average age	41 years	39 years
Annual payroll for pension calculations	€ 26 713.4 thousand	€ 26 274.2 thousand

b) Internal pension scheme

	2008	2007
Number of beneficiaries	63	65
Average age	69 years	68 years
Annual benefits	€ 859 thousand	€ 844.7 thousand

1.5 Calculation of commitments

a) Year 2008

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

€ thousand	Total	Employed	Retired
Present value of funded obligation on 01.01.2008	20 100.4	7 581.5	12 518.9
Current service cost	991.5	991.5	-
Interest cost	893.3	339.6	553.7
Actuarial (Gain) Loss	(801.3)	(1 378.7)	577.4
Benefits paid	(1 313.0)	(453.0)	(860.0)
Present value of funded obligations on 31.12.2008	**19 870.9**	**7 080.9**	**12 790.0**

Total expenses recognised in income

€ thousand	Total	Employed	Retired
Liabilities	19 870.9	7 080.9	12 790.0
Asset	-	-	-
Net liabilities (assets)	**19 870.9**	**7 080.9**	**12 790.0**

Amounts recognized in equity

€ thousand	Total	Employed	Retired
Actuarial (loss) or gain recognized during the period	801.3	1 378.7	-577.4
Declared opening actuarial gain (loss)	2 681.2	1 059.7	1 621.5
Accumulated gain (loss) at the end of the period	**3 482.5**	**2 438.4**	**1 044.1**

The actuarial gain recognized in equities is included in the "Statement of recognized income and expenses.

Amounts recognized in income

€ thousand	Total	Employed	Retired
Current service cost	991.5	991.5	-
Interest cost	893.3	339.6	553.7
Total cost	**1 884.8**	**1 331.1**	**553.7**

Employer contribution to the plan in 2009 is expected to be € 997.2 thousand.

Evolution

a) Present value of defined benefit obligation (in € thousand)	Commitment	Asset	Déficit
2008	19 870.9	-	19 870.9
2007	20 100.4	-	20 100.4
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 %)

2008	-4%
2007	-6%
2006	-9%
2005	-5%
2004	6%

b) Year 2007

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

€ thousand	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
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 31.12.2006	**20 100.5**	**7 581.5**	**12 519.0**

Balance sheet amounts

€ thousand	Total	Employed	Retired
Liabilities	20 100.5	7 581.5	12 519.0
Assets	-	-	-
Net liabilities (assets)	**20 100.5**	**7 581.5**	**12 519.0**

Amounts recognized in equity

€ thousand	Total	Employed	Retired
Actuarial (loss) or gain recognized during the period	1 181.3	370.3	811.0
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**

Amounts recognized in income

€ thousand	Total	Employed	Retired
Current service cost	941.5	941.5	-
Interest cost	837.3	294.4	542.9
Total cost	**1 778.8**	**1 235.9**	**542.9**

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2. OTHER EMPLOYEE BENEFITS

These commitments are booked in the balance sheet under the item "Provisions for other liabilities and charges".

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:

€ thousand	2008	2007
Provision at 01.01	1 156.8	1 513.0
Movements during the year	46.2	-356.2
Provision at 31.12	1 203.0	1 156.8

2.2 Provisions for jubilee awards

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 is calculated by applying the actuarial method of 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:

€ thousand	2008	2007
Provision at 01.01	308.3	-
Movements during the year	50.0	308.3
Provision at 31.12	358.3	308.3

Note 22. Agents' pension benefit commitment

A lump sum benefit is promised to the Group's 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 a maximum amount of € 6.5 thousand by agent at the mobile salary scale applicable in the Grand Duchy of Luxemburg.

At 31. December, the provisions stood at:

€ milliers	2008	2007
Provision at 31.12.	2 605.7	2 030.6

The provisions are booked in the balance sheet under the item "Retirement benefit obligations".

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Note 23. Net insurance premium revenue

€ thousand	2008	2007
Gross Non-life premiums written		
Fire and other damage to property	67 896.3	60 646.5
Motor, civil liability	52 305.7	52 033.4
Motor, other branches	69 108.9	65 782.6
Civil liability	21 001.8	19 503.8
Health, accident	6 920.2	6 385.9
Business turnover loses	26 478.8	26 324.8
Other branches	12 889.1	12 370.8
Total gross Non-life premiums written	**256 600.8**	**243 047.9**
Variation gross unearned premiums provision		
Fire and other damage to property	-5 184.2	-598.9
Motor, civil liability	-354.3	-19.6
Motor, other branches	-1 883.6	-819.6
Civil liability	-634.2	-533.9
Health, accident	-138.6	-33.5
Business turnover loses	345.2	-208.9
Other branches	-229.8	-85.7
Total variation gross unearned premiums provision	**-8 079.6**	**-2 300.1**
Gross earned premiums Non-life		
Fire and other damage to property	62 712.1	60 047.6
Motor, civil liability	51 951.4	52 013.8
Motor, other branches	67 225.3	64 963.0
Civil liability	20 367.5	18 969.9
Health, accident	6 781.6	6 352.4
Business turnover loses	26 824.0	26 115.9
Other branches	12 659.3	12 285.1
Total gross earned premiums Non-life	**248 521.2**	**240 747.7**

€ thousand	2008	2007
Gross premiums written Life (contracts IFRS 4)		
Life without unit-linked	81 393.6	76 193.0
- o/w contracts with DFP	*29 412.2*	*26 476.3*
Life unit-linked	3 132.5	14 839.1
Total gross Life premiums written	**84 526.1**	**91 032.1**
Variation gross unearned premiums provision		
Life without unit-linked	-676.3	-393.7
Life unit-linked	1.4	-
Total variation gross unearned premiums provision	**-674.9**	**-393.7**
Gross earned premiums Life		
Life without unit-linked	80 717.3	75 799.3
Life unit-linked	3 133.9	14 839.1
Total gross earned premiums Life	**83 851.1**	**90 638.4**
Gross premiums earned	**332 372.4**	**331 386.1**
Ceded Non-life premiums		
	-18 719.2	-14 702.6
Fire and other damage to property	-978.1	-1 270.3
Motor, civil liability	-241.2	-353.7
Motor, other branches	-6 417.0	-5 556.3
Civil liability	-204.0	-392.2
Health, accident	-24 588.0	-24 555.0
Business turnover loses	-4 740.4	-4 704.8
Other branches		
Total ceded Non-life premiums	**-55 887.9**	**-51 534.9**

€ thousand	2008	2007
Variation unearned premiums provision, reinsurers share		
Fire and other damage to property	234.0	-8.2
Motor, civil liability	-	-
Motor, other branches	81.1	-51.4
Civil liability	335.8	187.8
Health, accident	0.8	2.4
Business turnover loses	3 495.1	178.0
Other branches	35.7	-42.5
Total variation unearned premiums provision, reinsurers share	**4 182.5**	**266.1**
Ceded earned Non-life premiums		
Fire and other damage to property	-18 485.3	-14 710.8
Motor, civil liability	-978.1	-1 270.3
Motor, other branches	-160.1	-405.1
Civil liability	-6 081.2	-5 368.5
Health, accident	-203.1	-389.8
Business turnover loses	-21 092.9	-24 377.0
Other branches	-4 704.8	-4 747.3
Total ceded earned Non-life premiums	**-51 705.4**	**-51 268.8**
Ceded Life premiums (contracts IFRS 4)		
Life without unit-linked	-1 510.4	-3 862.9
Life unit-linked	-89.5	-35.5
Total ceded Life premiums	**-1 599.9**	**-3 898.4**
Ceded earned premiums	**-53 305.3**	**-55 167.2**
Net earned premiums	**279 067.1**	**276 218.9**

Note 24. Insurance benefits and claims

€ thousand	2008	2007
Life insurance claims - Gross		
Claims paid	-57 144.6	-54 038.9
Variation claims provision	1 008.3	72.4
Variation in the provision for life insurance	-40 756.7	-40 263.5
Variation in the provision for contracts with DPF	-254.2	-2 438.6
Variation in the provision for unit-linked contracts	135 859.3	-449.2
Total	**38 712.2**	**-97 117.7**
Non-life insurance benefits costs - Gross		
Claims paid	-112 075.1	-115 537.5
Variation claims provision	-22 912.5	-17 278.8
Variation in the provision for legal proceedings (subrogations and recoveries)	-39.5	215.4
Variation of the aging provision	-466.0	-430.2
Variation in the provision for contracts with DPF	269.4	-
Total	**-135 223.6**	**-133 031.0**
Total of life insurance claims - Gross	**-96 511.4**	**-230 148.8**
Reinsurers' share of the cost of insurance services		
Reinsurers' share of the cost of life insurance services		
Claims paid	657.9	1 078.0
Variation claims provision	-641.1	-635.5
Variation claims provision life	151.8	100.0
Total	**168.6**	**542.5**
Reinsurers' share of the cost of non-life insurance services		
Claims paid	6 917.0	14 494.7
Variation claims provision	11 150.9	9 936.3
Variation in the provision for legal proceedings	0.0	21.5
Total	**18 067.9**	**24 452.5**
Total	**18 236.5**	**24 994.9**
Insurance benefits and claims net of reinsurance	**-78 274.9**	**-205 153.8**

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

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Note 25. Management commission on insurance contracts

€ thousand	2008	2007
Asset management commission	4 919.5	5 691.8
Other technical income	100.5	165.8
Total	**5 020.0**	**5 857.6**

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.

€ thousand	2008	2007
Non-life		
- Reinsurance commission	3 976.5	3 892.7
- Income from contracts with DFP	61.8	96.9
Life		
- Reinsurance commission	217.7	206.2
- Income from contracts with DFP	617.5	555.4
Total	**4 873.5**	**4 751.2**

Note 27. Commissions earned by the Asset Management segment

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

€ thousand	2008	2007
Net intermediary fees	1 558.6	1 811.8
Management commission on investment funds	1 922.1	3 216.5
Asset management commission	1 258.0	1 109.7
Total	**4 738.7**	**6 137.9**

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.

€ thousand	2008	2007
Expenses on acquisition of the contract	670.7	1 023.1
Management commission of the contract	5 834.5	6 641.3
Total	**6 505.2**	**7 664.4**

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

€ thousand	2008	2007
Net financial revenue from land and buildings	613.8	576.8
Dividends earned from shares	7 253.1	5 816.5
Interest from bonds	38 149.6	32 112.1
Interest from loans and deposits	5 285.4	5 011.4
Total	**51 301.9**	**43 516.8**

Expenses

Interest paid on bank overdrafts	-1 286.0	-4 334.8
Exchange losses on deposits and securities	-1 227.3	-293.5
Depreciation on equity instruments available for sale	-24 742.5	-29.0
Depreciation on fixed income securities available for sale	-1 563.3	-796.2
Other financing costs	-4 211.4	-6 073.0
Total	**-33 030.5**	**-11 526.5**

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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	2008	2007
Capital gains on the sale of assets		
Equity securities and other variable income securities and shares in investment funds	32 482.4	59 528.4
Bonds	6 796.0	-1 955.4
Capital losses from the sale of assets		
Equity securities and other variable income securities and shares in investment funds	-36 462.2	-9 603.3
Bonds	-2 582.2	-2 480.3
Other	122.1	61.0
Total	**356.1**	**45 550.4**

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

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

	2008		2007	
€ thousand	Local market	International market	Local market	International market
Variation of unrealised capital gains or losses from financial assets	-3 592.9	-292 302.9	119.3	6 894.2
Variation of unrealised capital gains or losses from financial liabilities	1 852.0	174 052.7	-41.2	-1 296.2
Total	**-1 740.9**	**-118 250.2**	**78.1**	**5 598.0**

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

€ thousand	2008	2007
Variation of unrealized capital gains from financial assets		
- Equity securities and other variable income securities and shares in investment funds	304.4	3.9
- Bonds	688.0	-
Variation of unrealized capital losses from financial assets		
- Equity securities and other variable income securities and shares in investment funds	-17 374.2	-2 837.9
- Bonds	-1 359.0	-207.5
Total	**-17 740.8**	**-3 041.5**

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.

€ thousand	2008	2007
Commission to intermediaries	-32 120.3	-28 154.0
Other acquisition costs	-28 866.1	-26 627.0
Deferred acquisition expenses	101.0	105.0
Total	**-60 885.4**	**-54 676.0**

NB: The commission to brokers includes an amount of € 977.6 thousand (2007: € 741.2 thousand) of commissions on investment contracts with DPF.

Foyer

2. ADMINISTRATION EXPENSES

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

€ thousand	2008	2007
Administration cost	-21 541.5	-17 768.8

3. EXPENSES RELATED TO INVESTMENT CONTRACTS

These are expenses incurred by Foyer International S.A. in the management of the investment contract portfolio.

€ thousand	2008	2007
Costs related to investment contracts	-5 045.8	-5 601.9

4. OTHER OPERATING EXPENSES

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

€ thousand	2008	2007
Other costs	-180.9	-70.5

Note 33. Employee benefit expense

The average number of employees during 2008 was 425.3 (2007: 420.4), represented by the following categories of staff:

Catégories	2008	2007
Executive managers	27.0	23.0
Staff	49.9	50.0
Employees	348.4	347.4
Total	**425.3**	**420.4**

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

€ thousand	2008	2007
Wages and salaries	28 550.4	27 272.2
Social charges	3 164.4	3 049.1
Other staff costs	5 464.4	4 670.0
Total	**37 179.2**	**34 991.3**

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 insurers outside Foyer Group.
By virtue of signed contracts with other Group companies, Foyer Patrimonium S.A. operates on behalf of companies of 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

€ milliers	2008	2007
Contracts providing cover for Directors' civil liability, professional indemnity and fraud	90.6	88.3
Provision for financial management services	23.5	18.3

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

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

€ thousand	2008	2007
Members of the management	6 267.0	5 461.2
Board members	228.4	91.5

Remuneration allocated to members of management includes for the years 2008 an amount of € 162.1 thousand (2007: € 158.8 thousand) to the complementary pension benefit scheme.

€ thousand	2008	2007
Pensions benefit premiums for members of management	446.2	383.4

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:

€ thousand	Amount outstanding	Interest rates	Term
Members of management	557.8	3.8%	within 20 years

No payments were made during the year (2007: € 143.2 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 2007 and 2008 are shown in note 22 "Agent's pension commitment".

5. LOANS TO CERTAIN AGENTS

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

6. DIVIDENDS RECEIVED FROM AFFILIATED COMPANIES

The Group received dividends amounting to € 28.0 thousand (2007: € 22.5 thousand) from different companies of the Group Foyer Finance. These amounts are included in Note 29 under the item "Dividends earned from shares".

Note 35. Operating leases

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

Situation € thousand	Expiry	Indexation	Rent 2008	Estimate 2009	Rent between 1 and 5 years
Bruges	31.12.2008	yes	10.6	-	-
Bruxelles Green Land	31.07.2010	yes	48.5	51.5	30.0
Total			**59.1**	**51.5**	**30.0**

Note 36. Events after the reporting period

1. ACQUISITION OF THE CAPITALATWORK GROUP

Foyer S.A. acquired on 5. February 2009 99.95% of the shares of Capitalatwork.

Annual accounts Foyer S.A.

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Foyer

Management report

of Foyer S.A. to be presented to the Annual General Meeting of Shareholders of 7. April 2009

The results for the 2008 financial year showed a net profit of € 52.55 million compared with € 41.22 million in 2007.
The table below gives a breakdown of these results:

€ million	31.12.2008	31.12.2007
Income from participating interests	**54.64**	**33.50**
Foyer Assurances	47.02	27.00
Foyer Vie	6.93	5.50
Foyer Asset Management	-	1.00
Foyer Patrimonium	0.69	-
Income from the sale of an subsidiary company	**-**	**7.02**
Income from securities, cash and cash equivalents	**5.42**	**5.46**
Cost (amortisation, interest, financial expenses)	**- 4.14**	**- 2.88**
General expenses	**- 3.13**	**- 1.57**
Profit before tax	52.79	41.53
Tax	- 0.24	- 0.31
Net profit	**52.55**	**41.22**

Total dividends received from affiliated companies increased by € 21.14 million or 63.1%. Foyer Assurances increased its contribution by € 20.02 million, Foyer Vie by € 1.43 million, whereas Foyer Patrimonium paid a dividend of € 0.69 million.

The increase of expenses linked to the item "Cost (amortisation, interest, financial expenses)", is mainly due to the depreciation of financial assets that are part of the equity portfolio and losses on sales of equities in a deteriorating market.

The increase in "General expenses" compared to the previous year is mainly due to consulting fees related to the acquisition of the CapitalatWork Group, certain personnel cost as well as cost related to promotional events.

In the course of the restructuring operation of Foyer Patrimonium S.A. and Foyer Asset Management S.A. the latter was entirely absorbed with effect of 1. January 2008.

On 25. April 2008, Foyer S.A. and Banque de Luxembourg S.A. took a stake of 50% each in Tradhold S.A. a financial holding company whose sole purpose is holding 10.54% of the capital of "Société de la Bourse de Luxembourg S.A.".

Company shares

In accordance with the authorization given by the Annual General Meeting of shareholders of 1. April 2008, Foyer S.A. has repurchased during 2008 a total of 2 234 of its own shares (0.025% of shares issued) at an average price of € 44.61 per share. At the same time the unavailable reserve for own shares of an amount of € 76 237.50 was increased by € 99 650.90. As a consequence the total

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number of own shares held by Foyer S.A. amounts to 3 801 shares (0.042% of the shares issued)

Outlook

On 5. February 2009, Foyer S.A. took a participation of 99.95% in the capital of the company CapitalatWork S.A., the parent of the CapitalatWork Group which operates in Belgium, the Grand Duchy of Luxembourg, the Netherlands, Switzerland and Spain. Through this acquisition the Foyer Group considerably strengthened its asset management sector.

In case of acceptance by the Annual General Meeting of its Shareholders, Tradhold S.A. will pay during the first half of 2009 a dividend of € 100 000 to Foyer S.A.

Unlike 2008, when Foyer S.A. received exceptionally high dividends from Foyer Assurances, Foyer Vie and Foyer Patrimonium, these companies will not pay a dividend in 2009. The same applies to Foyer International and the CapitalatWork Group.

Appropriation of profit

At the Annual General Meeting of Shareholders, the Board of Directors will recommend the distribution of its disposable profit of € 54 625 528.70 consisting of the profit of the year of € 52 550 778.98, increased by the profit carried forward from the previous year of € 2 074 749.72 as follows:

€	
Gross dividend of € 1.117647 to 8 998 842 shares issued	10 057 528.76
Deduction from the special wealth tax reserve of 2003	- 685 000, 00
Transfer of the amount deducted from the special wealth tax reserve of 2003 to the Other reserves	685 000.00
Retained profit	44 567 999.94
Total	**54 625 528.70**

If you approve this proposal, the company will pay a gross dividend of € 1.117647 (2008: € 1.482353). After deduction of 15% withholding tax on Luxembourg dividend income, net pay-out per share will be € 0.95, (2008: € 1.26) available as from 16. April 2009, against remittance of coupon No. 9:

- 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, 10. March 2009
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 overall situation.

Marc Lauer	François Tesch
COO	CEO

Independent Auditor's Report

To the Shareholders of
de 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, 2008 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, 2008, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Report on the legal and regulatory requirements

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

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

Jean-Michel PACAUD

Luxembourg 24. March, 2009

Foyer

Balance sheet
at 31. December 2008

€

ASSETS	Notes	31.12.2008	31.12.2007
Fixed Assets	4		
Tangible fixed assets			
Other equipment, machines and furniture		5 652.50	5 652.50
Long term financial investments			
Investments in subsidiaries	5	59 269 200.28	53 269 200.28
Securities held as financial fixed assets		413 000.00	680 000.00
Own shares held		175 888.40	76 237.50
Total fixed assets		***59 863 741.18***	***54 031 090.28***
Current assets			
Accounts receivable coming to maturity in less than 1 year	3.4	574 032.90	306 748.14
Other short term financial assets	3.5.3.6	103 350 974.29	74 388 656.94
Cash on hand and at bank		12 173 623.10	8 324 522.16
Total current assets		**116 098 630.29**	**83 019 927.24**
Deferred interest income		**1 875 306.34**	**1 356 877.97**
TOTAL ASSETS		**177 837 677.81**	**138 407 895.49**

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

€

LIABILITIES	Notes	31.12.2008	31.12.2007
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 reserve	7	4 499 421.00	4 499 421.00
Reserve for own shares held	8	175 888.40	76 237.50
Other reserves		65 612 111.60	37 823 762.50
Other reserves - Special reserve	9	2 149 500.00	2 140 500.00
Retained earnings		2 074 749.72	2 087 502.65
Profit of the year		52 550 778.98	41 223 707.51
Total capital and reserves		***175 162 662.10***	***135 951 343.56***
Provisions for risks and expenses	3.7.10		
Provisions for pension benefit obligation		3 296.89	3 296.89
Tax provision		1 314 351.03	1 223 894.73
Other provisions		165 600.00	-
Total provision for risks and expenses		***1 483 247.92***	***1 227 191.62***
Liabilities	3.8		
Borrowings from banks maturing in less than 1 year		1 498.23	659 277.31
Debts related to purchases and services rendered maturing within 1 year		300 398.40	-
Debts towards Group companies maturing within 1 year		327 412.38	212 813.91
Other debts of which fiscal and social security liabilities		71 491.69	28 027.41
Other liabilities maturing within 1 year		490 967.09	329 241.68
Total liabilities		***1 191 767.79***	***1 229 360.31***
TOTAL LIABILITIES		**177 837 677.81**	**138 407 895.49**

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

Foyer

Profit and loss account

for the financial year ended 31.12.2008

€

EXPENSES	Notes	31.12.2008	31.12.2007
Other operating expenses		4 989 079.07	2 407 769.95
Depreciation of long term investments and other short term financial assets	3.9	2 287 349.28	1 565 256.23
Other interest and assimilated expenses		1 376 159.56	399 187.66
Taxes on profits	13	-198 632.08	-22 666.35
Other taxes non included in items above		443 338.38	235 702.07
Profit after tax		52 550 778.98	41 223 707.51
TOTAL EXPENSES		**61 448 073.19**	**45 904 622.77**
INCOME			
Other operating income		1 001 796.65	2 062 922.73
Income from subsidiaries		54 648 595.00	40 526 308.29
Other income derived from long term investments and other short term financial assets		1 955 972.09	786 298.50
Other interest and assimilated income		3 813 917.35	2 500 188.25
Gains arising from revaluation of short term financial assets		27 792.10	28 905.00
TOTAL INCOME		**61 448 073.19**	**45 904 622.77**

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

Notes to the annual accounts

Note 1. General

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

Note 2. Presentation of the annual accounts

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

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

The company is part of the consolidated accounts of Foyer Finance, S.A., the largest corporate group of which the company is a subsidiary. This company has its registered offices at 12, rue Léon Laval in L-3372 Leudelange. Annual accounts and the consolidated management report of Foyer Finance S.A. as well as the Corporate Governance of Foyer S.A. are available for review at this address.

Note 3. Summary of main accounting policies

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

3.1 Conversion of items denominated in foreign currencies

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

3.2 Tangible fixed assets

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

3.3 Long term financial investments

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

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

3.4 Accounts receivable

Accounts receivable are recorded in the balance sheet at either their nominal value or their expected recovery value.

These values are depreciated should their full or partial recovery appear to be uncertain. Depreciation is not maintained when the reasons that motivated depreciation in the first place have ceased to exist.

3.5 Financial assets other than bonds and other fixed income securities

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

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

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

3.6 Bonds and other fixed income securities

3.6.1 Evaluation after 1. January 2006 of such securities acquired until 31. December 2005

Until 31. December 2005, 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 was 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 was left unchanged. However, securities presenting a negative difference between their net accounting value on 1. January 2006 and redemption price would 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 financial year end.

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

3.6.2 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 and their market value at the financial year end.

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

3.7 Provisions for risk and expenses

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

3.8 Accounts payable

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

3.9 Depreciation

Depreciation is deducted from the concerned asset.

3.10 Taxes

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

- Foyer Assurances S.A.
- Foyer Vie S.A.
- FOYER RE S.A.
- Foyer International S.A.
- Foyer Patrimonium S.A.

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

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

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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	Own shares held
Gross value on 01.01.2008	**5 652.50**	**53 269 200.28**	**1 528 750.00**	**76 237.50**
Acquisitions of the year	-	6 000 000.00	-	99 650.90
Disposals of the year	-	-	-	-
Gross value on 31.12.2008	***5 652.50***	***59 269 200.28***	***1 528 750.00***	***175 888.40***
Cumulated depreciation on 01.01.2008	-	-	-848 750.00	-
Depreciation pf the year	-	-	-267 000.00	-
Accumulated depreciation on 31.12.2008	-	-	-	-
Net value on 31.12.2008	***-***	***-***	***-1 115 750.00***	***-***
Net value on 31.12.2007	***5 652.50***	***59 269 200.28***	***413 000.00***	***175 888.40***
Net value on 31.12.2007	5 652.50	53 269 200.28	680 000.00	76 237.50

Acquisitions of the year recognise the constitution of Tradhold.S.A. in which the company holds a 50% stake and the acquisition of by Foyer S.A. of 2 234 own shares.

Note 5. Investments in subsidiaries

Shareholding in Group company's on 31. December 2008 can be summerized as follows:

€	Share in capital held	Acquisition price	Capital and reserves on 31.12.2007 (1) (2)	Net profit of the year 2008 (1)	Net profit of the year 2007
Foyer Assurances S.A.	99.9994%	23 175 257.94	111 605 373.04	426 133.90	49 964 574.91
Foyer Vie S.A.	99.9994%	7 784 662.72	29 848 618.78	616 022.01	6 174 111.79
Foyer International S.A.	99.9999%	9 936 780.95	23 870 411.78	-808 534.27	1 289 248.41
Foyer Patrimonium S.A.	100.0000%	12 372 498.67	13 061 986.36	-890 438.45	273 580.37
Tradhold S.A.	50.0000%	6 000 000.00	12 000 000.00	212 429.62	-
		59 269 200.28		**-444 387.19**	**57 701 515.48**

(1) Audited accounts on 31. December 2008
(2) Excluding the result of the previous year

Note 6. Shareholder' equity

Mouvements of the year ending 31. December 2008 were the following:

€	Issued Share Capital	Share premium Account	Legal Reserve
On 31.12.2007	**44 994 210.00**	**3 106 002.40**	**4 499 421.00**
Appropriation of profits			
- dividends			
- reserves and retained earnings			
Repurchase of own shares			
2008 net profit			
On 31.12.2008	**44 994 210.00**	**3 106 002.40**	**4 499 421.00**

On 31. December 2008, subscribed and issued capital was € 44 994 210.00 and is represented by 8 998 842 shares fully paid up shares with no face value. Authorised capital is € 74 350 000.00.

Note 7. Statutory reserve

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

Note 8. Own shares held

On 31. December 2008, the company held 3 801 (2007: 1 567) own shares for a total consideration of € 175 888.40 (2007: € 76 237.50) for which an undisposable reserve for own shares was recognised in liabilities. These shares are recognised as fixed assets in the line "Own shares held".

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 own shares	Other Reserves	Other Reserves special Reserve	Retained Earnings	Profit of the year
76 237.50	**37 823 762.50**	**2 140 500.00**	**2 087 502.65**	**41 223 707.51**
				-13 339 460.44
	27 888 000.00	9 000.00	-12 752.93	-27 884 247.07
99 650.90	-99 650.90			
				52 550 778.98
175 888.40	**65 612 111.60**	**2 149 500.00**	**2 074 749.72**	**52 550 778.98**

the one in which the wealth tax liability was reduced.

The allocations made to this reserve are as follows:

- 2003 € 685 000
- 2004 € 875 000
- 2005 € 192 500
- 2007 € 397 000

Total: € 2 149 500

Note 10. Provisions for risks and expenses

Les provisions pour risques et charges se décomposent comme suit :

€	31.12.2008	31.12.2007
Provision for pension benefit obligation	3 296.89	3 296.89
Tax provision	1 312 529.97	1 223 894.73
Other provisions	165 600.00	-

The tax provision is essentially made up by estimated tax liabilities for financial years for which final taxation has not yet been received from fiscal authorities. The last such tax bulletin received is the one of the financial year 2003. Advance tax payments are recognized under "Accounts receivable" as an asset.

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Note 11. Personnel employed during the year

The company carried one employee on its payroll during financial year closed on 31. December 2008. (2007: 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 € 189 000 (2007: € 91 542.47) to the members of the administrative bodies during the year ended 31. December 2008.

Note 13. Taxes on profits

On 31. December 2008, the balance of the tax account includes the derecognition of a tax amount of € 182 906.35 following the receipt of the 2003 tax bulletin.

Note 14. Fees due to the statutory auditor

For the financial year closed on 31. December 2008, 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:

€	31.12.2008	31.12.2007
Legal audit of the companies Annual accounts	44 286.05	18 963.00

Foyer

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