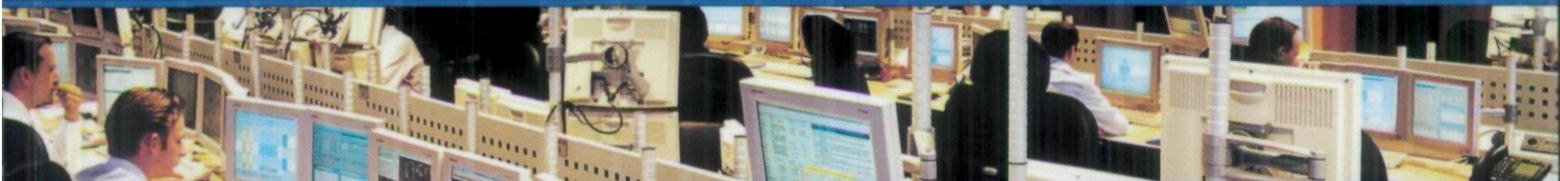


# ANNUAL REPORT

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**VDM**  
VAN DER MOOLEN





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REPORT 7

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Van der Moolen Holding N.V. is registered  
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Amsterdam Chamber of Commerce under number 33000644

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## COLOPHON

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In this report the expression 'Van der Moolen', 'VDM', the 'Group' or the 'Company' is sometimes used for convenience in contexts where reference is made to Van der Moolen Holding N.V. and/or any of its subsidiaries in general. The expression is also used where no useful purpose is served by identifying the particular company or companies. The expression 'VDMs' or 'VDM Specialists' is sometimes used for convenience in contexts where reference is made to Van Der Moolen Specialists USA, LLC.

This annual report contains forward-looking statements within the meaning of, and which have been made pursuant to, the Private Securities Litigation Reform Act of 1995. All statements regarding our future financial condition, results of operations and business strategy, plans and objectives are forward-looking. Statements containing the words 'anticipate,' 'believe,' 'intend,' 'estimate,' 'expect,' 'hope', and words of similar meaning are forward-looking. In particular, the following are forward-looking in nature: statements with regard to strategy and management objectives; pending or potential acquisitions; pending or potential litigation and government investigations, including litigation and investigations concerning specialist trading in the U.S.; future revenue sources; the effects of changes or prospective changes in the regulation or structure of the securities exchanges on which our subsidiaries operate; and trends in results, performance, achievements or conditions in the markets in which we operate. These forward-looking statements involve risks, uncertainties and other factors, some of which are beyond our control, which may cause our results, performance, achievements or conditions in the markets in which we operate to differ, possibly materially, from those expressed or implied in these forward-looking statements. We describe certain important factors to consider in connection with these forward-looking statements under 'Key Information - Risk Factors' and elsewhere in our annual filing with the U.S. Securities and Exchange Commission on Form 20-F. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this annual report. We have no obligation to update these forward-looking statements.



# EXECUTIVE BOARD

Richard E. den Drijver, Chief Executive Officer



Michiel Wolfswinkel, Chief Financial Officer



## Executive Board

## Age

Richard E. den Drijver, CEO  
Michiel Wolfswinkel, CFO

46  
44

# SUPERVISORY BOARD

M. Arentsen, Chairman



G.L. van den Broek, Vice Chairman



G.H. de Marez Oyens



Supervisory Board	Age
M. Arentsen, Chairman <sup>1)</sup>	68
G.L. van den Broek, Vice Chairman <sup>2)</sup>	66
G.H. de Marez Oyens <sup>3)</sup>	66

1) Chairman of the Audit Committee and member of the Remuneration and Nominating Committee

2) Chairman of the Remuneration and Nominating Committee and member of the Audit Committee

3) Member of the Audit Committee



# VAN DER MOOLEN AT A GLANCE

## KEY FIGURES

(in € millions)	International Financial Reporting Standards				Dutch Generally Accepted Accounting Standards
	2007	2006*	2005*	2004*	2003*
Revenues from continuing operations	110.4	63.9	13.7	15.9	21.9
Revenues from discontinued operations	33.9	85.5	98.6	107.0	152.8
(Loss)/profit for the year from continuing operations	(2.9)	1.5	7.0	8.1	9.7
(Loss)/profit for the year from discontinued operations	(86.9)	(78.2)	5.8	4.2	(33.9)
(Loss)/profit attributable to common shareholders <sup>1)</sup>	(91.7)	(78.7)	11.3	12.3	(15.9)
Shareholders' equity, common shares <sup>2)</sup>	78.5	163.9	221.2	183.0	150.1
Shareholders' equity, financing preferred shares	40.0	51.4	-	51.4	51.4
Minority interest	-	4.7	10.9	26.4	33.0
Subordinated borrowings <sup>3)</sup>	-	78.6	179.3	117.2	151.7
<b>Guarantee capital</b>	<b>118.5</b>	<b>298.6</b>	<b>411.4</b>	<b>378.0</b>	<b>386.2</b>
Common shares outstanding, year end <sup>4)</sup>	45,504,926	43,583,962	39,343,295	38,317,100	37,537,100
Common shares outstanding, yearly average <sup>4)</sup>	45,504,926	43,431,326	39,031,219	38,078,411	37,797,329
<b>Figures per common shares (in €) <sup>4)</sup></b>					
(Loss)/profit attributable to holders of common equity holders <sup>5)</sup>	(1.96)	(1.74)	0.29	0.32	(0.42)
Dividend per common share <sup>6)</sup>	-	-	0.13	0.22	-
Equity attributable to common shareholders <sup>2)</sup>	1.73	3.76	5.62	4.78	4.01
<b>Share price and volumes</b>					
<b>Euronext (in €)</b>					
Highest price	4.69	9.13	6.57	8.14	21.70
Lowest price	2.74	3.94	3.75	4.40	5.51
Year-end price	2.89	4.45	6.03	5.68	6.92
Average daily volume	274,534	489,659	378,539	321,192	415,219
<b>NYSE (in \$)</b>					
Highest price	6.09	10.50	8.27	9.95	22.04
Lowest price	3.85	5.07	4.57	5.68	6.70
Year-end price	4.10	5.87	7.14	7.59	8.69
Average daily volume	44,025	47,967	84,999	117,991	134,513

\* Relevant figures are adjusted for discontinued operations

Where applicable, figures are adjusted for purposes of comparison, to reflect changes to the presentation. The figures for the years 2004 until and including 2007 are presented under International Financial Reporting Standards, the year 2003 under Dutch Generally Accepted Accounting Principles.

1) after dividends on financing preferred shares

2) before appropriation of the result

3) including capital of minority members in 2006, including financing preferred capital and capital minority members in 2005 and including subordinated debt related to seats contributed by members of VDM Specialists USA under Dutch GAAP

4) excluding shares repurchased and held in treasury

5) the calculation of the profit attributable to holders of common shares 2007 include the weighted impact of the 1,175,965 shares issueable in respect of the earn-out 2006 related to the Curvalue acquisition, which are considered to be earned at December 31, 2006. In addition, the calculation of the profit attributable to holders of common shares 2006 include the weighted impact of the 1,920,964 shares issued/issueable in respect of the earn-out 2005, which are considered to be earned at acquisition date

6) common share alternatives to cash dividend were available in each year that a dividend on common shares was paid



## LETTER FROM THE EXECUTIVE BOARD

### To our shareholders

Dear shareholders,

2007 was a year in which Van Der Moolen has strengthened its core operations.

In the US, we have terminated our specialist activities in VDM Specialists, following strong underperformance. Initially, we took a series of measures to improve the operational profitability of VDM Specialists, such as staff reductions and improvement of processes and IT systems. These measures have led to considerable cost reductions. However, external factors, such as capital requirements and trading circumstances and regulations, continued to negatively affect the VDM Specialists financial performance. For this reason we have decided to divest the specialist activities from VDM Specialists. As per year end, all VDM Specialists activities have been transferred and all restructuring costs have been accounted for. As a result of the termination of our VDM Specialists' activities, the associating Net Liquid Asset requirement has been removed, resulting in some \$100 million free cash becoming available.

With the termination of our specialist activities in New York, an important benefit of our listing on the NYSE disappeared. Therefore, we have decided to delist from the NYSE and terminate our American Depositary Receipts program. The delisting and deregistration process is on schedule and will result in future cost reductions.

In Europe, our operations have performed well in buoyant markets. Particularly, our teams in Zug, Cologne, Amsterdam and London have performed excellent, fueled by high exchange volumes and high intra day volatility. We have almost doubled our year on year European revenues. In the course of the year we have further improved the European operational profitability by focusing on high margin products and abandoning lower margin products and markets.

The strong desire to further build on the success of the various operations in Europe requires a strong and empowered operational management team. As of November 20, we have established a Management Committee consisting of the business leaders of the various operating units within VDM. The Management Committee, reporting to the Executive Board, is fully mandated to manage and develop their operations in VDM. The optimized management structure will enable strong and prompt execution of business decisions.

The optimized management structure also enables the Executive Board to find the right balance between vision and execution.

### Our vision for 2008 and beyond.

With a strong professional trading fundament in place for 2008, Van der Moolen is in an excellent position to penetrate into the retail segment. We intend to expand our online brokerage activities in that segment. With strong electronic banking and trading capabilities, the electronic retail brokerage markets provide VDM with an excellent opportunity to leverage its existing market presence. As a result VDM will be offering a compelling customer proposition, with high quality of service at highly competitive prices. The strong European operational fundament will serve as a basis to develop activities initially in a limited number of selected countries.

## VAN DER MOOLEN AT A GLANCE

In order to develop this activity a banking license will be required. It is estimated that it will take between 9 and 12 months for Van der Moolen to obtain a bank license, either through the formal approval process with a Central Bank or through co-operation with an adequately licensed party. At the same time we will be investing in back-office capability and we are developing our distribution strategy. We anticipate that Van der Moolen will carry out this strategy aided by current and new business partners. We are reserving a substantial part of our free cash flow to invest in the execution of this strategy.

In order to enable investments in new business development initiatives, our currently successful activities will be further integrated with a focus on optimizing efficient use of resources and facilities. Activities in Asia will continue to be explored diligently and we expect to initiate operations in Asia on a limited scale in 2008. We expect that we will be able to generate revenues from new products and services, benefiting from global arbitrage opportunities.

Special thanks go to the individuals who make up VDM's major asset: our employees. Their commitment and excellent work has been instrumental in strengthening the core of our operations and will continue to be the driving force behind VDM's performance in the future. In a year not only demanding excellence to perform well in often turbulent circumstances, but also requiring vision in the further integration of our activities, our employees lived fully up to the expectations. We intend to further develop employee training and education programs and will continue to embrace an open, mutually respectful corporate culture.

Amsterdam, April 21, 2008

Richard E. den Drijver

Michiel Wolfswinkel



## HISTORY, PROFILE, VISION AND STRATEGY

### History

Van der Moolen & Co. was founded on July 1, 1892, as a 'jobber' or 'hoekman'<sup>1)</sup> company of financial intermediaries that operated on the Amsterdam Stock Exchange. The Company initially made a market in equities and bonds only. In the late 1970's the Company expanded into derivatives. Since then, Van der Moolen has grown both organically and through acquisitions to become an important player in key securities and derivatives markets world-wide. Established as a general partnership, the Company became a limited liability company in December 1986 and soon afterwards was listed on the Amsterdam Stock Exchange (now NYSE Euronext in Amsterdam). On October 18, 2001, the Company's shares were listed on the New York Stock Exchange ('NYSE'). The acquisition of Curvalue in January 2006, strengthened and widened the focus of trading and market making activities in Europe, adding new trading platforms and professional brokerage services. In December 2007 the Company divested its US specialist activities and de-listed from the NYSE.

### Profile: international securities trading firm

Van der Moolen is an international securities trading and brokerage firm that specializes in providing low-cost liquidity in markets world-wide. Its business is to make money on financial markets, as a broker and proprietary trader in securities, futures, derivatives, indexes and exchange traded funds. Headquartered in Amsterdam and listed on NYSE Euronext in Amsterdam, Van der Moolen has built a significant position on many of the leading securities exchanges in the US and Europe, operating throughout the day in two of the three main time zones. In 2007 Van der Moolen earned revenues of EUR 144.3 million (including discontinued operations) and at year end 2007 Van der Moolen employed 344 people.

### Vision: capitalizing on changing market structure

The traditional role of financial exchanges worldwide is changing. Trading in financial instruments is likely to become more fragmented with the implementation of the Markets in Financial Instruments Directive ('MiFID') and we believe there will be more competition between large established exchanges and new Multi Trading Facilities ('MTFs'). Competition between exchanges and other

types of trading venues is good for trading companies like Van der Moolen. We foresee lower exchange fees and possibly even rebates for liquidity providers, which will reduce the cost of execution in securities and derivatives.

### Ambition: to be a leading global securities trading firm in three time zones

VDM aspires to become a global securities trading firm active in three time zones, serving clients around the world with the following product mix: proprietary trading, liquidity provider, execution brokerage, online internet brokerage, clearing and settlement and possible other investment services which will correlate with our current activities. This will require establishing a presence in Asia.

### Ambition: to be a high-quality, low-price electronic retail broker

VDM will strive to develop a position in electronic retail brokerage, therewith leveraging our strengths and purchasing power as a global securities trading firm. We will invest in developing a truly compelling customer proposition, focused on a high quality of service combined with low prices.

### Strategy

Van der Moolen's strategy is to earn income from the following three main business activities:

- As a market maker and liquidity provider in equities and derivatives world-wide;
- As an execution broker for professional and institutional clients and as an online broker, providing access to major financial equity and derivatives markets through our brand OnlineTrader and/or other brands; and
- As a participant in strategic partnerships with exchanges (CBSX and ISE).

See the chapter Group Strategy on page 12 for a more extensive overview.

1) A Dutch 'hoekman' was an intermediary on the stock exchange and had a similar function to that of the NYSE specialist. The role of the 'hoekman' was abolished in the Netherlands in 2001.



## VAN DER MOOLEN AT A GLANCE

### OPERATING UNITS

	Operating Unit*	Primary instruments	Exchange Memberships
<b>Europe</b>			
<b>Amsterdam</b>	Van der Moolen Effecten Specialist Amsterdam	Equities, Exchange Traded Funds ('ETF')	Borsa Italiana, NYSE Euronext in Amsterdam, Chi-X, Xetra, OMX, Virt-X/SWX, Eurex
	Van der Moolen Financial Services (OnlineTrader)	Equities, Derivatives, Futures	Electronic broker service
	Van der Moolen Financial Services PMM/CMM Amsterdam	Equities, Options	NYSE Euronext.Liffe
		Derivatives, Futures, Equities	NYSE Euronext.Liffe, Eurex, Xetra, Chicago Board of Trade ('CBOT')
<b>Cologne</b>	Van der Moolen Effecten Specialist Cologne Branch	Equities, Derivatives, ETF	Xetra, Borsa Italiana, NYSE Euronext in Amsterdam, Virt-X/SWX, Eurex, Xetra, OMX, Chi-X
<b>Zug</b>	Van der Moolen Effecten Specialist Swiss Branch	Equities, Derivatives, ETF	Eurex, Virt-X/SWX, Xetra, NYSE Euronext in Amsterdam, OMX, Chi-X, Borsa Italiana
<b>London</b>	Van der Moolen Derivatives	Derivatives, Equities	NYSE Euronext.Liffe, Borsa Italiana, London Stock Exchange, OMX
<b>Paris</b>	Van der Moolen Financial Services (OnlineTrader)	Back-office support	
<b>United States of America</b>			
<b>New York</b>	VDM Capital Markets	Equities, Derivatives	Chicago Board Options Exchange ('CBOE'), (Designated Primary Market Maker, Remote Market Maker), ISE, ARCA
	VDM Trading	Equities, Derivatives	CBOE, NASD, ARCA, NQX, ISE, NSX.
	R&H Securities	Equities	NYSE, ARCA, Chicago Board Stock Exchange ('CBSX'), NQX

\* continuing operating units only

### VDM EVENTS IN 2007

- Repurchase and cancellation of 251,000 cumulative financing preferred shares A at a purchase price of €10,405,148, in order to reduce average cost of capital;
- Michiel Wolfswinkel appointed as member of the Executive Board;
- Increase of interest in VDM Specialists, through an option agreement with minority partners;
- Acquisition of Robbins & Henderson LLC (renamed 'R&H Securities LLC'), a US based institutional broker, marking the start of a brokerage division in the US;
- Restructuring of US specialist activities during 2007 and subsequent disposal of certain related assets to Lehman Brothers Inc.;
- Termination of non strategic loss making activities (e.g. Amsterdam Bonds desk, specialist activities in VDM Specialists, daytrading UK);
- Initiative to global cooperation with GSFS Asset Management in traditional proprietary arbitrage trading and structured products trading;
- Reinforcement of the European organization by establishment of a Management Committee for its fast-growing European activities;
- Resignation of Mr. C.F. Rondeltap as director and COO;
- Resignation of Mr. Van den Brink as member and chairman of the Supervisory Board; and
- Delisting from the New York Stock Exchange of our American Depositary Shares and start of deregistration under the Securities Exchange Act of 1934.

## VDM FINANCIAL HEADLINES IN 2007

- Growth and strong performance in European activities, losses generated by US activities followed by the discontinuation of specialist activity;
- Net loss of EUR 91.7 million (2006: net loss of EUR 78.7 million);
- Impairment intangibles mainly attributable to US specialist activities of EUR 39.4 million following transfer of activities (2006: Impairment of EUR 30.2 million on intangibles, of which EUR 10.0 million linked to Curvalue acquisition);
- Operating loss from continuing operations of EUR 0.4 million (2006: operating profit of EUR 0.4 million);
- Non-recurring expenses, including severance payments, impairments and restructuring costs amounting to EUR 7.3 million included in operating profit from continuing operations, implying a normalised operating profit of EUR 6.9 million for 2007 (2006: non-recurring items amounting to a net profit of EUR 7.3 million, resulting in a normalised operating loss from continuing activities of EUR 6.9 million);
- Release of NYSE Net Liquid Asset ('NLA') requirement as of December 31, 2007; and
- Net loss per share of EUR 1.96 (2006: net loss per share EUR 1.74).

## STRATEGIC MANAGEMENT PRIORITIES 2008-2009

- **Online brokerage:** develop and expand electronic brokerage that will provide high quality, low-cost execution, including development of distribution and back office relationships
- **Bank license:** In order to facilitate access to retail market segment
- **European integration:** consolidate strength of operations and integrate activities to focus on efficient use of resources and facilities
- **European expansion:** expand trading capabilities to markets and products where VDM does not yet have a presence
- **VDM Capital Markets:** further develop CBSX market making as Designated Primary Market Maker ('DPM')
- **US options market making:** expand derivatives trading on US markets
- **Algorithmic and automated trading:** further develop and invest in new algorithms and automated trading in cross-listed, multiple products
- **Execution brokerage:** further develop execution brokerage in the US
- **Asian expansion:** expand trading capabilities into Asian markets

## IMPORTANT DATES 2008 AND 2009

Date	Year	Event
May 22	2008	Annual General Meeting of Shareholders
May 22	2008	Publication of first-quarter 2008 results
August 14	2008	Publication of second-quarter 2008 results
November 13	2008	Publication of third-quarter 2008 results
March 19	2009	Publication of full-year 2008 results
May 14	2009	Annual General Meeting of Shareholders

All dates are subject to change



# REPORT OF THE EXECUTIVE BOARD

Member	Biographical note
<b>Mr. Richard E. den Drijver</b> Chairman Age: 46 Member of the Board since: 2006 Current term expires: 2010	Founder of Curvalue and CEO from 1991 onwards. Previous functions at Euronext, Fortis Clearing, ABN AMRO. Supervisory Board memberships: none.
<b>Mr. Michiel Wolfswinkel</b> Chief Financial Officer Age: 44 Member of the Board since: 2007 Current term expires: 2011	Appointed to our Executive Board at our Annual General Meeting on April 26, 2007. Previous functions as Group Controller at Eneco, Financial Director EMEA at Matrix One and VP Finance at Priority Telecom. Supervisory Board memberships: none.

## COMPOSITION OF THE EXECUTIVE BOARD

Members of the Executive Board are appointed by the General Meeting of Shareholders on the binding nomination of the Supervisory Board, in accordance with the Articles of Association. Members of the Executive Board are appointed for a maximum period of four years, and these members may be re-appointed. Mr. Michiel Wolfswinkel was newly appointed by the Annual General Meeting of Shareholders ('AGM') as Chief Financial Officer on April 26, 2007. After having served four years on the Executive Board, Mr. Casper F. Rondeltap resigned as member of the Executive Board and director in November 2007.

## GROUP STRATEGY

### Three sources of income

Van der Moolen has three sources of income:

- As a liquidity provider in equities and derivatives markets, our revenues consist of the bid-offer spread and income generated through proprietary trading;
- As an execution broker for professional and institutional clients, we earn commission income. As an online broker, we provide access and electronic execution to major financial equity and derivative markets through our trading system OnlineTrader and earn commission income; and

- As a participant in strategic partnerships with exchanges, we seek to earn income as a shareholder and active exchange participant.

### Focus on high margin operations

Van der Moolen is diversified, both geographically and through the instruments and markets that we trade in. Our subsidiaries in the Netherlands, Germany, Switzerland, the United Kingdom, France and the US actively trade and make markets in all major securities exchanges. The products that we trade in include equities and equity-related products, such as options, futures, exchange traded funds ('ETF'), warrants and fixed-income instruments.

As a result of operational developments in 2007, management decided to diversify further and in addition to strengthen the Company's position in the retail segment. The Company has initiated diversification into other markets and segments (such as ETF's, structured products, securities lending and energy trading). In order to provide a strong basis for future development, we have embarked on a series of operational measures:

- we have terminated our fixed-income desk in Amsterdam;
- we have significantly reduced the cost base of our US market making operation in VDM Specialists, and ultimately decided to terminate this activity;
- we have terminated activities in certain satellite offices; and
- we have restructured our UK activities significantly.



During the year we have launched initiatives to expand the strength of the present high margin operations:

- we have acquired Robbins & Henderson, LLC, a professional New York brokerage firm. The New York brokerage activities have been further fuelled with Van der Moolen's in-house top talent;
- we have initiated trading on more markets from our present locations; and
- we have added more high margin products to our product portfolio.

Simultaneously, we have prepared various strategies to strengthen our electronic retail trading business.

#### Road Map for 2008 and beyond

With a strong professional trading fundament in place for 2008, Van der Moolen is in an excellent position to penetrate further into the retail segment. We intend to expand our online brokerage activities in that segment. With strong electronic banking and trading capabilities, the electronic retail brokerage markets provide Van der Moolen with an excellent opportunity to leverage its existing market presence. As a result Van der Moolen will be offering a compelling customer proposition, with high-quality service at highly competitive prices. The strong operational fundament will serve as a basis to initially develop such activities in a limited number of countries.

In order to develop this activity a banking license will be required. It is estimated that it will take between 9 and 12 months for Van der Moolen to obtain such a license, either through the formal approval process with a Central Bank or through co-operation with an adequately licensed party. At the same time we are investing in back-office capability and developing our distribution strategy. We anticipate that Van der Moolen will carry out this strategy aided by current and new business partners. We are reserving a substantial part of our free cash flow to invest in the execution of this strategy.

#### Ambition: to be a leading trading firm in three time zones

Our ambition remains unchanged. We want to be active as a global securities firm in three time zones, serving clients around the world. We will focus on:

- proprietary trading
- acting as liquidity provider

- execution brokerage
- online internet brokerage
- clearing and settlement
- possibly other investment services closely related to the above activities

Our longer term ambition is to be a leading securities trading firm in three time zones, which will require establishing a presence in Asia, when the right opportunity arises.

## EUROPEAN DEVELOPMENTS 2007

#### European overview: European scale, local knowledge

Our European activities contribute significantly to the revenues of Van der Moolen and in 2007 represented 79.8% of the total. Our income in Europe stems from the following sources:

- Income consisting of bid-offer spread and generated through proprietary trading, resulting from our role as a liquidity provider in equities and derivatives markets;
- Commission income resulting from acting as an execution broker for professional and institutional clients; and
- Commission income resulting from acting as an online broker, in which capacity we provide access and electronic execution to major financial equity and derivatives markets through our trading system OnlineTrader.

In European trading activities, Van der Moolen combines its pan-European network with local expertise. Through our European trading units, we trade equities and equity options and related derivatives from offices in Amsterdam, London, Cologne and Zug. These equity trading units operate largely independently of each other on a day-to-day basis, but all engage in intraday proprietary trading, especially in the more liquid segments of the markets in which they operate. Where considered to be effective, units work together to share knowledge, experience and trading strategies. Arbitrage between shares traded on multiple markets, either within Europe or between Europe and the US, is also an important activity.

## REPORT OF THE EXECUTIVE BOARD

As part of VDM's growth strategy, VDM has developed sophisticated brokerage services. Voice brokerage facilitates complex trades and VDM has captured a significant part of this niche market in Europe. Execution-only brokerage is offered as an access point for institutional and professional traders.

In 2007, we re-launched OnlineTrader, an internet-based direct-access brokerage platform. OnlineTrader provides direct access to trade in shares, options and futures. As a state-of-the-art platform with one of the lowest fee structures in Europe, OnlineTrader offers high-quality services. Van der Moolen wants to grow the OnlineTrader brokerage activities further and to explore opportunities for matching in-house the OnlineTrader order book for professional customers and orders resulting from principal trading with the aim of realizing savings in exchange, clearing and brokerage fees.

### European performance in 2007

In 2007, VDM's European continuing activities performed very strongly. Revenues grew by EUR 41.5 million or 67% to EUR 103.8 million, representing 94% of total group revenues from continuing operations (2006: 97%). The revenue increase is fully attributable to organic growth in all European countries in which we are active.

European brokerage had a strong financial year in 2007. Revenues increased by EUR 1.8 million or 12% compared to 2006, fully attributable to organic growth.

### Organic growth

Almost all European activities contributed to the Company's organic growth in Europe in 2007. We experienced favorable market circumstances on the markets in which we are active, with high volatility and high volumes. Turbulence in the financial sector further increased the volatility and volumes in the markets.

Within European trading in particular Cologne, Zug and UK derivatives performed significantly better than in 2006. The Cologne and Zug offices worked closely together to make markets and provide liquidity on 15 exchanges world-wide, ranging from the US and Europe to markets in South Africa and Asia.

### Strong performance brokerage activities

European brokerage has performed strongly in 2007. The brokerage activities benefited from a strong investment climate, high volumes

and other favorable market circumstances. With strong service and execution skills, our brokerage teams expanded their professional client base further. Early 2008, OnlineTrader was voted 'the best broker for customers' as well as 'the best new broker' by Netprofiler/IEX Mediagroup.

### MiFID - compliance

The Markets in Financial Instruments Directive ('MiFID') is a European Union directive aimed at creating a level playing field across all execution venues in the European Union. MiFID had to be implemented by the European Union members and applicable financial institutions on November 1st, 2007 and was implemented into Dutch law on such date. In line with the regulations Van der Moolen met the requirements. MiFID requires more extensive reporting of transactions to the regulatory bodies in each respective country in order to provide for more transparency to the market. Our trading units provide their reports or will provide them as of 2008 when the regulatory bodies have specified their reporting requirements. Policies such as the Conflict of Interest policy and the Order Execution policy have been issued and are published on our website. Other requirements such as Client Classification have been met. In addition, MiFID creates the possibility to match buyers and sellers directly, without going through any official exchange.

In 2007 VDM paid out EUR 32.5 million in exchange and clearing fees (including trading licenses expenses) on gross revenue of EUR 110.4 million in Europe. Exchange and clearing fees represented 29.4% of our gross revenues. Although this percentage was lower than in 2006, when the exchange and clearing fees amounted to 42.4%, we still believe that there is scope for further declines in exchange-related fees.

## U.S. ACTIVITIES

### US Developments in 2007

Our US activities contribute the following sources of income:

- Income consisting of bid-offer spread and generated through proprietary trading, resulting from our role as a liquidity provider in equities and derivatives markets;
- Income generated from our services as an execution broker for professional and institutional clients; and
- Income from our participation in strategic partnerships with exchanges.



Our entities in the United States are comprised of the following: VDM Capital Markets, LLC ('VDM CM'), VDM Trading, LLC, R&H Securities, LLC, and Van Der Moolen Specialists USA, LLC. Our strategy for the U.S. is to diversify revenues through the development of businesses that integrate into our global vision. We have exited the NYSE specialist business with the intent of redeploying capital and resources to the further development of the VDM CM businesses, as well as agency brokerage units, which will round out our strategy to offer execution services in all time zones.

#### VDM Specialists

Based in New York City, VDM Specialists is currently no longer engaged in any specialist activities or operations. In December of 2007 the Company ceased all NYSE specialist activities through the transfer of certain assets and staff related to the specialist unit to Lehman Brothers Inc. The broker-dealer will remain in existence, though there are currently no activities in this unit.

#### VDM Capital Markets

In 2007 VDM CM made significant progress in augmenting its initiatives on the CBOE Stock Exchange ('CBSX'). The CBSX has a market model that combines elements of both screen and floor-based trading and provides thus a venue for the trading of securities listed on NASDAQ, the American Stock Exchange and the NYSE. VDM CM serves as Designated Primary Market Maker ('DPM') and Remote Market Maker ('RMM') in equities and ETF's traded on the CBSX. These market making activities deploy arbitrage strategies through the use of proprietary algorithms. The Company has also developed a proprietary trading model in equities, ETF's, and futures.

#### VDM Trading and R&H Securities

VDM Trading LLC, an affiliate of VDM Specialists, is a Greenfield operation which was established in early 2006. In 2007 VDM Trading altered its strategic focus from derivative market making activities to institutional brokerage. The Company has ceased remote market-making in equity and index options, and has commenced its engagement in institutional brokerage activities. Further, 2007 saw the acquisition of Robbins & Henderson, an established institutional broker and pioneer of the direct market access ('DMA') execution platform. These two companies represent the first steps in a broader strategic plan to bring the United States operations into VDM's vision for global execution services.

#### US performance

Compared to 2006, our 2007 US revenues contributed significantly less to the total revenues for the year. Revenues from our VDM Specialists activity fell significantly, mainly due to the impact of the implementation of the Hybrid system. In addition, the decline reflects a drop in NYSE market share as well as a decline in the participation rate of specialist firms overall. We put significant effort into restructuring the business model of this activity during 2007 and numerous initiatives have been taken to improve the results of VDM Specialists. However, in the second half year of 2007 it became clear that our return target could not be met. Ultimately, we decided to dispose of these activities and transfer them, together with certain assets and the most of the remaining staff to Lehman Brothers Inc.

The focus of our US activities in 2007 was also on initiating and expanding the brokerage activities and expanding trading activities, mainly on the CBSX. In this way, we intend to align our US activities more closely with our European activities, which brings us closer to achieving the goal of becoming a leading trading firm in three time zones. Our US brokerage activities contributed revenues of €3.0 million in 2007 with an operating margin of €0.2 million. Our continuing US trading activities (excluding VDM Specialists) contributed €3.6 million in revenues and €4.1 million in operating loss, mainly due to startup costs and restructuring costs related to these activities.

In 2007 we maintained our strategic partnerships with the CBSX and ISE Stock Exchange LLC ('ISE'), which partnerships we entered into in 2006. These partnerships provide us with attractive alternative execution venues for these relatively new US exchanges. The CBSX combines elements of floor- and screen-based trading for securities traded on the NASDAQ, the American Stock Exchange and the NYSE. ISE is one of the largest option exchanges in the US.

We currently have a 19.4% interest in CBSX, representing a value of €6.4 million, and an interest of 3% in ISE, representing a value of €2.1 million.

As of December 31, 2007 we also have a stake of 150.326 shares in NYSE Euronext. During 2007 we disposed of 148.796 shares, partly by a transfer of the minority member part to the respective minority partners. As a result, we realized a profit of €0.8 million which contributes to our 2007 operating result.



# REPORT OF THE SUPERVISORY BOARD

Member	Biographical note
<b>Mr. Marinus Arentsen <sup>1)</sup></b> Chairman (as of August 2007) Age: 68 Member since: 2004 Current term expires: 2008 Final eligible year: 2016 <b>Expertise:</b> finance and accounting, internal risk management and control systems	Registered Accountant. Former CFO and Member of the Executive Board of CSM N.V. Other Supervisory Board memberships: Incotec B.V., Océ N.V.
<b>Mr. Gerard L. van den Broek <sup>2)</sup></b> Vice-Chairman Age: 66 Member since: 1996 Current term expires: 2008 Final eligible year: 2008 <b>Expertise:</b> management selection, recommendation and development	Law degree, Erasmus University Rotterdam. Former partner with Spencer Stuart Management Consultants. Other Supervisory Board memberships: Alcan Holdings Nederland B.V.
<b>Mr. Gerrit H. de Marez Oyens <sup>3)</sup></b> Member of the Board Age: 66 Member since: 1998 Current term expires: 2010 Final eligible year: 2010 <b>Expertise:</b> general management, compliance, law and regulation, financial markets & stock exchanges, corporate governance.	Law degree, University of Leiden. Former Secretary General of the International Federation of Stock Exchanges. Other Supervisory Board memberships: Chairman: Bank Oyens & Van Eeghen N.V.; Vice-Chairman: Amsterdam Power Exchange Spot Market B.V.

All members of the Supervisory Board have the Dutch nationality

<sup>1)</sup> Chairman of the Audit Committee and member of the Remuneration and Nominating Committee since August 2007

<sup>2)</sup> Chairman of the Remuneration and Nominating Committee and member of the Audit Committee

<sup>3)</sup> Member of the Audit Committee

## COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board of Van der Moolen Holding N.V. ('Van der Moolen' or the 'Company') currently consists of three members. Prof. dr. R.G.C. van den Brink chose to resign from the Supervisory Board in August 2007. Mr. M. Arentsen succeeded him as chairman of the Supervisory Board. We express our gratitude to Mr. Van den Brink for his excellent contribution during the past five years.

In 2008 the term of both Mr. Marinus Arentsen and Mr. Gerard van den Broek will expire. Mr. Arentsen has been on the Supervisory

Board for a period of four years. Mr. Arentsen is not available for reappointment and will retire after this Annual Meeting of Shareholders ('AGM'). Mr. van den Broek will retire after this AGM too, having been on the Supervisory Board for the maximum period of twelve years (as stated in the Dutch corporate governance code, 'Code Tabaksblatt' (the 'Corporate Governance Code') and the Company's Articles of Association). The contribution of Mr. Arentsen and Mr. van den Broek has been extremely valuable to the Company. The Company wishes to thank Mr. Arentsen and Mr. van den Broek for their excellent contribution.



## COMPOSITION COMMITTEES

The Supervisory Board has an Audit Committee and a Remuneration and Nominating Committee. Given the number of Supervisory Board members, Van der Moolen has chosen to combine the functions of the Remuneration and Selection and Appointment Committees. In line with the recommendations of the Monitoring Committee Corporate Governance Code (the 'Monitoring Committee') and the internal policy of Van der Moolen, the chairman of the Supervisory Board is also a member of the Remuneration and Nominating Committee. Due to the current size of the Supervisory Board, all three members of the Supervisory Board are also member of the Audit Committee. The Remuneration and Nominating Committee consists of two members, Mr. Van den Broek and Mr. Arentsen.

### **Independence of members of the Supervisory Board**

The Supervisory Board considers all its members to be independent in accordance with the best practice provision III.2.2 of the Corporate Governance Code and, to the extent relevant, the NYSE independency requirements. None of the members of the Supervisory Board has any personal financial interest in any decision by either of its Committees and/or the Supervisory Board. Reference is made to the biographical notes of the Supervisory Board members on page 16 of this report.

### **Introduction and training program**

The members of the Supervisory Board may, as deemed appropriate, attend informational programs at the Company's expense to improve their knowledge of management, financial or accounting issues that are specific to Van der Moolen and its businesses or relate to the responsibilities of members of Dutch Supervisory Boards in general. The Supervisory Board conducts an annual review to identify any aspects in which Supervisory Board members require further training or education during their term of appointment. Considering the backgrounds and wide expertise and experience of the current members, none of the Supervisory Board members needed additional training in 2007. New Supervisory Board members will follow a tailor-made introduction program, in a form appropriate for the relevant member.

### **Supervisory Board Meetings**

The Supervisory Board held twelve formal meetings in 2007 with the Executive Board. No single Supervisory Board member was absent frequently from meetings. During various meetings, the Supervisory Board discussed, among other matters, Van der Moolen's corporate strategy and the risks inherent in the business activities; the achievement of the Company's objectives; the structure and operation of the internal risk management and control systems; the financial reporting process and compliance with the legislation and regulations. Also, the Supervisory Board discussed the results of the assessment by the Executive Board of the internal risk management and control systems (including any significance changes thereto). Particular attention was given to the activities of Van der Moolen in the US and to the delisting of the Company's common shares (in the form of American Depositary Receipts) from the NYSE and the deregistration thereof with the SEC.

The Supervisory Board also met several times without the Executive Board being present to discuss, inter alia, the composition of the Supervisory Board, the functioning of the Supervisory Board and its individual members, as well as performance and relevant succession planning. Furthermore the functioning and remuneration of the members of the Executive Board, the Executive Board's performance and the Supervisory Board's relationship with the Executive Board were discussed during these meetings.

In addition to their regularly scheduled meetings in 2007, there were frequent consultations between the Supervisory Board and the Executive Board members, together with ad hoc meetings and conference calls on specific topics. Findings of the external auditors were discussed with the external auditor in one meeting without the presence of the Executive Board. Also, one meeting occurred with both Boards and the external auditor present.

As a matter of course, meetings preceded the publication of quarterly, semi-annual and annual results. The Audit Committee advised the Supervisory Board on the financial results, prior to these



## REPORT OF THE SUPERVISORY BOARD

meetings. Internal and external auditors, as well as the Executive Board, provided the Supervisory Board with the required information to have a clear overview of the risks, results and capital.

During 2007, the Supervisory Board assisted and supported the Executive Board in its ongoing effort to ensure that the Company's practices and procedures reflect good corporate governance and comply with applicable corporate governance requirements under US and Dutch law, the rules of exchanges and associated best practices. With regard to the ongoing improvement regarding the implementation of Dutch corporate governance provisions further to the Corporate Governance Code and the recommendations of the Monitoring Committee, Van der Moolen gave special attention to its risk management procedures and management reporting. The Company continues to improve its procedures and processes further, especially with regard to the Group compliance procedures. For a more detailed description on corporate governance reference is made to page 20 and further of this report.

## MEETINGS OF THE COMMITTEES

### Audit Committee

The Committee currently consists of three members: the chairman Mr. Arentsen, Mr. De Marez Oyens and Mr. Van den Broek. The members have the necessary experience, financial expertise and independence to supervise the business, financial statements and risk profile, both individually and collectively. The Supervisory Board has determined that Mr. Arentsen is an independent 'Audit Committee financial expert' as defined by the Sarbanes-Oxley Act and the Corporate Governance Code. Mr. Arentsen, who is a registered accountant in the Netherlands, has served as a senior financial officer of several corporations, e.g. as Chief Financial Officer and member of the Executive Board of CSM N.V.

The Audit Committee met nine times in 2007 with members of the Executive Board present. During seven meetings, the internal and external auditor attended the meetings. The Committee met once without members of the Executive Board present in accordance with its obligation to meet at least once a year with the external auditors

without members of the Executive Board present. The Audit Committee met once without the external auditor and Executive Board present.

The Audit Committee's tasks as set out in the charter of the Audit Committee are to assist the Supervisory Board in fulfilling its responsibilities. This charter can be found on Van der Moolen's website ([www.vandermoolen.com](http://www.vandermoolen.com)). During its meetings, the Audit Committee discussed, assessed and advised the Supervisory Board on, amongst other issues, the operation of the internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations; the supervision of codes of conduct procedures; the provision of financial information by the Company (choice of accounting policies; the application and assessment of the effects of new rules; information about the handling of estimated items in the annual accounts, forecasts; the work of internal and external auditors etc.); compliance with recommendations and observations of internal and external auditors; the role and functioning of the internal audit department; corporate tax planning; relations with the external auditor, including, in particular, its independence, remuneration and any non-audit services for the Company; financing of the Company and ICT. Much attention was paid to risk management and the improvement thereof, including the improvement of IT systems. Also, management reporting was discussed in this same context. The impairment of intangibles including derecognition of deferred tax assets were also extensively discussed by the Committee.

The external auditor Ernst & Young Accountants reported on its independence to the Audit Committee. Ernst & Young Accountants has reviewed its engagements with Van der Moolen and confirmed to the Audit Committee that these engagements have not impaired Ernst & Young Accountants as independent auditors of Van der Moolen.

### Remuneration and Nominating Committee

The Remuneration and Nominating Committee's tasks are to assist the Supervisory Board in fulfilling its responsibilities relating to the remuneration and selection and appointment of members of the Executive and Supervisory Board. The Committee's tasks include the preparation of proposals for the terms of engagement and remuneration of the members of the Executive Board, including

defining and measuring the performance targets of individual members. The Committee also proposes and evaluates the standards for the functioning of the Supervisory Board as a whole and it proposes the compensation of members of the Supervisory Board and any of its Committees. Moreover, the Committee undertakes preparatory work to identify possible candidates for either the Executive or Supervisory Board, to be nominated for election by the Supervisory Board and appointed by the General Meeting of Shareholders of Van der Moolen.

The Remuneration and Nominating Committee currently consists of the chairman Mr. Van den Broek and member Mr. Arentsen. Mr. Arentsen replaced Mr. Van den Brink as member of the Remuneration and Nominating Committee upon his resignation as member of the Supervisory Board in August 2007. The Committee convened three times in 2007. The Chairman of the Executive Board was invited to the Committee's meetings to discuss relevant issues, such as the composition and remuneration of the Executive Board.

Topics discussed during 2007 included:

- the remuneration policy;
- the appropriate structure and level of Executive Board compensation, including the fixed remuneration, variable remuneration components, pension rights, redundancy pay and other forms of compensation to be awarded, as well as the performance criteria and their application; and
- the preparation of the remuneration report.

## REMUNERATION POLICY

For the remuneration policy of the Executive Board members see pages 24 to 26 of this report; for the remuneration of members of the Executive Board and the Supervisory Board over 2007, see Note 34 to the consolidated financial statements.

## FINANCIAL STATEMENTS

The Supervisory Board has reviewed the financial statements for the year 2007 and the notes to them, as prepared by the

Executive Board and included in this annual report. Ernst & Young Accountants, the Company's external auditor, has audited the Company's financial statements for 2007 and their independent Auditors' Report can be found on page 125 of this report.

The Supervisory Board recommends that the AGM adopts the 2007 financial statements of Van der Moolen in accordance with the proposal of the Executive Board.

The Company's Articles of Association state that if in a financial year a loss is sustained, no dividends shall be paid on common shares for that year. Considering the reported net loss attributable to common equity holders of €91.7 million in 2007 and in conformity with the Articles no dividend will thus be paid on common shares for the year.

### Appreciation for the Executive Board and the Van der Moolen employees

The Supervisory Board acknowledges the professional contributions and dedication towards the Company by the Executive Board and employees of Van der Moolen in 2007. We wish to convey our sincere appreciation and gratitude for their daily commitment shown towards the Company and for always acting in the interest of the shareholders and other stakeholders. The Supervisory Board wishes to especially thank Mr. Rondeltap for his contribution as member of the Executive Board during the past four and a half years, until his resignation at the end of 2007.

The Supervisory Board,  
Amsterdam, April 21, 2008



# CORPORATE GOVERNANCE

## INTRODUCTION

Van der Moolen Holding N.V. ('Van der Moolen' or the 'Company') is incorporated under the laws of the Netherlands as a limited liability company with its registered office in Amsterdam. Its common shares are listed on NYSE Euronext in Amsterdam. In November 2007 Van der Moolen announced the delisting and deregistration of the American Depositary Receipts ('ADRs') from the NYSE. The ADRs are no longer listed with the NYSE and Van der Moolen expects to deregister from the United States (U.S.) Securities and Exchange Commission ('SEC') and therewith terminate its reporting under the United States Securities Exchange Act 1934 at the end of 2008.

Van der Moolen has a two-tier corporate governance structure, consisting of an independent, non-executive Supervisory Board as well as an Executive Board (the 'Boards'). The Executive Board is responsible for the management of the Company. The Supervisory Board supervises and advises the members of the Executive Board in performing their management tasks. Van der Moolen believes that each respective Board performs its functions appropriately and that there is a clear division of responsibilities between the Executive Board, the Supervisory Board, the General Meeting of Shareholders and the external auditor in a well-functioning system of checks and balances. Both Boards are required to act in the interests of the Company and all its stakeholders and are as such accountable to the General Meeting of Shareholders for the performance of their duties.

### Corporate Governance in the Netherlands

In 2004 the Dutch corporate governance code, 'Code Tabaksblat' (the 'Corporate Governance Code'), was introduced in the Netherlands. Dutch listed companies are subject to this Corporate Governance Code and are required either to conform to its principles and best practices or to explain why and to what extent they do not comply with these ('comply or explain'). For the financial year 2007, the members of both Boards have reaffirmed the importance of compliance with requirements for corporate governance and transparency. The Corporate Governance Code and the recommendations of the Monitoring Committee Corporate Governance Code (a committee set up to monitor the implementation by Dutch listed companies of the Corporate

Governance Code, the 'Monitoring Committee') are considered to be the basis for the continuous development of the present corporate governance structure of the Company. Van der Moolen believes that a proper governance structure and, given the international environment in which the Company operates, compliance with internationally accepted standards, will further enhance confidence in the Company by our shareholders and other stakeholders.

Each substantial change in the corporate governance structure of the Company and the compliance of the Company with the Corporate Governance Code shall be submitted to the General Meeting of Shareholders for discussion.

### Corporate Governance in the United States

Van der Moolen is currently registered with the SEC. However, the ADRs of Van der Moolen are no longer listed on the NYSE. Thus, although we are subject to US securities laws, due to our delisting from the NYSE, we are no longer subject to the NYSE corporate governance rules or the provisions of the U.S. Sarbanes-Oxley Act.

Prior to delisting from the NYSE in December 2007 we were obligated to, and did, comply with the corporate governance rules applicable to foreign private issuers listed on the NYSE. Under the NYSE listing standards, as a foreign private issuer with American Depositary Receipts listed on the NYSE, we were permitted to follow Dutch corporate governance practices with respect to most corporate governance matters instead of those which apply to US domestic issuers, provided that we disclosed any significant differences between our corporate governance practices (which are in accordance with the Dutch Corporate Governance Code) and those which apply to listed domestic US companies under the NYSE listing standards.

## CORPORATE GOVERNANCE CODE

Van der Moolen trusts that it complies with the principles and best practice provisions of the Corporate Governance Code, with a limited number of exceptions only. The deviations from the best practice provisions are (with reference to the relevant provision of the



Corporate Governance Code):

1. Provision II.2.7 requires that the maximum remuneration in the event of dismissal is one year's salary. Due to the fact that the employment agreement between Mr. Rondeltap and the Company was concluded prior to the Corporate Governance Code coming into force, it did not contain this provision. Consequently, Mr. Rondeltap has received a severance payment equal to more than one year's salary. For details reference is made to the 'Remuneration Report Executive Board 2007' on page 26 of this report.
2. Provisions II.2.6 and III.7.3 require that the Supervisory Board draws up rules for Executive and Supervisory Board members for the holding of, and transactions in, securities other than those issued by Van der Moolen. As the members of the Executive and Supervisory Board are already subject to applicable laws and regulation, and due to the fact that monitoring securities privately owned by these members is considered to be a disproportionate compliance burden for the Company, Van der Moolen deviates from the best practices on these provisions.
3. Provision III.5.6 requires that the Audit Committee not be chaired by the chairman of the Supervisory Board. Although the Supervisory Board of Van der Moolen consists of three members only, and therefore further to the Corporate Governance Code is not required to appoint from among its members certain committees, it has appointed both an Audit Committee and a Remuneration and Nominating Committee. After the resignation of Prof. dr. Van den Brink in August 2007 the chairman of the Audit Committee, Mr. M. Arentsen, has succeeded Prof. dr. R.G.C. van den Brink as chairman of the Supervisory Board.

## ANNUAL GENERAL MEETING OF SHAREHOLDERS

Annually, and in any event not later than six months after the end of the then current financial year, an Annual General Meeting of Shareholders ('AGM') shall be held. Extraordinary General Meeting of Shareholders are held as often as deemed necessary by the Executive Board or Supervisory Board, or upon the request of one or more shareholders solely or jointly representing at least 10% of our issued share capital, as provided for under the laws of the Netherlands.

In accordance with the Articles of Association the shareholders' meetings (each a 'Meeting') are held in Amsterdam. The agenda, published on the website of the Company at a reasonable period prior to the date of the Meeting, contains all subjects to be considered at the Meeting, as the persons convening or requesting the Meeting decide. One or more shareholders entitled thereto by law may include items on the agenda, provided that a written request is made for that purpose not later than on the sixtieth day prior to the day of the relevant Meeting and provided that it is not detrimental to the vital interests of the Company. No valid resolutions can be adopted by the General Meeting of Shareholders in respect of subjects that are not included in that Meeting's agenda.

Meetings are convened by at least 15 days' prior notice published in a nationwide distributed daily newspaper in the Netherlands and in the Official Price List of Euronext Amsterdam N.V.

## ARTICLES OF ASSOCIATION

The Articles of Association of the Company are amended by resolution of the General Meeting of Shareholders, upon the proposal of the Executive Board and provided that the prior approval of the Supervisory Board has been obtained for such proposal. At the Extraordinary General Meeting of Shareholders held on March 18, 2008, a resolution was adopted to amend the Articles of Association. The Articles of Association, as amended from time to time, are posted on the Company's website.

### Anti-takeover Measures

Van der Moolen has certain arrangements in place which are or may be considered to be anti-takeover measures.

Pursuant to an option agreement between Van der Moolen and Stichting Van der Moolen Holding dated July 12, 2001, Van der Moolen has granted the Stichting Van der Moolen Holding the right to acquire a number of preferred shares, with an aggregate par value equal to the aggregate par value of the total number of all outstanding common shares and financing preferred shares of whatever class at the time the option right is exercised. The issuance of these preferred shares shall take place at a rate of 100% against payment of an amount



## CORPORATE GOVERNANCE

equal to 25% of the aggregate par value of the preferred shares to be issued. This option to acquire preferred shares has certain anti-takeover effects: as a result of exercising the option, the Stichting Van der Moolen Holding could acquire control in the General Meeting of Shareholders of the Company. This measure may, for instance, be used in case of a proposed takeover of Van der Moolen if the Stichting considers it to be in the best interest of the Company to delay, to defer or prevent a change of control of Van der Moolen.

In accordance with the Articles of Association, the Supervisory Board has the right to make a binding nomination for the appointment of members of the Executive Board and the members of the Supervisory Board. Further, the Supervisory Board has the right to determine the number of members of the Executive Board and Supervisory Board. These rights have on occasion been considered to have an anti-takeover effect.

## SUPERVISORY BOARD

### General

The role of the Supervisory Board is to exercise supervision over the policies adopted by the Executive Board and over the general conduct of the business of Van der Moolen and its subsidiaries. Further, the Supervisory Board assists the Executive Board by providing it with advice. The supervision by the Supervisory Board shall include the (i) achievement of Van der Moolen's objectives, (ii) corporate strategy and the risks inherent to the Company's business activities, (iii) the structure and operation of internal risk management and control systems, (iv) the financial reporting process, and (v) compliance with relevant legislation and regulation. In performing its duties, the Supervisory Board takes into account the interests of Van der Moolen, its activities and all parties involved in the Company, shareholders but also its other stakeholders.

### Rules and Regulations of the Supervisory Board

The Supervisory Board of Van der Moolen has drawn up a set of rules and regulations setting out the division of duties within the Supervisory Board and the procedure for its operations. These rules and regulations are posted on the Company's website.

The Supervisory Board is structured in such a way that its members are able to act with due objectivity and independently of one another

and of the Executive Board. Every Supervisory Board member has the specific expertise that is necessary for the fulfillment of his duties, as described in the profile of the Supervisory Board included in the rules and regulations of the Supervisory Board. The profile aims to achieve an appropriate combination of knowledge and experience among the Supervisory Board's members in the following areas: (i) financial administration and accounting, and internal risk management and control systems, (ii) management strategy and risks inherent to Van der Moolen's business, (iii) management selection, recommendation and development, compliance, law and (iv) shareholder and employee relations.

The rules and regulations of the Supervisory Board as posted on the Company's website include the charters of its Committees, being the Audit Committee and the Remuneration and Nomination Committee, to which the plenary Supervisory Board, while retaining overall responsibility, has assigned certain tasks. These Committees are responsible for the preparation of certain resolutions of the Supervisory Board on the topics for which the Committees have been set up. The Committees are empowered to solicit external advice as they deem necessary. The Audit Committee is required to meet independently from the Executive Board at least once per annum. A report on how the duties of the Supervisory Board and its Committees have been carried out in 2007, the number of Committee meetings and the main items discussed in these meetings is included in the report of the Supervisory Board, on page 16 and further of this report.

### Appointment and dismissal

The members of the Supervisory Board are appointed by the General Meeting of Shareholders, in accordance with the Articles of Association. In principle such an appointment is made at the binding nomination of the Supervisory Board, however, the General Meeting of Shareholders can reject the nomination with an absolute majority of votes in a meeting in which at least one third of the issued share capital is represented. The members of the Supervisory Board are also dismissed by the General Meeting of Shareholders, in accordance with the Articles of Association. The General Meeting of Shareholders may only resolve to dismiss a member of the Supervisory Board by resolution adopted with an absolute majority of votes in a meeting in which at least one third of the issued share capital is represented, unless the dismissal is proposed by the Supervisory Board.

A person may serve as member of the Supervisory Board for not more than twelve years.



### Conflicts of Interest

The rules and regulations of the Supervisory Board contain rules on dealing with conflicts of interest and potential conflicts of interest between members of the Supervisory Board, members of the Executive Board and the external auditor of Van der Moolen on the one hand and Van der Moolen on the other hand. Each Supervisory Board member as well as each Executive Board member and external accountant is required to report any potential conflict of interest it may have to the chairman of the Supervisory Board or, in case of a conflict of the chairman of the Supervisory Board, to the vice-chairman of the Supervisory Board.

Resolutions to enter into transactions which would place members of the Supervisory Board in a position of conflict of interest with Van der Moolen and that are of material significance to Van der Moolen and/or the relevant members of the Supervisory Board require the approval of the Supervisory Board.

No conflict of interest of any member of the Supervisory Board with the Company have been reported during the financial year 2007.

### Indemnification of members of the Supervisory and Executive Boards

The current and former members of the Executive and Supervisory Board shall be reimbursed for the cost of conducting a defense against claims in connection with damages due to acts or omissions in the performance of their duty as members of the relevant Board and any damages they may be ordered to pay as a result of these acts or omissions. Further to the Articles of Association, the Company indemnifies these members against financial losses that are a direct result hereof. However, no right to reimbursement or indemnification applies, if and to the extent a Dutch court has irrevocably established that the relevant acts and omissions can be characterized as being willfully misconducted ('opzet'), intentionally reckless ('bewuste roekeloosheid') or seriously imputable ('ernstig verwijtbaar'). In addition, no right to indemnification applies to the extent that the financial loss incurred is covered by insurance and has been reimbursed by the insurer. The Company may on behalf of the member of the Board involved take out insurance against liability.

### Remuneration of the Supervisory Board

The remuneration of members of the Supervisory Board is determined

by the General Meeting of Shareholders. For the level and structure of the remuneration of each member of the Supervisory Board over 2007, see Note 34 to the consolidated financial statements. Van der Moolen shall not grant its Supervisory Board members any personal loans, guarantees or similar arrangements, other than in the normal course of business and with the approval of the Supervisory Board, and no remission of loans may be granted.

None of the members of the Supervisory Board shall receive shares and/or options or similar rights to acquire shares in Van der Moolen's capital as part of their remuneration. Any such shares or options held by a member of the Supervisory Board must be held for long-term investment only.

## EXECUTIVE BOARD

### General

The Executive Board is responsible for Van der Moolen's vision, strategy and overall results, as well as its day-to-day management. The Executive Board is accountable to the Supervisory Board and the General Meeting of Shareholders for the performance of its duties, and is required to provide the Supervisory Board in a timely way with all information necessary for the exercise of that Board's duties.

The Executive Board is committed to manage the Company in a transparent fashion, concurrent with all relevant legislation and regulations. In performing its duties, the Executive Board acts in the interest of the Company, taking into account the interests of all relevant stakeholders.

### Issuance, repurchase and cancellation of shares

At the AGM held on April 26, 2007 the General Meeting of Shareholders has delegated to the Executive Board the authority to, with the approval of the Supervisory Board, issue common shares and financing preferred shares in the capital of the Company as well as to grant the right to subscribe for such shares, and to exclude or restrict the pre-emptive rights relating to such an issuance or grant, with a maximum of 10% of the issued share capital of the Company and for a period of 15 months commencing on the date of the AGM. The same delegation of authorizations will be proposed to the AGM to be held on May 22, 2008, however, for a period of 18 months commencing on the date of the AGM.



## CORPORATE GOVERNANCE

At the Extraordinary General Meeting of Shareholders held on March 18, 2008, the General Meeting of Shareholders has authorized the Executive Board to repurchase common shares in its own capital, for a price per share which lies between the nominal value of these shares and 110% of the exchange price of these shares (the exchange price being equal to the average of the highest price per share according to the Official Price List of Euronext Amsterdam N.V. of each of the ten trading days prior to the date of the repurchase), and for a period of 18 months commencing on the date of the Extraordinary General Meeting of Shareholders.

Also at the Extraordinary General Meeting of Shareholders held on March 18, 2008, the General Meeting of Shareholders has authorized the Executive Board to cancel the common shares that have been or will be repurchased, in one or more tranches (at the discretion of the Executive Board), with a maximum in aggregate of 10% of the issued nominal share capital as at March 18, 2008.

### Rules and regulations of the Executive Board

The Executive Board has drawn up a set of executive board regulations ('directiereglement') setting out the allocation of the duties of each Board member and the procedures for its operation. These regulations are posted on our website as the Executive Board Internal Rules of Van der Moolen.

### Appointment and dismissal

The members of the Executive Board are appointed by the General Meeting of Shareholders, in accordance with the Articles of Association. In principle such an appointment is made at the binding nomination of the Supervisory Board, however, the General Meeting of Shareholders can reject the nomination with an absolute majority of votes in a meeting in which at least one third of the issued share capital is represented. The members of the Executive Board are also dismissed by the General Meeting of Shareholders, in accordance with the Articles of Association. If such dismissal is not made at the proposal of the Supervisory Board, the General Meeting of Shareholders may only resolve to dismiss a member of the Executive Board by resolution adopted with an absolute majority of votes in a meeting in which at least one third of the issued share capital is represented.

### Conflicts of interest

Resolutions to enter into transactions that are of material significance to Van der Moolen and/or the relevant members of

the Executive Board, which would potentially place members of the Executive Board in a position of conflict of interest with Van der Moolen require the approval of the Supervisory Board. Each Executive Board member is required to report any potential conflict of interest it may have to the chairman of the Supervisory Board. No conflicts of interest of any member of the Executive Board with the Company have been reported during the financial year 2007.

### Remuneration of the Executive Board

The remuneration policy for the members of the Executive Board is described on pages 24 to 26 of this report. For the remuneration of members of the Executive Board in the financial year 2007, refer to page 26 and see Note 34 to the financial statements.

The Supervisory Board is required to submit any arrangements for the remuneration of members of the Executive Board in the form of shares or rights to acquire shares to the General Meeting of Shareholders for approval. No such arrangements have been proposed during the financial year 2007.

The main elements of Executive Board members' contracts with Van der Moolen have been published on the Company's website. These elements include the amounts of their fixed salaries, the structure and amount of the variable component of their remuneration, and any termination agreements, pension arrangements and performance criteria.

## REMUNERATION POLICY

The following is an overview of the remuneration policy of Van der Moolen. It takes into account the best practice provisions of the Corporate Governance Code. Any deviations of the Corporate Governance Code are explained in the Corporate Governance chapter on page 20 of this report.

The Supervisory Board applies the remuneration policy as described hereunder and as adopted by the General Meeting of Shareholders. Any future material changes will be submitted to the General Meeting of Shareholders for adoption. The remuneration policy is also available on the Company's website.

### Introduction

In accordance with the Articles of Association, the remuneration of the members of the Executive Board is the responsibility of the Supervisory

Board as a whole. Resolutions on the remuneration adopted by the Supervisory Board shall be in line with the remuneration policy for Executive Board members as determined by the General Meeting of Shareholders.

The Supervisory Board has appointed a Remuneration and Nominating Committee from among its members to prepare proposals, advice and recommendations for the Supervisory Board on the remuneration policy and individual remuneration for the Executive Board members and to prepare the remuneration report. Furthermore, the Remuneration and Nominating Committee advises the Supervisory Board on the annual financial and non-financial targets for the Executive Board. The remuneration of the Supervisory Board members is determined by the General Meeting of Shareholders.

Given the current size of the Supervisory Board, Van der Moolen has decided to combine the Remuneration and the Nominating Committee into one body. As a matter of policy, this Committee consists of the Chairman of the Supervisory Board, who will not be chairman of the Remuneration and Nominating Committee, and at least one other member of the Supervisory Board. Currently, Mr. Van den Broek is chairman of the Remuneration and Nominating Committee and Mr. Arentsen is a member thereof.

#### **Remuneration policy statement**

The remuneration policy as currently in place is designed to reward the Executive Board members for achieving the targets as set out in Van der Moolen's strategic plans and to improve the performance of the Company.

The remuneration of the Executive Board currently consists of the following elements: base salary, annual cash bonus, pension and benefits.

#### **Employment contracts**

Executive Board members are subject to an employment agreement with the Company. Both parties shall be entitled to terminate the employment agreement by giving notice equal to a period of six months, if notice is given by the Company, and three months if notice is given by the Executive Board member.

If the Company initiates the termination of the employment agreement and if the termination is for a reason other than an urgent

reason (cf. Section 7:677 of the Dutch Civil Code (Burgerlijk Wetboek)), the Company and the Executive Board member will observe the provisions laid down in the Dutch Civil Code. Consequently, the neutral Sub-District Court formula will serve as a basis for the calculation of the severance payment. No severance payment will however under any circumstances exceed the equivalent of one year base salary, as stipulated by the Corporate Governance Code.

In the employment agreement with Mr. Den Drijver it has been specifically agreed that the neutral Sub-District Court formula will serve as a basis for the calculation of his severance payment and that the severance payment of Mr. Den Drijver will not exceed the equivalent of one year base salary. The employment agreement with Mr. Wolfswinkel provides for a different arrangement. Mr. Wolfswinkel will receive a guaranteed severance payment of one year's fixed base salary, which is in compliance with the Corporate Governance Code, and the neutral Sub-District Court formula does not apply to his severance payment. The employment agreements of Mr. Den Drijver and Mr. Wolfswinkel do not contain special arrangements for a termination of these agreements following a public offer.

In addition to a severance payment to be calculated in accordance with the parameters set forth above, the Supervisory Board may decide that the relevant Executive Board member also receives a part of his allocated conditional bonus, if any, as discussed below.

The main elements of the contract of a new Executive Board member shall be made public after conclusion, and will include disclosure of base salary, variable remuneration (structure and amount), any redundancy scheme, pension arrangements and performance criteria.

#### **Term of appointment**

As of 1 January 2004, new Executive Board members are appointed for a period of four years. On expiry, the Executive Board member may be re-appointed for successive terms of four years.

#### **Van der Moolen's benchmark**

Van der Moolen's guiding principle is that remuneration should be comparable to the market for senior management in the Netherlands, relevant to the members of the Company's Executive Board. Given the specific and highly specialized nature of the business of Van der Moolen, it is not feasible to compose a well-defined peer group for remuneration purposes. The Supervisory Board periodically reviews the



## CORPORATE GOVERNANCE

competitiveness of the remuneration packages using benchmark information.

### Base salary

The base salary of the members of the Executive Board of Van der Moolen is assessed taking into account the following aspects:

- Firstly, the size of the positions for all members of Executive Board of Van der Moolen is measured in terms of responsibilities, complexity and size
- Subsequently, the Executive Board members are benchmarked against other senior management of comparable position at various freestanding Dutch companies from a range of business sizes

Base salary levels are in the upper quartile range, reflecting regular salary policies of companies active in financial markets.

### Annual bonus

The current cash bonus scheme applicable to the Executive Board members is:

- 60% based on financial targets
- 20% based on non-financial individual targets
- 20% based on discretionary targets

The financial and non-financial targets for the Executive Board are set by the Supervisory Board on an annual basis.

If all preset targets are achieved, the bonus for Executive Board members can amount to a maximum of 100% of base salary. However, with regard to the preset financial targets an 80% threshold applies. In the event that performance is below the 80% threshold, the Supervisory Board has the discretion to decide not to grant any bonus (including the bonus payments relating to non-financial and discretionary targets).

With respect to the 60% of the total bonus relating to preset financial targets, an Executive Board member is entitled to:

- 70% of the financial bonus target (i.e. 42% of the total bonus) if between 80% and 100% of the financial targets are met
- 90% of the financial bonus target (i.e. 54% of the total bonus) if from 100% up to 120% of the financial targets are met
- 100% of the financial bonus target (i.e. 60% of the total bonus) if more than 120% of the financial targets are met

Bonus payments based on financial targets will be granted on the basis of audited annual results under IFRS only.

The Company does not pre-disclose individual performance targets for Executive Board members, but will disclose the basis on which the bonuses were granted afterwards both in the Remuneration Report (see below) and during the AGM.

When the employment agreement is terminated by a member of the Executive Board, this member is no longer entitled to any bonus. In case of long lasting absence of a member of the Executive Board as a result of illness or leave of absence, the Supervisory Board can decide that no cash bonus or only part thereof will be granted.

### Pension contribution

Executive Board members will each be entitled to a fixed annual contribution towards an individual pension plan. Each member is currently entitled to the relevant 2006 level of contribution towards the Van der Moolen Pension Plan previously in place. This amount will be reviewed every four years. The retirement age for the Executive Board members is 65.

### Benefits

Members of the Executive Board are entitled to allowances and/or benefits in kind. The majority of these allowances and benefits comprise elements based on general local practice (such as a company car, contribution to health care costs, fixed annual cost allowances) or relate to specific international circumstances (such as grossed-up costs relating to relocation, accidental and health insurance, housing, school and travel). The latter are often one-off amounts or limited in time.

### Loans

It is the current policy of the Company not to grant the Executive Board members any personal loans and guarantees.

## REMUNERATION REPORT EXECUTIVE BOARD 2007

The bonus of the Executive Board members consists of a financial target, individually based non-financial targets and a discretionary part. The financial target determining 60% of the bonus for 2007 has not been met. The table on page 27 gives an overview of the targets and achievements against the targets for the year 2007. For the remuneration of members of these Executive Board members over 2007, see Note 34 to the consolidated financial statements.

As a result of the resignation of Mr. Rondeltap as member of the Executive Board of the Company in November 2007 and the termination of his employment agreement, Mr. Rondeltap received, in accordance with his contractual arrangements, a severance payment of EUR 1,009,957 gross. In the amount of this severance payment the six months' notice period of Mr. Rondeltap was taken into account.

## EXTERNAL AUDITOR

The external auditor is appointed by the AGM, based on a nomination submitted by the Supervisory Board. The external auditor must be invited to attend the meeting of the Supervisory Board at which the annual accounts are approved and to attend the General Meeting of Shareholders at which the Annual Accounts are adopted, and may be questioned by the General Meeting of Shareholders on his or her audit opinion on our Annual Accounts. Pursuant to the regulations of the Audit Committee, the remuneration of the external auditor and instructions to the external auditor to provide non-audit services must be pre-approved by the Audit Committee. The internal auditor reports functionally to the Audit Committee and administratively to the chairman of the Executive Board.

## RISK MANAGEMENT AND CONTROL

Van der Moolen runs risks associated with general corporate activity, as well as risks particular to our business. We eliminate risks where possible, and monitor, limit and control them where they are inescapable. These risks comprise:

- market risk, resulting from the effect of price movements on trading positions;
- currency risk, from exchange rate effects and the fact that most of our earnings and assets are in currencies other than the euro;
- liquidity risk, arising from obligatory liquidity requirements, or when trades generate short-term liabilities, since financing may not always be readily available;
- credit and settlement risk, because our counterparties could default; and
- legal, compliance and operational risk, which take many forms.

The above risks are discussed in Note 3.1 of the consolidated financial statements.

### Market Risk

Our subsidiaries carry the main responsibility for managing market risk. Data on the positions, related risk profiles and net trading result are transmitted on a daily basis to the head office in Amsterdam.

### Performance Indicators 2007 for the Executive Board

	Financial Target	% Target Realized
Mr. R.E. den Drijver		
Financial Target	60%	0% realized
Revenue growth		
Return on equity		
Non-financial targets	20%	100% realized
Direct VDM Specialist in order to terminate losses/cash outflow		
Develop new strategic initiatives for Van der Moolen		
Discretionary	20%	-
Mr. M. Wolfswinkel		
Financial Target	60%	0% realized
Revenue growth		
Return on equity		
Non-financial targets	20%	100% realized
Improve management information proces		
Improve quality and efficiency of the finance department		
Discretionary	20%	-



## CORPORATE GOVERNANCE

For our European units, our risk control department at Van der Moolen Holding, in consultation with management at these operations, sets more specific risk parameters. For these units, exposure limits are defined in terms of net individual and aggregate position sizes and also based on inventory characteristics such as yield curve exposure and exposure with respect to option risk parameters, such as the exposure on price changes, delta, and the exposure on volatility, vega. Position data and option risk parameters are transmitted real time to the head office, where this information is monitored and analyzed by independent risk managers. For VDM Specialists and VDM Trading the central risk control department establishes, in consultation with the Executive Board and the management of the operating units, specific maximum risk levels to which the operating units must adhere and monitors compliance with those limits. The Executive Board is informed of the risk positions per unit on a daily basis.

Our main defense against market risk is trading discipline. Our equity trading units generally hold positions for a short period of time, which reduces their risk from adverse price movements. In particular, they attempt to minimize holding large net positions when markets close, in order to minimize the risk that news could affect prices when traders cannot react to them. Where longer term equity exposure exists, primary in illiquid stocks, the Company manages its exposure within predefined limits.

Until August 2007, we held bond positions longer term. We limited and continuously monitored its yield curve and credit exposure. Yield curve exposure was hedged by opposite positions in bond futures based on the duration of our inventory. Such hedges did not eliminate risk from changes in corporate credit standing. We accepted risks in six hundred NYSE Euronext-traded Dutch bonds and a select group of French, Belgian and Italian ones, which we contained by trading out of them quickly or partially hedging with other bonds of the same issuer and/or duration. This unit limited its exposure to individual issues, issuers, credit rating and industry categories.

Our equity derivatives trading units hold on to positions for a longer term. Strict limits in both positions and option risk parameters are set by the management of PMM/CMM Trading, UK Derivatives and the Swiss branch of Effectenspecialist Amsterdam and are also monitored by the risk control department at headquarters. PMM/CMM Trading

has the obligation as primary and competitive market maker to quote all strikes and maturities in a number of asset classes at NYSE Euronext. Our derivatives exposures are analyzed and the related risk monitored following a similar procedure to our other trading activities.

Daily reports analyze position characteristics and absolute exposures. They include so called haircut analyses based on price, volatility and interest movements. The haircut analysis measures all positions, individual and correlated, and reflects the different risk components. The price movement risk is based on the implied volatility of the individual stocks with a minimum price move of 10%. The volatility risk calculation within derivatives is based on volatility increases up to 50% and a decline in volatility of 15%. Interest risk is calculated for overnight changes of 0.50%. The haircuts are calculated daily by our clearing members under the restriction that in any case or circumstance the haircut must be lower than the dedicated capital (per entity) reserved for trading activities. The haircut and stress testing methods are well known within the risk management of derivatives and also used by our clearing banks.

Independent of these haircut reports, each entity has a risk management system which calculates the entities' internal risk in real time and overnight within the same ranges as the haircut analysis. These internal risk calculations are linked to the calculations from our clearing members in order to accomplish an unequivocal risk. Additional stress tests are conducted in order to examine positions under extreme scenarios.

The following charts reflect the potential loss based on worst case scenarios as described above.

Potential loss (in € million) based on hypothetical changes in selected criteria in our portfolio as of

	2007	2006
March 31	10.71	9.08
June 30	10.90	12.45
September 30	17.55	9.29
December 31	8.51	10.43

The third-party haircut calculation, supplied by our clearing banks, is a control mechanism for our internal calculations and completes our overview of the risks we run on a daily and overnight basis. The diversity of our business also reduces our exposure to market risk.

### Currency Risk

We are affected by a number of currency-related risks:

- The risk of currency gains or losses on monetary assets and liabilities denominated in currencies other than the functional currency of the entity concerned;
- the effect of exchange rate fluctuations on the translation of the income statements and balance sheets of entities for the purpose of presenting consolidated financial statements in euros; and
- the risk arising from trading positions denominated in any currency other than the functional currency of the trading unit holding those trading positions.

The following considerations will continue to determine our policy towards currency risk:

- Our trading units will continue to hedge currency exposures acquired in the course of their normal trading activities into their functional currencies;
- we will seek, where possible and economically appropriate, to mitigate the effect of currency volatility on our Income Statement;
- we will hedge cash in- and outflows in various currencies to mitigate their possible translation effect on our reported liquidity position; and
- changes in value that result from converting into our presentation currency will, in principle, not be hedged.

### Liquidity Risk

Liquidity risk relates to our capacity to finance security trading positions and meet the liquidity requirements of exchanges and clearing organizations and other liabilities. Our financial resources, relative to the capital we employ in trading, and the liquidity of the instruments we trade limit this risk.

On a daily basis the securities trading positions and the liquidity position are monitored by management. The key measure by the group for managing liquidity risk is the ratio between our cash positions and the exposure which arises from security trading positions.

### Credit risk

Credit risk arises from counterparty default. Our operations are mainly conducted on regulated exchanges where settlement risk is fully transferred to the clearing members. Consequently, our trading operations are essentially free of credit risk. Excess cash and cash equivalents are invested in short-term money market instruments. We minimize the related credit risk by following strict policies governing its choice of counterparties.

### Legal, Compliance and Operational Risk

Our businesses and the segments in which we operate are subject to an extensive range of laws, rules and regulations in the United States and Europe that are promulgated by various governmental agencies and self-regulatory organizations. The laws, rules and regulations with which our businesses must comply include those relating to financial reporting requirements, trading and brokerage practices, capital structure requirements, and record retention requirements governing the conduct of our directors, officers and employees. The failure or alleged failure to comply with any of the laws, rules or regulations applicable to us could result in censure, fine, the issuance of cease-and-desist orders or the suspension or disqualification of our directors, officers or employees, and other adverse consequences, which could have an adverse effect on our business. It could also result in the suspension or disqualification of whichever of our subsidiaries commits the violation by the SEC or other relevant regulatory authority or in that subsidiary's suspension or disqualification as a member of the securities exchange on which it operates. Most of our employees are also subject to extensive compliance requirements, and in the event of non-compliance they may risk similar sanctions: in the event of such sanctions, their ability to contribute to our results of operations and cash flows may be impaired. If sanctions against either our businesses or employees occur, we may be unable to operate a portion of our business, which could adversely affect our financial condition, results of operations and cash flows.

The Company is involved in various legal proceedings resulting from its normal or former business operations. Although the ultimate disposition of asserted claims and proceedings cannot be depicted with certainty, the Company's financial position and results of operations could be affected by an adverse outcome. Please refer to Note 33 of the consolidated financial statements for additional disclosure relating to litigation matters.



## CORPORATE GOVERNANCE

All of our operations are vulnerable to operational risks that can result from damage to our own facilities, the facilities of the exchanges on which we operate and to communications and other infrastructure. The facilities and systems of the exchanges and infrastructure providers have multiple back-up systems, which reduces the risk that we would be prevented by damage to any one facility or system from being able to carry out our business. The backup systems for our own facilities are now being reviewed.

The accurate financial reporting and disclosures provide investors, regulators and market professionals with significant information on the Company. Material errors in financial reporting and disclosures create uncertainty regarding the underlying data presented.

### Internal Risk Management and Control Systems

The Executive Board is responsible for the Company's system of risk management and internal control and for reviewing its operational effectiveness. Our risk management and internal control systems are designed to identify significant risks and to assist us in managing the risks that could prevent it from achieving our strategic objectives. However, no risk management system can provide absolute assurance against material misstatements, fraud or violations of laws and regulations.

The risk management and internal control system with respect to financial reporting is designed based on the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') internal control framework. In order to comply with the recommendations of the Dutch Monitoring Committee Corporate Governance Code, the Executive Board makes a distinction (where necessary) between financial reporting risks and other, such as operational, strategic, legal and compliance risks.

### Risk Management Approach

The Executive Board has committed itself to maintaining a comprehensive risk management system, and where possible and considered necessary, to improving its risk management procedures and ensuring the reliability and effectiveness of the risk management policies and procedures. The most important risk factors and the risk management approach are discussed in more detail in the chapter Risk Management and Control of this Annual Report. The Company's risk management approach is embedded in the periodic business review meetings cycle.

With respect to financial reporting, a structured self-assessment and monitoring process is used companywide to assess, document, review and monitor compliance with internal control over financial reporting, using our experiences with the requirements of section 404 of the Sarbanes-Oxley Act of 2002.

### Control Environment

The Company has established the following controls as part of the *risk management approach*:

- the Van der Moolen Holding's Code of Ethics and Whistleblower Procedure;
- internal letters of representation, are provided by key senior management;
- an internal audit function;
- compliance meetings;
- monitoring duties are performed by the Audit Committee; and
- business performance reviews are conducted by the Executive Board.

### Control Activities

For the preparation and publication of the annual report, the annual accounts as well as the quarterly report we have implemented comprehensive internal procedures. Compliance with these procedures is monitored by the Executive and Supervisory Boards. The most significant monitoring procedures and controls are:

- Regular business performance review meetings between the Executive Board and senior management on financial performance and realization of operational objectives and responses to emerging issues;
- Financial planning meetings between the Executive Board and senior management;
- Disclosure meetings dedicated to the timely review, disclosure, and evaluation of periodic (financial) reports and the maintenance and evaluation of disclosure controls and procedures;
- Internal audits of the quality of the internal controls conducted through risk-based operational audits, inspections of financial reporting controls and compliance audits. Findings of internal and external audits are reported to and discussed in the Executive Board and Audit Committee. Recommendations are validated with senior management and follow up is monitored; and

- Meetings between the Audit Committee and the Executive Board to discuss findings as reported by the auditors and self-assessments, and to take corrective action where necessary.

With respect to financial reporting, a structured assessment and monitoring process is used company-wide to enable the Chief Executive Officer and Chief Financial Officer to review and report on the effectiveness of risk management and internal controls over financial reporting. Key senior management involved in the financial reporting process quarterly issue a formal certification statement to confirm design and operating effectiveness of disclosure controls and internal controls over financial reporting, which is subject to review by the Executive Board.

*The Company believes it has implemented an effective framework of internal control over financial reporting, for reporting under Dutch law as well as the Annual Report on Form 20-F as required by laws and regulations in the US. For the Annual Report on form 20-F for the financial year ended December 31, 2007, we have decided to apply rule 33-8879 of the Securities and Exchange Commission ('SEC') in the United States. This rule, issued on December 21, 2007, allows foreign private issuers, such as Van der Moolen Holding N.V., to apply IFRS as issued by the International Accounting Standards Board in their filings with the SEC. This rule applies for the financial years ending after November 15, 2007 and consequently, applies to our Annual Report on form 20-F for the financial year ending December 31, 2007. The use of this rule reduces the burden and related costs of our financial reporting process, as we already reported our Annual Report and Financial Statements for Dutch law purposes under IFRS since 2005.*

The Executive Board's evaluation of internal control over financial reporting of the Annual Report on form 20-F will take place during the preparation and finalization of the form 20-F. The Executive Board's report, including its conclusions, regarding the effectiveness of its internal control over financial reporting for US law purposes will be disclosed in the form 20-F filing.

#### **In control statement**

In line with the best practice provision II.1.4. of the Dutch Corporate Governance Code and bearing in mind the

recommendations of the Corporate Governance Code Monitoring Committee on the application thereof, the Executive Board has issued a statement on the effectiveness of the systems of internal control over financial reporting.

The internal control framework is based on the COSO framework and has been designed to provide a reasonable level of assurance that the financial reporting does not contain material errors. The Executive Board has evaluated its assessment of the internal control framework. During the investigation and evaluation no deficiencies were noted that might possibly have material consequences and to this extent the findings were positive.

The Executive Board is of the opinion, based on the findings of the above assessment and the almost completed assessment of the effectiveness of our internal controls within the scope of section 404 of the Sarbanes-Oxley Act of 2002, that the internal control system provides a reasonable degree of assurance that the financial reporting contains no material misstatements and has operated effectively during the year under review. There are no indications that the system of internal control will not function effectively in 2008. However, the established risk management systems and internal controls do not guarantee that the Company's objectives will be achieved, nor can they prevent all misstatements, human errors, unforeseen circumstances, acts of fraud, and violation of acts and regulations.

The Executive Board has reported its assessment of the internal control framework to the Audit Committee.

*This statement cannot be construed as a statement in accordance with the requirements of section 404 of the Sarbanes-Oxley Act of 2002. Such statement will be set forth in the Annual Report on form 20-F.*



# FINANCIAL REVIEW

In 2007 we aligned our strategic business units, where considered necessary, to the turbulent and changing market circumstances and to our strategic goals.

As part of this alignment, we have evaluated our activities and business units from a strategic and performance point of view. As a result of this evaluation, we have discontinued certain non-strategic activities, including VDM Specialists USA. The closure or disposal of these activities has freed up capital that enables us to expand our high margin operations and to invest in complementary activities, enabling us to realize our strategic goals.

The alignment and the disposal or closure of activities has impacted our group result significantly. The required reorganization has resulted in significant expenses which are non-recurring in nature. This has resulted in a material loss for the financial year 2007.

## RESULT FOR THE YEAR

	Total		From continuing operations	
	2007	2006	2007	2006
Revenues	144.3	149.4	110.4	63.9
Operating expenses	(205.9)	(164.2)	(111.7)	(85.0)
Operating profit/(loss)	(61.5)	6.8	(0.4)	0.4
Profit/(loss) for the period*	(75.7)	(76.7)	(2.9)	1.5
Currency translation adjustment accounting**	(14.1)	-	-	-
<b>Net result for the year</b>	<b>(89.8)</b>	<b>(76.7)</b>		
<b>Attributable to:</b>				
Minority interest	(1.8)	(1.0)		
Financing preferred shareholders	3.7	3.0		
Common equity holders	(91.7)	(78.7)		
<b>Net result from continuing business excl. non recurring items</b>			<b>8.9</b>	<b>4.2</b>

\* excluding accounting of Currency translation adjustments

\*\* No impact on equity



Our financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. Data included in the income statement, the statement of recognized income and expense and the cash flow statement are, where relevant, translated at the average rate for the period under review, while balance sheet data are, where relevant translated at the period-end exchange rates. The average rate between the euro and the US dollar was €1.3706 in 2007 against €1.2557 in 2006. During the year 2007, the US dollar depreciated against the euro: on December 31, 2007 the euro/dollar rate was €1.4721 compared to €1.3170 on December 31, 2006.

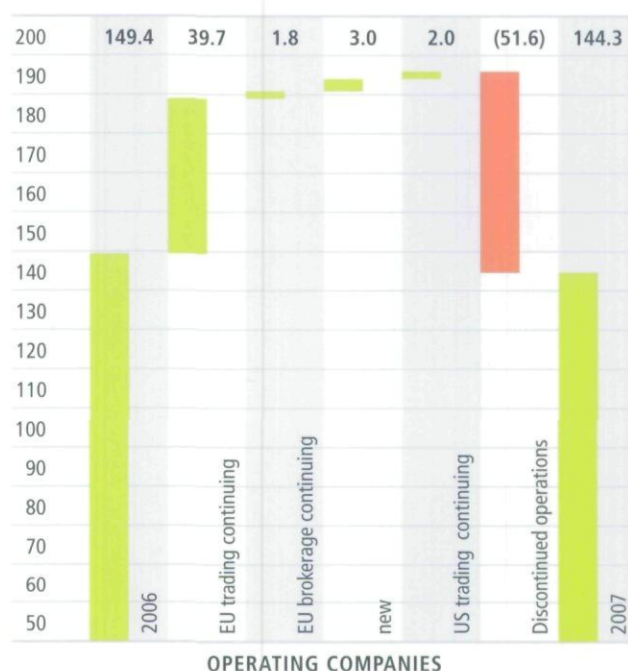
## GROUP RESULT

In 2007, we reported a net loss attributable to common shareholders of €91.7 million, compared with a net loss attributable to common shareholders of €78.7 million in 2006. The net loss for the financial year 2007 is influenced by non-recurring expenses of €82.8 million, mainly related to impairment charges (€41.4 million) the costs of restructuring our discontinued operations (€17.4 million) and other non-recurring costs incurred in the restructuring of our continuing operations as well as the legal fees related to the delisting of our American Depository Shares. In addition, an amount of €14.1 million of currency translation adjustments related to discontinued operations have been credited to equity and charged to the profit and loss statement, in line with the applicable IFRS standards.

## TOTAL REVENUES

Our total revenues came to €144.3 million for the financial year 2007, compared to €149.4 million in 2006, of which €110.4 million and €63.9 million respectively are attributable to continuing operations. In 2007, our continuing European trading activities performed significantly better compared to 2006 with an increase of €39.7 million. The excellent performance of our European

Revenues analyses 2006 - 2007 (in € mln)



activities is the result of an increase in activities and favorable European market circumstances.

Revenues from new activities relate to the acquisition of Robbins & Henderson, LLC in July 2007, which contributed €3.0 million in revenues as of the date of acquisition.

Certain operations, among which VDM Specialists, did not meet our performance targets and have been discontinued. Cost reduction programs in VDM Specialists have not been able to compensate plummeting revenues. In the second half year, it became clear that our targets could not be reached as a result of which VDM decided to exit the Specialist activity. On December 4, 2007 we announced that we reached agreement to sell certain assets of our US specialist activities to Lehman Brothers Inc. The agreement included taking over of all specialist stock and the majority of staff. In the US, we are now focusing on our brokerage activities and our activities on the CBSX.



## FINANCIAL REVIEW

### Total revenues per activity

The total revenues per activity also compared to 2006, can be depicted as follows:

2007



2006



In 2007, 70% of our total revenues relate to our trading activities. The increase of €42.2 million or 73% is mainly due to the strong performance of the European trading activities.

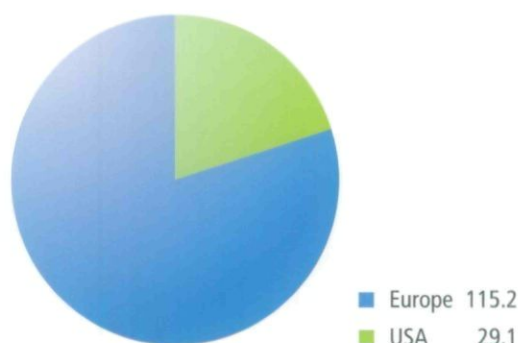
The revenues resulting directly from our US specialists activities declined significantly by €51.6 million or 76%, due to the impact of the implementation of the Hybrid system. In addition, the decline reflects a drop in NYSE market share as well as a decline in the participation rate of specialist firms overall.

The commission income showed an increase of €6.4 million or 43%. This increase was almost fully caused by an increase in commission income resulting from our brokerage activities of €6.1 million. Commission income from other activities rose by €0.3 million compared to 2006.

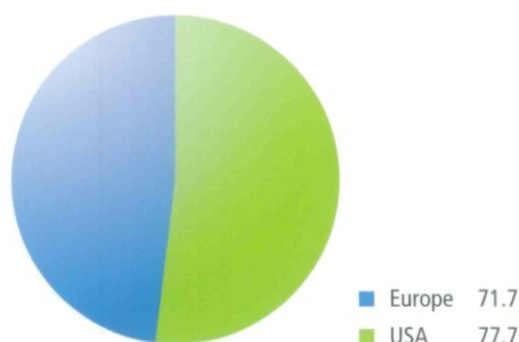
Income from other activities rose by €7.0 million compared to €9.1 million in 2006.

From a geographical point of view, the revenues from continuing operations for the years 2007 and 2006 can be depicted as follows:

### Total revenues geographical basis 2007 (in € mln)



### Total revenues geographical basis 2006 (in € mln)



### Europe

Total revenues in Europe showed a sharp increase by €43.5 million or 61% from €71.7 million in 2006 to €115.2 million in 2007. This increase is fully organic.

The excellent performance of our European activities is the result of favorable market conditions, with high volatilities combined with high volumes. The turbulence that hit the financial markets resulted in peak trading volumes and volatilities in the second half of 2007. Also, certain stocks have shown sharp movements, partly due to the turbulence but also reflecting actual and anticipated takeover activity.

Our European brokerage activities performed well in 2007. Revenues resulting from these activities amounted to €16.8 million, compared to €15.0 million in 2006, an increase of €1.8 million or 12%.

## USA

Total revenues of the US activities declined significantly by €48.6 million or 63% to €29.1 million in 2007. The decline in revenues is fully attributable to a decline of the revenues of € 53.6 million in VDM Specialist due to reasons mentioned earlier.

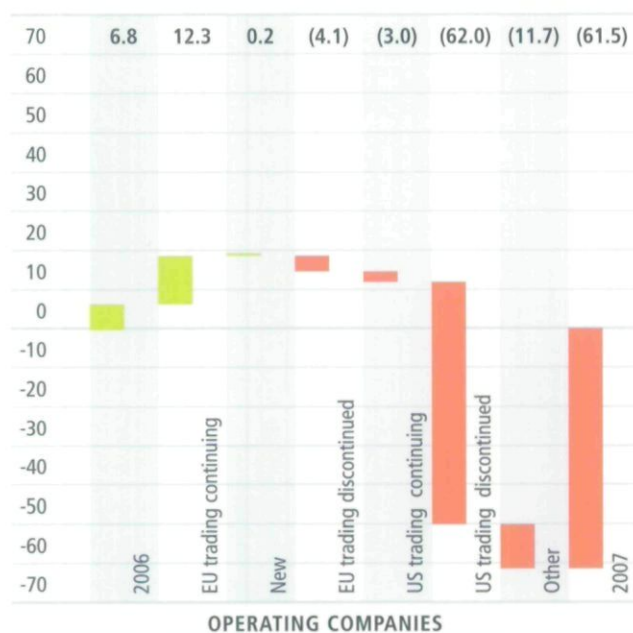
This decline is partly offset by an increase in revenues resulting from the new brokerage activities in the US, including Robbins & Henderson, and higher revenues resulting from our US structured products trading.

Our remaining US business will focus on brokerage activities and trading activities on the Chicago Board Stock Exchange, in alignment with our European activities.

## TOTAL OPERATING PROFIT

Full year 2007 total operating loss amounted to €61.5 million, compared with an operating profit of €6.8 million in the preceding year. The development of the operating profit 2007 compared to 2006 can be summarized as follows:

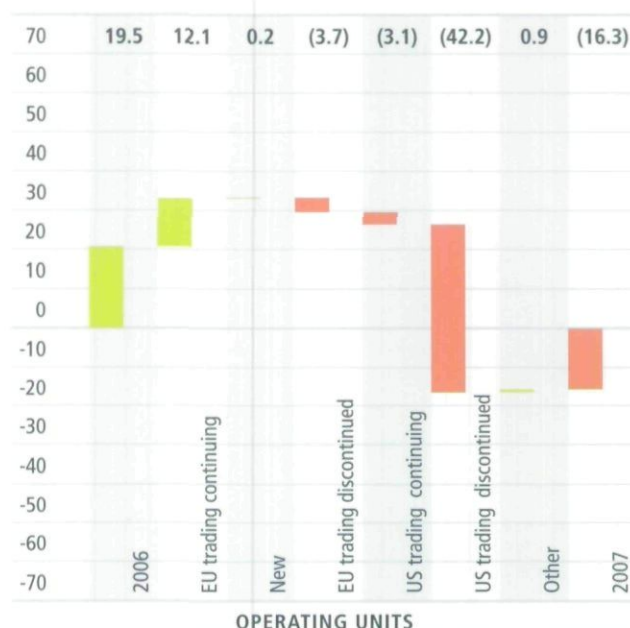
### Total operating result analyses 2006 - 2007 (in € mln)



Excluding other gains and losses, amortization and impairment charges, the operating loss (also referred to as operating margin) for the financial year 2007 would amount to €16.3 million compared to an operating profit of €19.5 million in 2006. The movement in the operating margin can be depicted as follows:

### Total operating margin analyses 2006 - 2007 (in € mln)

Excluding amortization, impairment charges and other gains and losses



The operating result for 2007 includes the following material non-recurring items:

- During 2007, several reorganization programs were executed related to our VDM Specialists USA activities. In total, the non-recurring items resulting from these reorganization programs amounted to €4.3 million, mainly consisting of severance payments amounting to €3.3 million and €1 million related to housing expenses.
- At December 4, 2007, we announced that we reached agreement to sell certain assets of our US specialist activities to Lehman Brothers Inc. The agreement included all specialist stock and the majority of staff. Upon transfer, the remaining intangibles attributable to VDM Specialists USA LLC were impaired. In total impairment charges related to the termination of the activities of VDM Specialists USA amounted to €39.4 million.



## FINANCIAL REVIEW

- In 2007, we have changed the basis of VDM Trading LLC's trading activities. As a result of this change we incurred severance expenses and expenses related to the write-off of assets. The total expenses as a result of the change of activities amounted to €1.2 million.
- We have taken a provision in the amount of €8.4 million for expenses which we expect to incur in relation to the reshaping of the activities in the US.
- The recognition of severance payments in our Dutch activities and at Van der Moolen Holding NV level amounted to €2.0 million.
- In December 2007, we decided to discontinue our activities in VDM Securities Ltd., as a result of which we incurred costs amounting to €2.1 million in 2007. Of this, €0.9 million relates to severance payments.
- Other non-recurring expenses amounted to €4.5 million including legal and advice expenses of €1.6 million.

## OPERATING EXPENSES FROM CONTINUING OPERATIONS

The operating expenses related to the continuing operations for the financial years 2007 and 2006 can be depicted as follows:

### Comparison operating expenses 2007 - 2006



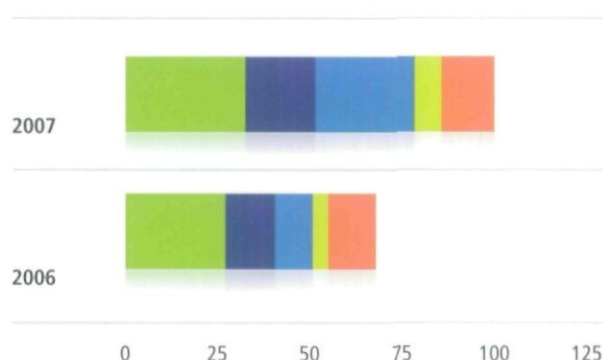
- Exchange, clearing and brokerage fees
- Employee benefit expenses fixed
- Employee benefit expenses variable
- Information and communication expense
- General and administrative expense

Excluding amortization and impairment charges of €4.4 million (2007) and €12.8 million (2006), total operating expenses in 2007 rose by €35.1 million or 49% compared to 2006.

In 2007 and 2006, operating expenses related to continuing operations were influenced by several material non-recurring items, as explained earlier. Excluding these non-recurring items, the operating expenses can be depicted as follows:

### Comparison operating expenses 2007 - 2006

excluding non-recurring items



- Exchange, clearing and brokerage fees
- Employee benefit expenses fixed
- Employee benefit expenses variable
- Information and communication expense
- General and administrative expense

Excluding the non-recurring items, the operating expenses for 2007 amount to €99.9 million, an increase by €32.0 million or 47% compared to 2006.

Functionally, the development of the operating expenses can be explained as follows:

- Exchange, clearing and brokerage fees rose by €5.4 million to €32.5 million. New activities contributed €1.2 million to expenses.

Expressed as a percentage of revenues, exchange, clearing and brokerage fees fell from 42.4% to 29.4%. The drop in the exchange, clearing and brokerage fees as a percentage of revenues is mainly attributable to the impact of higher revenues

stemming from continuing operations with a relatively low level of exchange clearing and brokerage fees in 2007, such as the Cologne and Swiss branch of Specialist Amsterdam and VDM Derivatives Ltd.

- The 2007 fixed employee compensation and benefits were €5.5 million higher than the 2006 level. The increase reflects new activities and activities acquired or set up during 2006 and 2007 (impact €6.3 million), partly offset by savings in fixed employee benefit expenses at holding company level of €0.8 million.
- Excluding non-recurring items, variable employee benefit expenses rose from €10.2 million in 2006 to €26.8 million in 2007. This increase is mainly due to the newly acquired activities in 2007 and activities started up during 2006 and 2007 (impact €10.3 million) together with higher variable expenses related to the good performance in 2007 of our European activities (+ impact €7.2 million). Other activities accounted for €0.9 million of lower variable employee benefit expenses.
- Information & communication expenses rose by €3.1 million compared to 2006. Factors contributing to this increase were new activities and activities started up in 2006 and 2007 (impact €2.0 million), and higher expenses related to the need for faster and more sophisticated information systems, mainly related to our European trading activities. As a percentage of revenues information and communication expenses remained the same at about 6.6%.
- General and administrative expenses amounted to €18.7 million in 2007, compared to €17.2 million in the preceding year. Excluding non-recurring items, these expenses amounted to €14.3 million and €12.9 million respectively; an increase of 10.9% or €1.4 million. This increase was primarily due the OnlineTrader activities (impact €1.1 million).

## DISCONTINUED OPERATIONS

The net loss from discontinued operations before minority interest amounts to €86.9 million in 2007 compared to €78.2 million in 2006. The loss in 2007 was significantly impacted by non-recurring items for an amount of €71.9 million, of which €40.6 million

relates to impairment charges and €14.1 relates to the accounting of currency translation adjustments attributable to discontinued operations. Excluding these non-recurring items, the net loss related to discontinued operations would have amounted to €15.0 million, mainly attributable to VDM Specialists.

The net loss from discontinued operations before minority interest in 2006 is significantly impacted by a derecognition charge of €68.6 million related to the US tax position and an impairment charge of €20.2 million related to VDM Specialists. Excluding these charges, the net profit for 2006 would have amounted to €10.6 million.

## NET RESULT FROM CONTINUING OPERATIONS

The loss from continuing operations amounted to €2.9 million with a minority interest of €0.9 million, resulting in a net loss from continuing operations of €2.0 million. Excluding the non-recurring items of €10.9 million, the net result attributable to continuing operations would have amounted to €8.9 million.

## BALANCE SHEET

The balance sheet on December 31, 2007 and 2006 can be summarized as follows:

### Balance sheet

On December 31, 2007 our Capital Employed, consisting of total assets minus the current portion of the liabilities, amounted to €130.6 million compared to €307.0 million on December 31, 2006. This decline is mainly due to the impairment of intangible fixed assets as well as lower available for sale assets.

The net working capital position fell by €19.8 million to €54.1 million, mainly due to a decline in the net trading working capital of €155.0 million, offset by a higher net cash position of €179.0 million, mainly as a result of the release of the NLA requirement formerly applicable to VDM Specialists. Also, in December 2007, following the disposal of our activities in VDM Specialist USA and the subsequent release of our NLA requirement, we decided to repay the remaining amount of subordinated borrowings early



## FINANCIAL REVIEW

2008. Consequently, this amount was recorded as a current liability in our balance sheet as at December 31, 2007.

### Intangible fixed assets

Intangible assets, including goodwill, fell to €43.6 million on December 31, 2007 from €84.9 million on December 31, 2006. This decline reflects the impairment of our intangibles, mainly attributable to our VDM Specialist activities, of €39.4 million, following the disposal of these activities to Lehman Brothers Inc. In addition, amortization charges of €4.7 million were included. The recognition of goodwill mainly related to the acquisition of Robbins & Henderson, amounting to €4.0 million and net investments in software of €3.1 million. The impact of the depreciation of the US dollar against the euro was €4.3 million.

### Non-current cash and cash equivalents

The non-current cash and cash equivalents reflects the portion of cash and cash equivalents held by VDM Specialist for the purpose of compliance with the Net Liquid Asset (NLA) requirement set by the New York Stock Exchange. As a result of the transfer of the activities of VDM Specialists USA to Lehman Brothers Inc. in December 2007, as of December 31, 2007, the NLA requirement ceased to apply.

### Available-for-sale assets

Available-for-sale assets includes our investment in ISE Stock Exchange LLC as well as the NYSE group shares owned by the Group. In 2007, we have sold 125.197 NYSE group shares for a total consideration of €7.1 million. As of December 31, 2007, the

## CONSOLIDATED BALANCE SHEET (IN € MLN)

	2007	2006
<b>Net Assets</b>		
Tangible fixed assets	3.6	6.1
Intangible fixed assets	43.6	84.9
Deferred income tax assets	6.3	1.9
Non current cash & cash equivalents	-	103.0
Retirement benefit plans and other long-term benefits	3.6	3.5
Other investments	8.3	9.5
Avialable-for-sale assets	11.1	24.2
<b>Total non current assets</b>	<b>76.5</b>	<b>233.1</b>
Net working capital	54.1	73.9
<b>Total net assets</b>	<b>130.6</b>	<b>307.0</b>
Equity	118.5	220.0
Capital of minority members	-	13.7
Subordinated borrowings	-	64.9
<b>Guarantee capital</b>	<b>118.5</b>	<b>298.6</b>
Long-term borrowing	0.7	1.0
Deferred income tax liabilities	10.2	7.4
Provisions (long term)	1.2	-
<b>Total capital employed</b>	<b>130.6</b>	<b>307.0</b>

Company still owned 150.326 NYSE shares, valued at a price of \$88 or €60 per share, reflecting the bid price at year end 2007.

#### **Guarantee capital**

Guarantee capital, which consists of total equity plus the non-current portion of our subordinated indebtedness (including financing preferred capital and capital contributions from minority members), fell to €118.5 million as on December 31, 2007 from €298.6 million as on December 31, 2006.

The decline is mainly due to:

- The recognition of the loss for 2007 of €91.7 million;
- The reduction of capital of minority members (€13.7 million) and the minority interest as included in equity (€4.7 million);
- Repayment on the subordinated loans and the reclassification of the remaining outstanding balance as short-term borrowing liabilities (€64.9 million);
- A €10.4 million repurchase and cancellation of 251,000 cumulative financing preferred shares A;
- A €4.3 million payment of preferred financing dividend in May 2007;
- A €2.1 million reduction in the fair value reserve related to the sale and revaluation of NYSE shares; and
- Other items resulting in an increase of €11.7 million, mainly related to foreign currency translation differences recorded in equity.

As a percentage of our Balance Sheet total, guarantee capital declined to 11% at December 31, 2007 from 18% at the end of 2006.

## **CASH FLOW**

#### **Cash flow from operating activities**

The cash inflow from operating activities amounted to €266.4 million in 2007. The cash inflow in 2007 was impacted by a cash inflow of €103.0 million due to the release of the NLA related to our VDM Specialist activities in the US as well as the development of our trading position in 2007 (impact €155.0 million positive). The cash flow resulting from the net result adjusted for non cash items amounted to €8.4 million positive.

#### **Cash flow from investing activities**

Cash flow from investing activities amounted to €0.3 million negative, mainly following cash outflows related to purchases of intangible assets (such as investment in software developments) and property, plant and equipment as well as the cash outflow as a result of the acquisition of Robbins & Henderson and the earn out payment on the Curvalue acquisition. The sale of part of the NYSE shares generated a cash inflow of €7.1 million in 2007, which partly offsets the cash outflow mentioned above.

#### **Cash flow from financing activities**

Cash outflow from financing activities amounted to €78.0 million. The cash outflow for 2007 mainly relates the repayment on the subordinated loan (impact €43.4 million), the repurchase of 251,000 cumulative financing preferred shares (impact €10.4 million), interest payments (impact €7.9 million), repayments to (former) minority members and the payment of dividend to financing preferred shares holders.



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# Consolidated Financial Statements

## Consolidated balance sheet

(in € millions)	Note*	2007 December 31	2006 December 31
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	8	26.7	45.6
Other intangible assets	8	16.9	39.3
Property, plant and equipment	9	3.6	6.1
Deferred income tax assets	10	6.3	1.9
Investments in associates	11	8.3	9.3
Retirement benefit plans and other long-term benefits	27	3.6	3.5
Available-for-sale financial assets	12	11.1	24.2
Loans and receivables	14	-	0.2
Cash and cash equivalents	16	-	103.0
		<b>76.5</b>	<b>233.1</b>
<b>Current assets</b>			
Securities owned	13	600.5	1,077.8
Due from clearing organizations and professional parties		74.9	223.0
Current income tax receivables		10.4	11.3
Other current assets and prepaid expenses	15	7.9	6.9
Cash and cash equivalents	16	265.6	114.9
		<b>959.3</b>	<b>1,433.9</b>
Assets of disposal group classified as held for sale	7	9.0	-
		<b>968.3</b>	<b>1,433.9</b>
<b>Total assets</b>		<b>1,044.8</b>	<b>1,667.0</b>

(In € millions)

Note\*

2007

2006

December 31

December 31

**Equity and Liabilities****Capital and reserves attributable to the Company's equity holders**

Share capital	17	3.9	3.9
Share premium	17	220.5	230.9
Treasury shares	17	(2.5)	(2.5)
Fair value reserve	18	1.1	3.2
Cumulative translation adjustment reserve	18	(11.4)	(14.7)
Preferred financing dividend reserve	18	3.4	4.0
Retained earnings	18	(96.5)	(9.5)
		<b>118.5</b>	<b>215.3</b>

Minority interest	20	-	4.7
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<b>Total equity</b>		<b>118.5</b>	<b>220.0</b>
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**Non-current liabilities**

Capital of minority members	20	-	13.7
Subordinated borrowings	21	-	64.9
Long-term borrowings	22	0.7	1.0
Deferred income tax liabilities	10	10.2	7.4
Other non current liabilities	6	1.2	-
		<b>12.1</b>	<b>87.0</b>

**Current liabilities**

Securities sold, not yet purchased	13	632.8	967.7
Due to clearing organizations and professional parties		76.1	212.3
Due to customers		4.7	3.9
Short-term borrowings	23	49.4	38.9
Bank overdrafts	16	84.1	112.4
Current income tax liabilities		3.7	2.5
Provisions	24	8.8	0.7
Other current liabilities and accrued expenses	25	45.6	21.6
		<b>905.2</b>	<b>1,360.0</b>

Liabilities directly associated with the assets classified as held for sale	7	9.0	-
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**914.2** **1,360.0**

<b>Total equity and liabilities</b>		<b>1,044.8</b>	<b>1,667.0</b>
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\* The notes to the consolidated financial statements on pages 48 to 113 are an integral part of these consolidated financial statements.



## Consolidated income statement

(in € millions)	Note*	2007	2006
<b>Revenues</b>	5	<b>110.4</b>	<b>63.9</b>
<b>Other gains and losses - net</b>	26	<b>0.9</b>	<b>21.5</b>
Exchange, clearing and brokerage fees		(32.2)	(26.8)
Employee benefit expense	28	(48.8)	(23.7)
Lease of exchange memberships/Trading licences		(0.3)	(0.3)
Information and communication expense		(7.3)	(4.2)
Depreciation expenses	9	(1.3)	(1.3)
Amortization expenses	8	(3.6)	(2.8)
Impairment of intangible assets	8	(0.6)	(10.0)
Impairment of property, plant & equipment	9	(0.2)	-
General and administrative expenses	29	(17.4)	(15.9)
<b>Total operating expenses</b>		<b>(111.7)</b>	<b>(85.0)</b>
<b>Operating profit</b>		<b>(0.4)</b>	<b>0.4</b>
Foreign currency result - net		(2.6)	0.5
Interest income	30	6.9	8.7
Finance cost of financing preferred shares	17	-	(1.1)
Share in the results of associates	11	(0.2)	-
Other finance costs	30	(2.5)	(1.8)
<b>Profit/(loss) before income tax from continuing operations</b>		<b>1.2</b>	<b>6.7</b>
Income tax expense	31	(4.1)	(5.2)
<b>Profit/(loss) for the year from continuing operations</b>		<b>(2.9)</b>	<b>1.5</b>
Loss from discontinued operations before income tax	7	(88.2)	(8.6)
Income tax benefit/(expense)	31	1.3	(69.6)
<b>Loss for the year from discontinued operations</b>		<b>(86.9)</b>	<b>(78.2)</b>
<b>Profit/(loss) for the year</b>		<b>(89.8)</b>	<b>(76.7)</b>
<b>Attributable to:</b>			
Minority interest		(1.8)	(1.0)
Financing preferred shareholders of the Company		3.7	3.0
Common equity holders of the Company		(91.7)	(78.7)
<b>Profit/(loss) for the year</b>		<b>(89.8)</b>	<b>(76.7)</b>
<b>Earnings per share attributable to the common equity holders of the Company for the year (expressed in € per share):</b>			
<b>From continuing operations:</b>			
- Basic	32	(0.10)	(0.01)
- Diluted	32	(0.10)	(0.01)
<b>From discontinued operations:</b>			
- Basic	32	(1.86)	(1.73)
- Diluted	32	(1.86)	(1.73)
<b>Total</b>			
- Basic	32	<b>(1.96)</b>	<b>(1.74)</b>
- Diluted	32	<b>(1.96)</b>	<b>(1.74)</b>

\* The notes to the consolidated financial statements on pages 48 to 113 are an integral part of these consolidated financial statements.

## Consolidated cash flow statements

(in € millions)	Note*	2007	2006
<b>Cash flow from operating activities</b>			
Profit/(loss) for the year		(89.8)	(76.7)
<b>Adjustments for:</b>			
Income tax expense/(benefit)	31	2.7	74.7
Amortization of intangible assets	8	4.7	4.0
Depreciation of property, plant and equipment (PPE)	9	2.2	2.1
Impairment of other intangible assets	8	39.4	30.2
Impairment of property, plant & equipment	9	1.9	-
Retirement benefit plans and other long-term benefits	27	-	0.2
Foreign currency result - net		16.7	(0.7)
Interest income		(1.6)	(1.5)
Finance cost of financing preferred shares		-	1.1
Other finance costs		7.2	9.9
Share option expense		(0.0)	0.5
Share in the result of associates	11	0.2	-
Gain on sale of available-for-sale financial assets	26	(0.9)	(21.1)
Settlement litigation		-	(0.5)
Gain on sale investments		(0.2)	-
Accrued bonus expense	25	13.9	7.6
Movement in accrued assets/liabilities		6.4	(1.8)
Movement in provisions		8.0	(2.2)
Income tax (paid)/received		(2.4)	(2.5)
<b>Operating cash flows before movements in working capital</b>		<b>8.4</b>	<b>23.3</b>
<b>Changes in working capital</b> <b>(excluding the effects of acquisitions and exchange differences on consolidation):</b>			
- Trading related working capital <sup>1)</sup>		155.0	(40.6)
<b>Movements in working capital</b>		<b>155.0</b>	<b>(40.6)</b>
<b>Movement in non-current cash and cash equivalents</b>		<b>103.0</b>	<b>69.5</b>
<b>Net cash generated by operating activities</b>		<b>266.4</b>	<b>52.2</b>

\* The notes to the consolidated financial statements on pages 48 to 113 are an integral part of these consolidated financial statements.

1) Trading related working capital is comprised of securities owned and securities sold, not yet purchased, and amounts due from/to clearing organizations and professional parties.



## Consolidated cash flow statements - continued

(in € millions)	Note*	2007	2006
<b>Net cash generated by operating activities</b>		<b>266,4</b>	<b>52,2</b>
<b>Cash flow from investing activities</b>			
Purchases of software	8	(3.1)	(3.2)
Purchases of PPE	9	(2.4)	(3.8)
Proceeds from sale of PPE		-	0.2
Proceeds from sale investments		0.2	-
Acquisition group companies, less cash balances held	6	(1.2)	(0.5)
Financial investments		-	(14.4)
Proceeds from sale of NYSE memberships		-	12.0
Proceeds from sale of available-for-sale financial assets		7.1	10.5
Dividends and distributions		0.1	-
Settlement litigation		-	0.5
Earn-out 2006 in respect of acquisition Curvalue	6	(1.0)	-
Interest received		-	1.2
<b>Net cash (used in)/generated from investing activities</b>		<b>(0.3)</b>	<b>2.5</b>
<b>Cash flow from financing activities</b>			
Repayments of subordinated borrowings		(43.4)	(25.6)
Repurchase financing preferred shares A		(10.4)	-
Proceeds from the sale of treasury shares		-	0.7
Repayment long term loans		(0.3)	-
Dividends paid on common shares	17	-	(2.3)
Finance cost of financing preferred shares paid	17	(4.4)	(2.9)
Interest paid		(7.9)	(11.1)
Distributions paid to minority members, net of capital contributed	20	(5.6)	(7.9)
Payment to former partners of VDM Specialists		(6.0)	(3.6)
<b>Net cash used in financing activities</b>		<b>(78.0)</b>	<b>(52.7)</b>
<b>Net increase/(decrease) in cash and cash-equivalents, net of amounts of bank overdrafts</b>		<b>188.1</b>	<b>2.0</b>
Cash and cash-equivalents, net of amounts of bank overdrafts at January 1	16	2.5	1.6
Currency exchange differences on cash and cash-equivalents, net of bank overdrafts		(9.1)	(1.1)
<b>Cash and cash-equivalents, net of amounts of bank overdrafts at December 31, 2007</b>	<b>16</b>	<b>181.5</b>	<b>2.5</b>

\* The notes to the consolidated financial statements on pages 48 to 113 are an integral part of these consolidated financial statements.

## Consolidated statement of recognized income and expense

Attributable to: (in € millions)	Note*	Financing preferred shares		Equity holders of The Company		Minority interest		Total Equity	
		2007	2006	2007	2006	2007	2006	2007	2006
Realized fair value on available-for-sale financial assets, net of tax	12	-	-	(0,4)	(5,1)	-	-	(0,4)	(5,1)
Fair value changes on available-for-sale financial assets	12	-	-	(2,9)	6,6	-	-	(2,9)	6,6
								-	-
Taxation on fair value changes on available-for-sale financial assets	10	-	-	1,7	(3,1)	-	-	1,7	(3,1)
Transfer of cumulative foreign currency translation to discontinued operations				14,1	-			14,1	-
Currency exchange rate differences on translation of foreign operations and impact of translation to the presentation currency	18	-	-	(11,3)	(22,8)	-	(0,9)	(11,3)	(23,7)
								-	-
<b>Net income/ (expense) recognized directly in equity</b>		-	-	<b>1,2</b>	<b>(24,4)</b>	-	<b>(0,9)</b>	<b>1,2</b>	<b>(25,3)</b>
Profit for the year		3,7	3,0	(91,7)	(78,7)	(1,8)	(1,0)	(89,8)	(76,7)
								-	-
<b>Total recognized income and expense for the year</b>		<b>3,7</b>	<b>3,0</b>	<b>(90,5)</b>	<b>(103,1)</b>	<b>(1,8)</b>	<b>(1,9)</b>	<b>(88,6)</b>	<b>(102,0)</b>

\* The notes to the consolidated financial statements on pages 48 to 113 are an integral part of these consolidated financial statements.



# Notes to the consolidated financial statements

## 1 GENERAL INFORMATION

Van der Moolen Holding N.V. ('the Company') and its subsidiaries (together 'Van der Moolen Holding' or 'the Group'), is an international trading firm active as a market maker and proprietary trader on major equity and option exchanges in both the United States and Europe. Furthermore, the Group offers online and voice brokerage services and acts as a participant in strategic partnerships with exchanges. Van der Moolen Holding is headquartered in Amsterdam. The Company is a limited liability company (N.V.) incorporated and domiciled in the Netherlands.

The address of its registered office is Keizersgracht 307, 1016 ED Amsterdam. The Company has its primary listing on NYSE Euronext Amsterdam. American depositary receipts were listed on the New York Stock Exchange until December 17, 2007.

These consolidated financial statements have been authorized for issue by the Executive Board on April 21, 2008. The financial statements are tabled for adoption by the Annual General Meeting of shareholders on May 22, 2008.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These consolidated financial statements of Van der Moolen Holding have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter referred to as 'IFRS').

The policies set out below have been consistently applied to all years presented except as follows:

With prospective effect from April 1, 2007 the functional currency of Van der Moolen Holding N.V. and certain of its intermediate holdings has been changed from the US dollar to the Euro. As from January 1, 2004 Van der Moolen Holding N.V. and certain of its immediate holding companies applied the US dollar as their functional currency because the US dollar was considered as the currency of the primary environment and was the primary source of cash flow. The acquisition of the Curvalue group of companies, the steep growth in revenues in the European activities (which are mainly based on transactions in the Euro currency) and the decline in revenues of the US activities are considered by management as

a change in the underlying transactions, events and conditions and reflect the dominance of the European activities in the Euro zone which can no longer be considered as a temporary dominance in 2007. The Euro is the currency of the primary economic environment and is the primary source of cash flow. The Shareholders' equity at December 31, 2006 was not affected by this change.

In preparing these financial statements the Company has newly adopted IFRS 7 'Financial instruments: Disclosures' required as per January 1, 2007. The adoption of IFRS 7 impacted the disclosures which enables users to evaluate the significance of the Group's financial instruments and the nature and the extent of the risks arising from those financial instruments. Furthermore, the Company adopted IAS 1 amendment 'Capital Disclosures'. The new disclosures are set out throughout the financial statements. For new accounting standards and IFRIC interpretations adopted by the EU that become mandatory for accounting periods beginning after January 1, 2008 reference is made to Note 2.26.

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of

available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

#### **Parent only income statement**

Under Article 402 of Part 9, Book 2 of the Netherlands Civil Code, it is sufficient for a company's parent only income statement (page 115) to present only the income of group companies and other income and expenses, after income tax.

#### **Information about companies over which the Company exerts significant influence**

Information required by article 379, paragraph 5 and article 414 of Part 9, Book 2, of the Netherlands Civil Code concerning companies that are included in the consolidated financial statements and concerning companies over which Van der Moolen Holding N.V. exerts significant influence, is filed in the trade register of the Chamber of Commerce in Amsterdam.

#### **Principles for the preparation of the consolidated cash flow statement**

The consolidated cash flow statement is prepared using the indirect method, in which the movement of cash and cash equivalents, net of bank overdrafts, is based on net profit as presented in the consolidated income statement. Cash flows in foreign currencies are translated into Euros using the average rates of exchange for the periods involved. Currency and translation differences are eliminated to the extent that they have not resulted in cash flows. Cash received through acquisitions or disposed of through a divestment is netted against the cost of acquired companies paid in cash or the consideration received, respectively.

## **2.2 Basis of consolidation**

### **(a) Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and are no longer consolidated from the date that control ceases.

The Group uses the purchase price method of accounting to account for acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 Non-Current Assets Held-for-sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.5 (a)). If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognized immediately in the income statement subject to reassessment requirements under IFRS 3. Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The interest of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized or the contribution into equity partners of newly started operations (Note 2.2 (c)).

### (b) Associates

Associates are all entities over which the Group has the capacity to exert significant influence (the power to participate in the financial and operating policy decisions of the associate) but does not exercise control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for under IFRS 5 Non-current Assets Held-for-sale and Discontinued Operations. As at December 31, 2007 and 2006 no assets related to associates are classified as such. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in equity is recognized in retained earnings. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is

recognized immediately in the income statement. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the Group.

### (c) Minority interest

Minority interest in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. Minority interest consists of the amount of those interests at the date of the original acquisition or the contribution by minority partners into newly started operations (see Note 2.2 (a)) and the minority's share of changes in the equity of consolidated subsidiaries since that date. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. As from January 1, 2005, the date of IAS 32/39 transition, the capital accounts of minority members are classified as a liability. The classification of these capital balances as a liability is required by IAS 32 because these balances are interest bearing. Interest payable to minority members on minority members' capital balances is treated as an interest expense (Note 2.18 and 30). The amount recognized in equity as minority interest relates to specialist assignments. Since this amount is not interest bearing nor payable on demand, this amount is classified as part of equity instead of a liability.

The profit (or loss) share attributable to minority members continues to be recognized as attributable to the minority interest on the face of the income statement (and not as a component of profit for the year).

## 2.3 Segment reporting

A business segment is a distinguishable group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. As a result of the steep growth in revenues in the European activities, the fall of revenues of the US activities and the disposal of certain of the Group's subsidiaries, the Group

has changed the business segments in order to reflect the manner in which the business is managed and the risk and return bases on the current situation. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The accounting principles for segment reporting are the same as those applied in the consolidated financial statements.

## 2.4 Foreign currency translation

### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the particular entity operates (the 'functional currency'). As from April 1, 2007 the functional currency of the Company changed from the US dollar to the Euro (Note 2.1).

The currency in which the financial statements are reported, the presentation currency, is the Euro, given the statutory seat of the Company.

### (b) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in foreign currencies and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary items carried at historical cost are translated using the historical exchange rate that existed at the date when the items were recognized. Non-monetary items that are carried at fair value are recognized using the exchange rate on the date the fair values were determined.

The entire change in the carrying amount of financial instruments measured at fair value through profit or loss (Note 2.9), including the effect of changes in foreign currency rates, is recognized in the income statement within fair value differences on subsequent measurement.

The entire change in the carrying amount of a non-monetary available-for-sale financial asset (Note 2.9), including the effect of

changes in foreign currency rates, is reported in equity under fair value reserve at the balance sheet date.

A change in the carrying amount of monetary available-for-sale financial assets on subsequent measurement is analyzed between the foreign exchange component and the fair value movement. The foreign exchange component is recognized in the income statement and the fair value movement is recognized in equity. During the years ended December 31, 2007 and 2006, the Group did not hold any financial assets of this category.

### (c) Group companies

The results and financial position of all Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- I. Assets and liabilities for each balance sheet presented are translated into the presentation currency at the closing rate at the date of that balance sheet;
- II. Income and expenses for each income statement are translated into the presentation currency at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- III. All resulting exchange differences are recognized as a separate component of equity.

Exchange differences arising from the translation of the net investment in foreign operations, including long-term monetary items that are part of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are net of applicable taxation, taken to capital and reserves attributable to the Company's equity holders ('Shareholders Equity') on consolidation through the Cumulative Translation Adjustment reserve ('CTA reserve'). On disposal or discontinuation of a foreign operation related cumulative translation adjustments which are taken to shareholders' equity are recognized in the income statement as part of the gain or loss on sale.

The Group has elected to adopt the exemption provided by IFRS 1 to establish the CTA reserve at zero at the date of transition to IFRS,



being January 1, 2004. Hence any gain or loss to be recognized in the income statement on a subsequent disposal or discontinuation of any foreign operation shall exclude translation differences that arose before the date of transition to IFRS, and shall only include translation differences recognized from that date.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate.

## 2.5 Intangible assets

### (a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is separately shown in the balance sheet as an intangible asset. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested for impairment at least annually or when events and circumstances indicate impairment testing may be necessary. Goodwill is carried at cost less accumulated impairment losses. Impairment losses are charged to the income statement. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. No subsequent reversal of impairment recognised in a previous (interim) period(s) is allowed for goodwill (Note 2.7).

Goodwill acquired through business combinations prior to January 1, 2001 has been written-off to reserves, net of taxation, in accordance with the exemption provided by IFRS 1.

### (b) Specialist assignments

Specialist assignments represent the right to act as a specialist for securities listed on the New York Stock Exchange. Specialist assignments are recognized at cost, and are reported at cost less accumulated amortization and less accumulated impairment losses. Specialist assignments are amortized on a straight-line basis over 40 years, this being the estimated useful life. Amortization is based on the acquisition cost less impairment charges, and is recognized in the income statement as amortization expenses. The cost of specialist assignments acquired through business combinations and the determination of the useful life were based on independent appraisals. The useful life is determined based upon an analysis of the historical turnover characteristics of the assigned securities.

Specialist assignments acquired through business combinations prior to January 1, 2001 have been written-off to reserves, net of taxation, in accordance with the exemption provided by IFRS 1.

### (c) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight-line method over their estimated useful lives (two to three years), and are recognized in the income statement under amortization expenses. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

### (d) Trading rights PMM/CMM

Trading rights represent the right to act as a primary market maker ('PMM') or competitive market maker ('CMM') in certain option series. Trading rights are recognized at cost, and are reported at cost less accumulated amortization and less accumulated impairment losses. Trading rights are amortized on a straight-line basis over 10 years, this being the estimated useful life. Amortization is based on the acquisition cost less impairment charges, and is recognized in the income statement as amortization expenses. The cost of trading rights acquired through business combinations and the determination of the useful life were based on independent appraisals.

## 2.6 Property, plant and equipment

All property, plant and equipment is stated at cost less depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset less its residual value over its estimated useful life, as follows:

- Leasehold improvements: useful life with a maximum of the lease term
- Furniture and fixtures: 2 - 10 years
- Hardware (including non-separable software): 2 - 3 years
- Company cars: 3 - 5 years

Leasehold improvements are reported within furniture and fixtures, and are not being depreciated beyond the maturity of the lease term of the relevant premises. Hardware forms also part of furniture and fixtures. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7). Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

## 2.7 Impairment of intangible assets and property, plant and equipment

Assets that have an indefinite life, such as goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its

recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. To determine the value in use, the Group discounts the projected cash flows estimated to arise from the use of the asset over the remaining life of the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized (other than goodwill) is reversed if, and only if, there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognized. When an impairment loss on assets other than goodwill subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in the income statement. If there is an indication of an impairment loss or a subsequent reversal of an impairment loss of assets that have a definite useful life, the Group reviews whether or not the remaining useful life or the residual value needs to be adjusted in accordance with the applicable IFRS. An impairment loss recognised on goodwill in a previous (interim) period is not reversed.

## 2.8 Deferred income tax assets and liabilities

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not recognized if it arises from the initial recognition of goodwill or an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. 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 profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax related to the remeasurement of available-for-sale financial assets is credited or charged directly to equity together with the related remeasurement gain or loss, and is subsequently recognized in the income statement together with the related gain or loss when the asset is sold or impaired.

### 2.9 Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through the profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Reference is made to Note 3.2 for a comparison between fair value and the carrying value of all the Group's financial instruments.

#### (a) Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date. The Group classifies its securities owned, and securities sold, not yet purchased as held for trading. Derivatives are also categorized as held for trading (Note 2.11 and Note 2.21).

The accounting principles of derivative financial instruments and hedging activities are described in Note 3.3.

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date; these are classified as non-current assets (Note 14).

#### (c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

#### (d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or are not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. The participations in NYSE and ISE are classified as available-for-sale financial assets.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. In the case of securities owned and securities sold, not yet purchased, the Group applies trade date accounting. Available-for-sale assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortized cost using the effective interest method. Interest calculated using the effective interest method is recognized in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through the profit and loss' category are included in the

income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired (Note 2.10), the accumulated fair value adjustments are included in the income statement.

Dividends on available-for-sale equity instruments are recognized in the income statement when the entity's right to receive payment is established.

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, comparison with other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

## 2.10 Impairment of financial assets

### (a) Financial assets carried at amortized cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can

be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

### (b) Financial assets carried at fair value

The Group does not hold any non-trading financial assets, other than equity instruments classified as available-for-sale (Note 12). The Group follows the guidance of IAS 39 on determining when an available-for-sale financial asset is impaired. In order to determine the existence of such impairment many factors are considered such as recent sale prices. Impairment losses recognized in the prior (interim) income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

## 2.11 Securities owned and securities sold, not yet purchased

Securities owned (long) and securities sold, not yet purchased (short), represent held-for-trading assets and liabilities, respectively. These securities include derivative financial instruments used for trading purposes, including hedges of trading instruments. Purchases and sales of securities are recognized at trade date, and except as otherwise described below, the Group applies trade date accounting to the subsequent derecognition of positions in securities. Positions in securities are carried at fair value, with fair value changes recognized as revenue in the income statement, as such changes occur. Securities owned and securities sold, not yet purchased are valued at the quoted bid and ask price, respectively. Securities owned and securities sold, not yet purchased that have offsetting market risk are valued at the mid-price quoted for those instruments. If quoted market prices are not available, fair value is estimated using quoted prices of instruments with similar characteristics.

In response to the specific recognition and de-recognition rules of IAS 39, certain matching buy and sell transactions in the same security are grossed up for balance sheet presentation purposes. Positions in ADRs and underlying shares arising from the Group's arbitrage activities are only derecognized when the trading liability that arises is extinguished. ADRs are convertible into underlying shares. The Group executes short sales, selling securities that it does not currently own or that are not readily convertible and will therefore be obligated to purchase such securities at a future date.



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The derivatives held for trading are determined in whole by published price quotations in an active market. When no market prices are available the Group uses widely recognized valuation models for determining the fair value of financial instruments.

Transaction costs arising on these financial assets and liabilities are included in Exchange, clearing and brokerage fees in the income statement as incurred.

### 2.12 Stock borrowed

The Group borrows securities in order to support the settlement of short sales. Such borrowing transactions require the Group to have a stock collateral with the lender. This cash collateral is included in amounts due from clearing organizations and professional parties. The underlying securities are not recognized in the financial statements in accordance with the requirements of IAS 39.37(d).

### 2.13 Amounts due from/to clearing organizations and professional parties

Amounts due from/to clearing organizations and professional parties represent receivables for securities sold and payables for securities purchased that have been traded but not yet delivered by the end of the year (unsettled trades) as well as cash receivable balances arising in connection with the collateralization of trading positions and stock borrowing arrangements. Amounts receivable and payable arising in connection with unsettled trades are recognized on a gross basis, except to the extent that there is a legal right of offset and the Group intends to settle on a net basis.

### 2.14 Cash and cash equivalents

The offsetting requirements of IAS 32 do not permit netting of cash and cash equivalents and bank overdrafts that are included in the cash pooling arrangement between the holding and certain of its subsidiaries and a commercial bank. Hence, these balances are presented gross in the balance sheet.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown in current liabilities on the balance sheet. Cash and cash equivalents used to collateralize trading positions and stock borrowing arrangements or held for margin purposes are classified under amounts due from clearing organizations and professional parties. Cash and cash equivalents required to meet the net liquid asset requirements in relation to the specialist activities of Van der Moolen Specialists USA, LLC ('VDM Specialists') on the New York Stock Exchange are classified as non-current assets for the amount that is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

### 2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

### 2.16 Non-current assets and disposal groups held-for-sale and discontinued operations

Non-current assets and disposal groups (when an entity disposes of a group of assets, possibly with some directly associated liabilities, together in a single transaction) are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A disposal group may be a group of cash-generating units (CGUs), a single CGU, or part of a CGU to which goodwill has been allocated (Note 2.5). The attributable amount of goodwill is included in the carrying amount of the disposal group. Non-current assets and disposal groups classified as held-for-sale are measured at the lower of the carrying amount and fair value less costs to sell. Depreciation and amortization of assets ceases at the moment of initial classification as held-for-sale. Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-

sale are separately classified on the face of the balance sheet. The liabilities of a disposal group classified as held-for-sale are separately classified from other liabilities on the face of the balance sheet. The presentation of held-for-sale assets and liabilities for previous comparative periods is not adjusted. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held-for-sale, represents a separate major line of business or geographical area of operations, and is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Any gain or loss on the remeasurement of a non-current asset (or disposal group) classified as held-for-sale that does not meet the definition of a discontinued operation is included in profit or loss from continuing operations.

If a CGU is disposed during the year, the income and expenses related to this CGU will be presented separately in the income statement as profit or loss from discontinuing operations, including comparative periods. The disposal of a CGU will not affect the presentation on the balance sheet.

## 2.17 Share capital and share premium

Common shares are classified as equity. Cumulative financing preferred shares have been classified as non-current liabilities up to April 5, 2006. On April 5, 2006 the Annual General Meeting of Shareholders approved alterations of our Articles of Association. Amongst others, these changes include an amendment of articles in relation to our preferred financing shares. As a result of the amendment, the Executive Board can decide, with the approval of the Supervisory Board to either pay the dividend to the holders of the financing preferred shares or add the amount to the financing preferred dividend reserve. These changes allow the Company to present the preferred financing capital as an equity instrument under IFRS as from that date (Note 2.18).

Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of taxation, from proceeds. Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income tax), is deducted from Shareholders' equity until the shares

are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in Shareholders' equity.

## 2.18 Borrowings

Borrowings, including minority members' capital accounts and up to April 5, 2006 the preferred financing shares, are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## 2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and if a reliable estimate of the amount can be made. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date (Note 4). The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. No discount is applied when the impact of time value of money is assessed to be immaterial.

## 2.20 Employee benefits

### (a) Retirement benefit plans

Group companies operate various retirement benefit schemes. The schemes are funded through payments to insurance companies or trustee-administered funds; these payments are determined by periodic actuarial calculations. The Group has employee retirement benefit plans in Germany, Switzerland, the United Kingdom, the United States of America and the Netherlands. The



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Group has both defined benefit and defined contribution plans. A defined benefit plan is a retirement benefit plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a retirement benefit plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The asset recognized in the balance sheet (that includes net assets in relation to other long-term benefits see Note 2.20(b)) in respect of defined benefit retirement plans is the excess of the fair value of the plan assets over the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognized actuarial gains and losses and past service costs. The asset resulting from this calculation is limited to cumulative unrecognized actuarial losses and past services cost, plus present value of available refunds and reductions in future contributions to the plan.

The present value of these economic benefits is determined using a discount rate based on high-quality corporate bonds. Independent actuaries using the projected unit credit method calculate the defined benefit obligation annually. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit plan.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortized to the income statement over the expected average remaining working lives of the participating employees.

Past-service costs are recognized immediately in the income statement, unless the changes to the retirement benefit plan are conditional on the employees remaining in service for a specified

period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered retirement benefit insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

### **(b) Other long-term benefits**

Other long-term benefits are employee benefit plans, other than retirement benefit plans, falling due more than 12 months after balance sheet date. Actuarial gains and losses are recognized immediately in the income statement and no 'corridor' is applied. Also past service costs, if any, are recognized immediately in the income statement.

### **(c) Share-based compensation**

The Group operates an equity-settled, share based compensation plan. The fair value of the employee services received in exchange for the grant of the options is determined by reference to the fair value of the options that are granted and expected to vest. This fair value is recognized as an expense over the vesting period, together with a corresponding increase in retained earnings within Shareholders' equity. The plan does not include any market vesting conditions. Non-market vesting conditions are reflected in assumptions about the number of options that are expected to vest. At each balance sheet date, the estimate of the number of options that are expected to vest is revised, and the impact of the revision, if any, is recognized in the income statement on a straight-line basis over the remaining vesting period, together with a corresponding adjustment to retained earnings within Shareholders' equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

On January 1, 2006, the RDD Family Foundation has awarded the employee group of Curvalue a stock reward plan based on the acquisition price of Curvalue. As the RDD Family Foundation is

a related party under the definition under IFRS, this transaction qualified as a share based payment transaction. The fair value of employee services received in exchange of the grant of shares was determined by reference to the fair value of equity instruments granted and vested on balance sheet date.

#### **(d) Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to payment thereof via a detailed formal plan without possibility of withdrawal. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

#### **(e) Profit-sharing and bonus plans**

The Group recognizes a liability and an expense for bonuses and profit sharing, based on its employee bonus arrangements that are generally based on the individual performance of employees and the financial performance of the individual operating units of the Group. The Group recognizes a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

### **2.21 Revenue recognition**

#### **Revenue comprises:**

- Fair value changes of held-for-trading financial instruments, including net interest income from stock lending activities;
- Commission income; and
- Interest income and expense, dividend income and expenses and exchange gains and losses allocated to the primary business activity.

The fair value changes of held-for-trading financial instruments comprise of the realized profits and losses on the Group's trading activities in e.g. shares, bonds, options, derivatives and futures and the unrealized results which are generated through the fair value movements of securities owned and securities sold, not yet purchased (see Note 2.9(a) and 2.11).

Commission income is recognized on a settlement date basis, which is not significantly different from trade date. Commission income mainly arises from the specialist activities performed

by VDM Specialists on the New York Stock Exchange and the brokerage activities in Europe and the United States of America.

Interest income and expenses, dividend income and expenses, and exchange gains and losses associated with trading are included in revenues because they form an important element of the result earned on securities owned and securities sold, not yet purchased. Interest income and expenses are recognized on an effective interest basis and dividend income is recognized when the rights to receive the cash flows are confirmed.

Other interest, dividend and exchange results are included in interest income, foreign currency result - net and other finance costs.

For further details on the recognition of revenues please see Note 5 Segment Information.

### **2.22 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The Group leases offices and the related expenses are recognized in the income statement under the financial statement line item general and administrative expenses. Separately, costs incurred on exchange memberships contributed by minority members and other parties are presented in the income statement in the financial statement line item lease of exchange memberships.

### **2.23 Income tax**

Income tax comprises both current taxation and deferred taxation. Income tax is calculated on the profit or loss before income tax, after minority interest, on the basis of current tax rates applicable or those rates substantially enacted in the several jurisdictions in which the Group operates. Income tax is charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity. Income tax includes tax arising on the Group's share (excluding the share of minority



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members) of the taxable profits or losses of the US Limited Liability Corporations ('LLCs') that are considered transparent for US tax purposes. The minority partners in these LLCs are liable for taxation arising on their share of the LLCs' taxable profits. Profit before income tax includes the fully consolidated results of these LLCs, and consequently, the minority member share of the result of these LLCs reported in the income statement represents the share of income before taxation attributable to minority members. As a result, the consolidated effective tax rate is determined by dividing the income tax expense by the profit before income tax less profit attributable to minority interest.

### 2.24 Dividend distribution

Dividend distribution to the Company's common shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved and adopted by the Company's shareholders but not yet paid (Note 40).

### 2.25 Earnings per share ('EPS')

Basic EPS is calculated by dividing net results attributable to common shareholders by the weighted average number of common shares outstanding (excluding treasury shares). Diluted EPS includes the determinants of basic EPS and, in addition, reflects the (potential) dilutive effect of the common shares deliverable pursuant to share options (Note 32).

Potential common shares are treated as dilutive when, and only when, their conversion to common shares decrease the calculated earnings per share or increase the calculated loss per share from continuing activities.

### 2.26 New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations adopted by the European Union have been published that are mandatory for accounting periods beginning after January 1, 2008. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 8 'Operating Segments' will be effective for annual periods beginning on or after January 1, 2009. IFRS 8 requires entities to disclose segment information based on the information reviewed by the entity's Chief Operation Decision Maker. The Group has determined that the operating segments disclosed in IFRS 8 will be the same as the business segments disclosed under IAS 14. The impact of this standard on the other segment disclosures in IFRS 8 will be the same as the business segments disclosed under IAS 14. The impact of this standard on other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

The amended IAS 1 affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. The amended IAS 1 will be effective for annual periods beginning on or after January 1, 2009. The Group has not early adopted amended IAS 1.

IFRIC 11 will be effective for the annual periods beginning on or after March 2007. IFRIC 11 addresses two issues. This interpretation addresses the issue whether certain transactions should be accounted for as equity settled or as cash settled under the requirements of IFRS 2. Secondly it addresses the issue of share base payments that involve two or more entities within the same group. Since the Company already applies this interpretation, this interpretation will have no effect on the financial statements.

Other new accounting standards and interpretations adopted by the European Union that are mandatory for accounting periods beginning on or after January 1, 2008 are not significant for the Group.

## 3 DERIVATIVES AND FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks:

- |                   |                      |
|-------------------|----------------------|
| (a) Market risk   | (b) Currency risk    |
| (c) Interest risk | (d) Liquidity risk   |
| (e) Credit risk   | (f) Operational risk |

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. This note represents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risks.

#### (a) Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign currency rates and interest rates will have effect on the Group's income or the value of its equity, option or bond positions that arise from normal trading activities. Market risk increases when markets move sharply and volatility increases.

#### Exposure to market risks

For the assessment of the exposure of Van der Moolen to market risk the Company performs a so-called haircut analysis. The haircut represents the influence of a change in the underlying parameter on the value of the security position held by the Group and is reported on a daily basis. Daily reports show position characteristics and absolute exposures. They include haircut analyses based on price, volatility and interest movements. The haircut analysis measures all positions, individual and correlated, and reflects the different risk components. Price movement risk is based on the implied volatility of the individual stocks with a minimum price move of 10%. The volatility risk calculation within derivatives is based on volatility increases of up to 50% and a decrease of the volatility of up to 15%. Interest risk is calculated for overnight changes of 0.50%. Foreign currency rate risk is assessed using a percentage of change in the applicable foreign currency rates. The percentage level used differs per foreign currency rate, and is amongst others based on the volatility of the currency involved.

The haircuts are calculated daily by our clearing members under the restriction that in any case or circumstance the haircut must be lower than the Net liq, where Net liq represents the dedicated capital (per entity) reserved for trading activities. Haircuts are a well known practise within derivatives risk management and are also used by our clearing organizations. Independent of these haircut reports, each entity has a risk management system that calculates the entities' internal risk in real time and overnight within the same ranges as the haircut analysis. These internal risk calculations are linked to calculations from our clearing members in order to achieve an unequivocal risk.

As of December 31, 2007 and December 31, 2006 our exposure was as follows:

in € millions	2007	2006
Haircut	8.51	10.43
Net liq	30.92	17.93
Haircut/Net liq ratio	0.28	0.58

The following table shows the potential loss (in € million) based on the haircut:

	2007	2006
March 31	10.71	9.08
June 30	10.90	12.45
September 30	17.55	9.29
December 31	8.51	10.43

This overview of the haircut at the end of every quarter gives a fair indication of the market risk exposure of Van der Moolen in 2007 and 2006. The relevant risk variables for the haircut are described above.

The third-party haircut calculation, supplied by our clearing banks, is a control mechanism for our internal calculations and completes our overview of the risks we run on a daily and overnight basis. The diversity of our business also reduces our exposure to market risk.



**Management of market risk**

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The management of market risk is primarily based at each of the Group's operating units, with central oversight, analysis and formation of risk policy based at the Group's headquarters. Except for VDM Specialists and VDM Trading, LLC the central risk control department establishes, in consultation with the Executive Board and the management of the operating units, specific maximum risk levels to which the operating units must adhere, monitors compliance with those limits and reports the risk profile of the Group directly to the Executive Board on a daily basis. With respect to VDM Specialists, whose operations were disposed of in December 2007, the first line of responsibility for risk management was with staff active as a specialist on the floor of the New York Stock Exchange throughout trading hours.

For the trading activities of VDM Trading, LLC and VDM Capital Markets, LLC, in the United States of America, the Group mitigates its risk by setting specific risk parameters. For these operations exposure limits are defined in terms of net individual and aggregate position sizes and also on inventory characteristics such as yield curve exposure and exposure with respect to option risk parameters, such as the exposure on price changes, delta and the exposure on volatility and vega. These guidelines are established by the trading managers and approved by the global risk manager. Local risk managers monitor these positions daily.

For the European units, the Risk Control Department at Van der Moolen Holding N.V., in consultation with management at these operations, sets more specific risk parameters. For these units, exposure limits are defined in terms of net individual and aggregate position sizes and also on inventory characteristics such as yield curve exposure and exposure with respect to option risk parameters, such as the exposure on price changes, and the exposure on volatility. Position data and option risk parameters are transmitted real time to the head office, where this information is monitored and analyzed by independent risk managers.

The Group's main defense against market risk is trading discipline. The Group's equity trading units generally hold positions for a

short period of time, which reduces their risk from adverse price movements. They attempt to minimize the holding of large net positions when markets close, in order to minimize the risk that news could affect prices when traders cannot react to it. Where longer term equity exposure exists, primarily in illiquid stocks, the Company manages its exposure within predefined limits. Until August 1, 2007 the Group held bond positions longer-term, after which date we stopped bond trading activities. The Group limited and continuously monitored its yield curve and credit exposure. Yield curve exposure was hedged by opposite positions in bond futures based on the duration of our inventory. Such hedges did not eliminate risk from changes in corporate credit standing. The Group accepted risks in six hundred Euronext-traded Dutch bonds and a select group of French, Belgian and Italian ones, which the Group contained by trading out of them quickly or partially hedging with other bonds of the same issuer and/or duration. This unit limited its exposure to individual issues, issuers, credit rating and industry categories.

The Group's equity derivatives trading units hold on to positions for a longer term. Strict limits in both positions and option risk parameters are set by the risk control department in consultation with the management of the Group's European securities and derivative operations and are monitored continuously by the risk control department at headquarters. PMM/CMM Trading has the obligation as primary and competitive market maker to quote all strikes and maturities in a number of asset classes at NYSE Euronext. The derivatives exposures are analyzed and the related risk monitored with similar procedures to our other trading activities.

Short-term risk exposures resulting from VDM Financial Services' activities as a broker to third parties are analyzed separately, but with similar procedures. On a daily basis the Risk Control Department reports trading result, trading exposures and liquidity position to the Executive Board.

**(b) Currency risk**

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

### Exposure to currency risk

The Group is affected by a number of currency risks:

- The risks of currency gains or losses on monetary assets and liabilities denominated in currencies other than the functional currency of the entity concerned;
- The effect of exchange rate fluctuations on the translation of the income statements and balance sheets of entities for the purpose of presenting consolidated financial statements in euros; and
- The risk arising from trading positions denominated in any currency other than the functional currency of the trading unit holding those trading positions.

### Management of currency risk

The Group's policy is to:

- Mitigate the effect of currency fluctuations that will result in volatility in the Group's consolidated income statement, as reported under IFRS;

- Hedge cash in- and outflows in various currencies to mitigate their possible translation effect on the Group's liquidity position; and
- Not hedge, in principle, changes in valuation that result from translation into the Group's presentation currency.

In addition to these considerations, a number of our operating units run currency exposure risks in the normal course of their trading activities. These exposures are hedged when incurred, amongst others by using foreign currency derivative contracts that are accounted for as derivatives used for trading purposes.

The following table demonstrates the sensitivity to reasonable possible changes in the US dollar, Great British pound and Swiss franc exchange rate, with other variables held constant, of the Group's revenues.

Amounts in € millions	Currency	Appreciation/ (Depreciation) towards the Euro	Effect on revenues
<b>2007</b>			
Continued operations	USD	5.0%	0.3
Continued operations	USD	(5.0%)	(0.3)
Discontinued operations	USD	5.0%	1.1
Discontinued operations	USD	(5.0%)	(1.1)
Continued operations	GBP	5.0%	1.5
Continued operations	GBP	(5.0%)	(1.5)
Discontinued operations	GBP	5.0%	0.5
Discontinued operations	GBP	(5.0%)	(0.5)
Continued operations	CHF	5.0%	0.8
Continued operations	CHF	(5.0%)	(0.8)
<b>2006</b>			
Continued operations	USD	5.0%	0.1
Continued operations	USD	(5.0%)	(0.1)
Discontinued operations	USD	5.0%	3.8
Discontinued operations	USD	(5.0%)	(3.8)
Continued operations	GBP	5.0%	0.6
Continued operations	GBP	(5.0%)	(0.6)
Discontinued operations	GBP	5.0%	0.4
Discontinued operations	GBP	(5.0%)	(0.4)
Continued operations	CHF	5.0%	0.1
Continued operations	CHF	(5.0%)	(0.1)



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### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

#### Exposure to interest rate risk

The Group is affected by a number of interest risks:

- The risk on fluctuations of interest income on cash and cash equivalents partly held for liquidity requirements of exchanges.
- The risks that are run in the course of our bond trading which was discontinued as of August 1, 2007.
- The interest risk arising from short term and long-term debt.

#### Management of interest rate risk

The Group's policy is as follows:

- The Group's interest risk policy is designed to match the financing instruments used to the risk profile of the underlying assets.

Adjustment of this risk profile can be accomplished by the use of interest rate swaps.

- Interest rate exposure risks run in the course of our bond trading strategies were hedged either by bonds with similar risk characteristics or by interest rate derivatives.

### (d) Liquidity risk

Liquidity risk relates to the Group's capacity to finance security trading positions and meet the liquidity requirements of exchanges and clearing organizations and other liabilities.

#### Exposure to liquidity risk

The Group's financial resources, relative to its capital employed, and the liquid nature of most of the instruments traded, limit this risk.

The table below shows (in € millions) the undiscounted cash flows on the Group's financial liabilities on the basis of their earliest possible contractual maturity.

#### Residual contractual maturities of financial liabilities

	Carrying amount	Gross nominal outflow	1 month to 3 months	4 months to 1 year	1 to 5 years	More than 5 years
<b>31 December 2007</b>						
Long-term borrowings	0.7	0.8	-	-	0.8	-
Other non current liabilities	1.2	1.2	-	-	1.2	-
Due to clearing organisations and professional parties	76.1	76.1	76.1	-	-	-
Due to customers	4.7	4.7	4.7	-	-	-
Subordinated borrowings (short term part)	49.1	48.4	48.4	-	-	-
Long-term borrowings (short term part)	0.3	0.4	0.4	-	-	-
Liabilities directly associated with the assets classified as held for sale	9.0	9.0	-	9.0	-	-
Other current liabilities and accrued expenses	45.6	45.6	32.5	13.1	-	-
	<b>186.7</b>	<b>186.2</b>	<b>162.1</b>	<b>22.1</b>	<b>2.0</b>	<b>-</b>

	Carrying amount	Gross nominal inflow / (outflow)	1 month to 3 months	4 months to 1 year	1 to 5 years	More than 5 years
<b>31 December 2006</b>						
Capital of minority members	13.7	13.7	-	-	-	13.7
Subordinated borrowings (long term part)	64.9	73.1	-	-	73.1	-
Long-term borrowings	1.0	1.2	-	-	1.2	-
Due to clearing organisations and professional parties	212.3	212.3	212.3	-	-	-
Due to customers	3.9	3.9	3.9	-	-	-
Subordinated borrowings (short term part)	38.5	41.3	11.3	30.0	-	-
Long-term loan (short term part)	0.4	0.5	0.5	-	-	-
Other current liabilities and accrued expenses	21.6	21.6	11.3	10.3	-	-
	<b>356.3</b>	<b>367.6</b>	<b>239.3</b>	<b>40.3</b>	<b>74.3</b>	<b>13.7</b>

Liabilities in trading portfolios have not been analyzed by contractual maturity because trading assets and liabilities are typically held for short periods of time.

As part of the termination of VDM specialist activities it was agreed that the subordinated notes which contained a number of financial, reporting and other restrictive covenants will be repaid in 2008. Financial covenants related to among other things, compliance with regulatory minimum capital and net liquid asset requirements.

### Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. All liquidity policies and procedures are subject to review and approval by the Executive Board of directors.

On a daily basis the security trading positions and the liquidity position are monitored by management. The key measure used by the Group for managing liquidity risk is the ratio between its cash positions and the exposure arising from the security trading position. For the quantitative data about this key measure reference is made to the paragraph exposure to market risk.

The direct available cash position held with the Group's clearing organizations and the freely available cash are for management important indicators used for managing the liquidity risk of the Company.

The so called direct available cash position held with the Group's clearing organization is calculated by Risk Management and reported to Group management on a daily basis. The direct available cash position related to the European activities is determined as the difference between the Net liq and 125% of the haircut reported by the clearing organizations. The clearing organizations require that the cash position (the Net liq) exceeds the exposure from the Group's security position as measured by the haircut. For the US activities the Net liq and haircut are reported separately. To manage the overall liquidity risk of the Company periodically the freely

available cash for the Group is reported to the Executive Board. The freely available cash consists of the cash directly available at clearing organizations, taking in account 100% of the haircut and the net cash available at the commercial banks.

As per December 31, 2007 and per December 31, 2006 the freely available cash position amounted to (in € millions):

	2007	2006
Net liq	30,9	17,9
Haircut	(8,5)	(10,4)
<b>Directly available at clearing organizations</b>	<b>22,4</b>	<b>7,5</b>
Freely available at banks	107,6	11,5
<b>Total freely available cash</b>	<b>130,0</b>	<b>19,0</b>

Periodically management prepares cash flow forecasts and monitors that the Company is still in compliance with the covenants of the subordinated loans.

### e) Credit risk

Credit risk is that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

### Exposure of credit risk

Credit risk that could result from counterparties defaulting is limited for the Group's operations that operate on regulated exchanges, since the settlement risk is essentially transferred to recognized clearing members. For the brokerage business the credit risk is limited to the settlement of transaction which is done on behalf of recognized large financial institutions.

### Management of credit risk

The Risk Control Department monitors the balance held at clearing organizations. Excess cash and cash equivalents held at clearing organizations are invested in short-term money market instruments. The Group minimizes the related credit risk by following strict policies governing its choice of counterparties. Net liq positions with clearing organizations are monitored on a daily basis.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Credit risk concentrations

As per December 31, 2007 and December 31, 2006 the Company had the following Net liq positions with clearing organizations.

	2007	2006
Fortis	-	6.66
KBC	15.75	1.29
Merril Lynch	12.53	1.96
GSEC	2.64	8.02
<b>Total</b>	<b>30.92</b>	<b>17.93</b>

The clearing organizations engaged in the Group's daily operations and the banks where the Group's excess cash equivalents are held have a credit rating of at least A-1. The highly liquid market funds in which excess cash is invested comprises a portfolio of US treasury bills.

### (f) Operational risks

#### Exposure to and management of operational risks

Operational risk embraces everything from staff error to equipment failure and fire risk, either in our operations or those of our service providers, including the exchanges on which we operate. In the daily business the Company is exposed to daily risks which can not be completely eliminated but are reduced by the Company by insurance, back-up facilities, detailed procedures and continuous

monitoring. All of our operations are vulnerable to operational risks that can result from damage to our own facilities, the facilities of the exchanges on which we operate and to communications and other infrastructure. The facilities and systems of the exchanges and infrastructure providers have multiple back-up systems, which reduces the risk that we would be prevented by damage to any one facility or system from being able to carry out our business. The backup systems for our own facilities are now being reviewed.

The Executive Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. This system of risk management and internal control has been set up to address, among other things, operational risk. The risk management and internal control system with respect to financial reporting has been designed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') internal control framework.

The Executive Board is committed to a policy of continuous enhancement of its systems for risk management and control to ensure their reliability and effectiveness and to improve them where necessary. With respect to financial reporting, a structured self assessment and monitoring process is used company wide to assess, document, review and monitor compliance with internal control over financial reporting.

(in € millions)		Category as defined by IAS 39		Carrying amount		Fair value	
				2007	2006	2007	2006
<b>Financial assets</b>							
NYSE shares	Available for sale financial assets			9.0	21.9	9.0	21.9
ISE shares (i)	Available for sale financial assets			2.1	2.3	-	-
Loans & Receivables	Loans & receivables			-	0.2	-	0.2
Securities owned	Financial assets held for trading through profit and loss			600.5	1,077.8	600.5	1,077.8
Due from clearing organisations and professional parties	Loans & receivables			74.9	223.0	74.9	223.0
Other current assets and prepaid expenses	Loans & receivables			7.9	6.9	7.9	6.9
Assets of disposal group classified as held for sale	Loans & receivables			9.0	-	9.0	-
<b>Financial liabilities</b>							
Capital of minority members	financial liabilities measured at amortised cost			-	13.7	-	13.7
Subordinated borrowings	financial liabilities measured at amortised cost			-	64.9	-	64.9
Long-term borrowings	financial liabilities measured at amortised cost			0.7	1.0	0.7	1.0
Other non current liabilities	financial liabilities measured at amortised cost			1.2	-	1.2	-
Securities sold, not yet purchased	financial liabilities held for trading through profit and loss			632.8	967.7	632.8	967.7
Due to clearing organisations and professional parties	financial liabilities measured at amortised cost			76.1	212.3	76.1	212.3
Due to customers	financial liabilities measured at amortised cost			4.7	3.9	4.7	3.9
Short-term borrowings	financial liabilities measured at amortised cost			49.4	38.9	49.4	38.9
Other current liabilities and accrued expenses	financial liabilities measured at amortised cost			45.6	21.6	45.6	21.6
Liabilities directly associated with the assets classified as held for sale	financial liabilities measured at amortised cost			9.0	-	9.0	-

(i) Given the limited information on the investment, the range of reasonable fair value estimate for the investment could be significant and the probabilities of the various estimates cannot be assessed at December 31, 2007 and December 31, 2006.

### 3.2 Fair value financial instruments

Set out above is a comparison by category the fair value amounts of all the Group's financial instruments, including those classified under discontinued operations, which are carried in the financial statements.

### 3.3 Accounting for derivative financial instruments and hedging activities

Derivatives are initially measured at fair value on the date a derivative contract is entered into, and are subsequently measured to fair value. The recognition of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Apart from derivative financial instruments used for trading purposes, the Group may have designate certain derivatives as fair value hedges of the interest rate risk of certain fixed rate borrowings.

At the hedge inception the relationship between hedging instruments and hedged items is documented, as well as its risk management objective and strategy for undertaking various hedge

transactions. The Group also documents its assessment, both at hedge inception and on ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If a fair value hedge existing on January 1, 2005 (the date of IAS 39 adoption) did not qualify for hedge accounting, the fair value of the hedge instruments including deferred gains thereon is applied as an adjustment to the carrying amount of the hedged item (for which the effective interest method is used). The adjustment is amortized to the income statement based on a recalculated effective interest rate. On January 1, 2005, this adjustment amounted to €8.0 million, and consequently increased the carrying amount of subordinated borrowings. Up until December 31, 2007 €6.7 million was amortized through the income statement.



## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (a) Goodwill

The Group tests annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.5. In determining the fair value of cash generating units, the Group uses standard valuation techniques, such as the market comparison approach and the income approach. The market comparison approach is based upon a comparison of the cash-generating unit to similar entities engaged in an actual merger or acquisition or to public companies whose shares are actively traded. The income approach involves estimating the present value of the future cash flows of the cash-generating unit by using projections of cash flows that the business is expected to generate, and discounting these cash flows at a given rate of return. Each of these methodologies requires the use of management estimates and assumptions, such as growth rates for revenues, expenses, effective tax rates, returns on working capital and capital expenditure, among others. The Group also estimates a discount rate and a terminal growth rate in the calculations.

The Group performs the required impairment test in the second quarter (goodwill related to the Curvalue acquisition) and fourth quarter (goodwill related to VDM Specialists) of each year or when events or circumstances indicate impairment may be necessary.

In the first half year of 2007, the Group has performed the annual impairment test for the trading and brokerage activities of Curvalue and engaged an independent business valuation firm to assist the Group in the analysis. In determining the discounted future cash of the activities, the Company made use of estimates and a post-tax discount rate of 12% for trading activities and 17% for brokerage activities has been applied. In the fourth quarter of 2007, the Company announced the termination of the VDM specialist business. Certain assets related to the specialist activities were sold to Lehman Brothers Inc. for zero consideration. As a result, all the goodwill related to VDM Specialists has been impaired, leading to an impairment charge of €20.2 million.

On August 1, 2007, the Group acquired 100% of the membership interest in Robbins & Henderson, LLC ('R&H Securities, LLC'). The Group recognized a total goodwill of €3.7 million at the date of acquisition. During the fourth quarter of 2007, the Group performed the annual impairment test on the goodwill related to R&H Securities, LLC, using a post-tax discount rate of 12%.

In December 2007, the Group acquired an additional profit share in VDM Capital Markets, LLC, taking its interest from 50% to 100%. The Company recognized a total goodwill of €0.3 million. The goodwill has been fully impaired in December 2007.

At December 31, 2007 the total amount of goodwill recognized on the balance sheet amounts to €26.7 million (2006: €45.6 million).

#### **(b) Specialist assignments**

The Group's accounting policy for specialist assignments is described in Note 2.5. When factors indicate that specialist assignments should be evaluated for possible impairment or a subsequent reversal of an impairment loss or indicate that the useful life of specialist should be re-evaluated, the Group uses an estimate of discounted projected cash flows over the remaining life in order to measure whether the assets are recoverable. Due to the termination of the VDM specialist business (see also 4 (a) Goodwill), the specialist assignments have been fully impaired during the fourth quarter of 2007, leading to an impairment charge of €16.9 million.

#### **(c) Deferred income tax assets**

The Group's U.S. entities have significant carried forward tax losses and temporary deductible differences between book and tax balances. The related deferred income tax assets were derecognized as at December 31, 2006 for the amount that was dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The derecognition of deferred income tax assets resulted from management's reassessment of the probability criteria as stated in the applicable accounting standards in light of the multiple years of tax losses incurred in the applicable tax jurisdictions. Future utilization of the carried forward tax losses and temporary deductible differences will be dependent on the Group's ability to successfully generate tax income in the carry forward period. The carried forward tax losses and temporary deductible differences have a remaining term of usage of 19 to 21 years (see Note 10). Any reversal of the derecognition loss in the future may result in material tax benefits in the period in which such determination is made.

#### **(d) Income tax**

The Group is subject to income tax in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income tax. There are transactions and calculations arising in the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether it is probable that additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact income tax expense and deferred tax provisions in the period in which such determination is made.

Certain tax positions in relation to the former Curvalue group entities for which the ultimate tax determination is uncertain and which originate from periods before January 1, 2006 have been fully indemnified by the selling shareholders of Curvalue.

#### **(e) Provisions and contingent assets and liabilities**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; if it is more likely than not than an outflow of resources will be required to settle the obligation; and if a reliable estimate of the amount can be made.

The Group is subject to litigation as set out in Note 33. To the extent that Management cannot predict the outcome of this litigation with sufficient reliability, a provision has not been recognized in the financial statements for the year ended December 31, 2007 (and 2006). At December 31, 2007, a provision is recognized in the amount of €7.0 million with respect to legal advisory expenses that can be reasonably estimated. See Note 24 and Note 33 for details.

It is Management's believe that there are valid defences for all other claims asserted in the various proceedings and actions described. There can be no assurance, however, as to the outcome or timing of the resolution of these proceedings and actions. The range of possible resolutions could include determinations and judgments against the Group or settlements that could require substantial payments by the Group, all of which could have a material adverse effect on the Group's financial condition, results of operations and cash flows.



## 5 SEGMENT INFORMATION

### 5.1 Primary reporting format - business segments

For management purposes during 2007, the Group is re-organized into five operating business segments. As a result of the steep growth in revenues in the European activities, the decline in revenues of the US activities and the disposal of certain of the Group's subsidiaries, the Group has changed the business segments in order to reflect the risk and return based on the current situation the way the business is managed. Comparative figures for 2006 have been adjusted to reflect the change in business segments.

- **Trading Securities Europe** - Trading in equities and equity options from subsidiaries in Amsterdam, Cologne and Zug. Although these subsidiaries operate largely independently of each other on a day-to-day basis, all equity-trading units are broadly similar, engaging primarily in intra-day proprietary trading, especially in the more liquid segments of the markets in which they operate. The liquid segments of the markets where these subsidiaries are active are order-driven markets, which means that they lack an official liquidity provider, and all orders entered into the markets' central limit order books interact freely with each other.
- **Trading Derivatives Europe** - This business segment has licenses to act as Primary and Competitive Market Maker in options for various classes of equity on NYSE Euronext in Amsterdam. Where the Company acts as a liquidity provider in options, it acts as a Designated Primary Market-maker by giving quotes. In addition, this segment trades for its own account in futures in Amsterdam and London. Trading Derivatives Europe also performs arbitrage on the European exchanges, trading futures, options and equities. All main positions are closed at the end of each day, either through direct closing or through appropriate hedging. Furthermore, activities in this segment include Proprietary trading and acting as a market maker in listed options on recognised Investment Exchanges in the United Kingdom with corresponding trading in the relevant cash market.
- **Brokerage Europe** - European brokerage activities involve electronic and voice broking execution services to customers, mainly targeting institutional investors and professional traders. Brokerage has developed an on-line, internet based, version of its client facilitation activities named 'Online Trader'. This enables clients to trade online on all exchanges. For the brokerage activity the Van der Moolen entity operates under a license of the Banque de France and The Dutch Central Bank.
- **Trading US** - VDM Capital Markets, LLC and VDM Trading, LLC ('VDMT', ceased its option market making activities in July 2007) form the groups Trading US segment. VDM Capital Markets, LLC trades equity securities as a Designated Primary Market Maker on the CBOE and it has a proprietary Exchange Traded Funds ('ETF') trading desk.
- **Brokerage US** - Brokerage US activities operate under R&H Securities, LLC, acquired in 2007, and VDMT. R&H Securities, LLC is a US based institutional broker with a wide variety of brokerage services. Furthermore, in July 2007 VDMT ceased its option market making activities and, as of the end of 2007, it is engaged in business only as an institutional broker.

These business segments are the basis on which the Group reports its primary segment information. 'Holding, Projects & Other' are those Group companies with primarily a (sub-)holding, finance function or projects. Segment information about the Group's continuing operations and discontinuing operations is presented as follows:

	Continuing Operations							Discontinued Operations				Total
	Trading Securities Europe	Trading Derivatives Europe	Brokerage Europe	Trading US	Brokerage US	Holding, Projects & Other	Total continuing operations	Trading Securities Europe	Brokerage Europe	Trading US	Total discontinuing operations	
(in € millions)												
<b>Year ended December 31, 2007</b>												
Specialist activities <sup>1)</sup>	-	-	-	(0.0)	(0.0)	-	(0.0)	0.0	-	7.8	7.8	7.8
Proprietary trading/market making activities <sup>2)</sup>	27.5	59.3	-	2.9	-	0.0	89.7	10.7	-	-	10.7	100.4
Commissions <sup>3)</sup>	-	0.2	16.8	0.3	3.0	-	20.3	0.1	0.6	8.1	8.8	29.1
Other	0.0	0.0	0.0	0.4	0.0	0.0	0.4	0.0	-	6.6	6.6	7.0
<b>Revenues</b>	<b>27.5</b>	<b>59.5</b>	<b>16.8</b>	<b>3.6</b>	<b>3.0</b>	<b>0.0</b>	<b>110.4</b>	<b>10.8</b>	<b>0.6</b>	<b>22.5</b>	<b>33.9</b>	<b>144.3</b>
<b>Operating profit <sup>4)</sup></b>	<b>6.4</b>	<b>12.4</b>	<b>(1.7)</b>	<b>(4.1)</b>	<b>0.2</b>	<b>(13.6)</b>	<b>(0.4)</b>	<b>(3.6)</b>	<b>(1.8)</b>	<b>(55.7)</b>	<b>(61.1)</b>	<b>(61.5)</b>
<b>Other information</b>												
Capital expenditure	0.5	0.8	1.3	0.5	-	1.1	4.2	0.6	0.1	0.6	1.3	5.5
Other gains & losses - net	(0.0)	-	-	1.0	-	(0.1)	0.9	-	-	-	-	0.9
Headquarter fees (included in operating expenses)	(1.5)	(0.6)	-	-	(0.1)	2.4	0.2	(0.2)	-	-	(0.2)	-
<b>Significant non-cash segment expense</b>												
-Depreciation of PPE	0.4	0.4	0.1	0.1	-	0.3	1.3	0.2	0.0	0.7	0.9	2.2
-Amortization expenses of intangible assets	0.0	2.2	0.8	0.1	-	0.5	3.6	0.0	0.0	1.1	1.1	4.7
-Impairment of intangible assets	-	-	-	0.4	-	0.2	0.6	0.1	-	38.7	38.8	39.4
-Impairment of property, plant & equipment	-	-	-	0.2	-	0.1	0.3	0.3	-	1.4	1.7	2.0
Share in the result of associates	-	-	-	-	-	(0.2)	(0.2)	-	-	-	-	(0.2)
Investment in associates	-	-	-	-	-	8.3	8.3	-	-	-	-	8.3
<b>Year ended December 31, 2006</b>												
Specialist activities	-	-	-	0.1	-	-	0.1	-	-	48.3	48.3	48.4
Proprietary trading/market making activities	13.9	33.3	0.7	1.1	-	-	49.0	9.2	-	(0.1)	9.1	58.1
Commissions	-	0.0	14.3	0.1	-	-	14.4	0.2	-	19.2	19.4	33.6
Other	0.0	0.1	0.0	0.3	-	0.0	0.4	(0.0)	-	8.7	8.7	9.1
<b>Revenues</b>	<b>13.9</b>	<b>33.4</b>	<b>15.0</b>	<b>1.6</b>	<b>-</b>	<b>0.0</b>	<b>63.9</b>	<b>9.4</b>	<b>-</b>	<b>76.1</b>	<b>85.5</b>	<b>149.4</b>
<b>Operating profit</b>	<b>2.5</b>	<b>4.0</b>	<b>(11.9)</b>	<b>16.4</b>	<b>0.0</b>	<b>(10.6)</b>	<b>0.4</b>	<b>0.5</b>	<b>(0.4)</b>	<b>6.3</b>	<b>6.4</b>	<b>6.8</b>
<b>Other information</b>												
Capital expenditure	1.6	7.7	14.3	0.6	-	0.6	24.8	0.3	-	1.8	2.1	26.9
Other gains & losses - net	(0.0)	-	-	17.7	-	3.8	21.5	0.0	-	0.1	0.1	21.6
Headquarter fees (included in operating expenses)	(0.5)	(0.3)	-	-	-	2.1	1.3	(0.0)	-	(1.3)	(1.3)	-
<b>Significant non-cash segment expense</b>												
-Depreciation of PPE	0.3	0.4	0.3	0.1	-	0.3	1.3	0.1	-	0.7	0.8	2.1
-Amortization expenses of intangible assets	0.0	2.4	0.3	0.0	-	0.1	2.8	0.0	-	1.1	1.2	4.0
-Impairment of intangible assets	-	-	10.0	-	-	-	10.0	-	-	20.2	20.2	30.2
-Impairment of property, plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-
Share in the result of associates	-	-	-	-	-	-	-	-	-	-	-	-
Investments in associates	-	-	-	-	-	9.3	9.3	-	-	-	-	9.3



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 1) Revenues from specialist activities consist primarily of net trading income from principal transactions in securities for with the Group acts as specialist. The net gain on principal transactions represents trading gains net of trading losses and is earned by the Group when it acts as principal buying and selling its specialist stocks. These revenues are primarily affected by the total number of specialist stocks for which the Group acts as specialist, as well as changes in share volume and fluctuations in the price of the specialist stocks.
- 2) Revenues from proprietary trading/market making activities consist primarily of net trading income earned by the Group when trading as principal in competition with other traders. Similar to specialist activities, net trading income from proprietary trading/market making activities represents trading gains net of trading losses. A proprietary trader/market maker trades for its own account at its own risk, similar to a specialist, and thus performs a similar function of providing liquidity to the market. However, in contrast to a specialist, this function is fulfilled in competition with others, and the activities do not in principal generate any commissions.
- 3) Commissions mainly arise from specialist activities of VDM Specialists and the brokerage activities of Curvalue.
- 4) Operating profit per segment is the same as segment result as defined in IAS 14.

Segment assets and liabilities are as follows:

	Continuing Operations							Discontinued Operations			Total discontinuing operations	Total
	Trading Securities Europe	Trading Derivatives Europe	Brokerage Europe	Trading US	Brokerage US	Holding, Projects & Other	Total continuing operations	Trading Securities Europe	Brokerage Europe	Trading US		
(in € millions)												
<b>Year ended December 31, 2007</b>												
Segment assets	345.2	326.2	36.8	227.7	4.4	74.2	1,014.5	4.5	9.0	-	13.5	1,028.0
<b>Total Assets</b>	<b>345.2</b>	<b>326.2</b>	<b>36.8</b>	<b>227.7</b>	<b>4.4</b>	<b>74.2</b>	<b>1,014.5</b>	<b>4.5</b>	<b>9.0</b>	<b>-</b>	<b>13.5</b>	<b>1,028.0</b>
Segment liabilities	317.6	296.9	20.8	134.1	0.5	78.9	848.8	3.2	9.0	-	12.2	861.0
<b>Segment liabilities</b>	<b>317.6</b>	<b>296.9</b>	<b>20.8</b>	<b>134.1</b>	<b>0.5</b>	<b>78.9</b>	<b>848.8</b>	<b>3.2</b>	<b>9.0</b>	<b>-</b>	<b>12.2</b>	<b>861.0</b>
<b>Year ended December 31, 2006</b>												
Segment assets	342.7	795.7	18.2	216.9	-	102.0	1,475.5	53.2	0.1	124.9	178.2	1,653.7
<b>Total Assets</b>	<b>342.7</b>	<b>795.7</b>	<b>18.2</b>	<b>216.9</b>	<b>-</b>	<b>102.0</b>	<b>1,475.5</b>	<b>53.2</b>	<b>0.1</b>	<b>124.9</b>	<b>178.2</b>	<b>1,653.7</b>
Segment liabilities	324.7	753.6	8.3	32.4	-	59.7	1,178.7	36.5	-	103.5	140.0	1,318.7
<b>Segment liabilities</b>	<b>324.7</b>	<b>753.6</b>	<b>8.3</b>	<b>32.4</b>	<b>-</b>	<b>59.7</b>	<b>1,178.7</b>	<b>36.5</b>	<b>-</b>	<b>103.5</b>	<b>140.0</b>	<b>1,318.7</b>

Segment results include operating results which are directly attributable to the business segments of the Group. Non-trading interest income, finance costs and foreign currency results and income tax expense or benefits are excluded from segment results. Impairment charges of goodwill, specialist assignments and property, plant & equipment, if any, however, are part of segment results.

Segment assets consist primarily of property, plant and equipment, other intangible assets including specialist assignments, available-for-sale financial assets, securities owned, receivables and cash. Segment assets exclude assets related to taxation.

Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings and related hedging derivatives.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

## 5.2 Secondary reporting format - geographical segment

The Group's business segments operate in two main geographical areas: the United States of America and Europe. The geographical segment United States of America consists of the business segments Trading US and Brokerage US. The geographical segment Europe consists of Trading Securities Europe, Trading Derivatives Europe and Brokerage Europe.

The following table provides an analysis of the Group's revenues and capital expenditure (additions to property, plant and equipment and intangible assets) by geographical area for the period and year ended December 31, 2007 and December 31, 2006:

Year ended December 31, 2007	United States of America		Europe		Holding, Projects & Other		Total	
(in € millions)	2007	2006	2007	2006	2007	2006	2007	2006
Revenues	29.0	77.7	115.3	71.7	0.0	0.0	144.3	149.4
Capital expenditure	1.1	2.4	3.2	23.9	1.1	0.6	5.4	26.9

The following is an analysis of the carrying amount of segment assets analyzed by the geographical area in which the assets are located at December 31, 2007 and December 31, 2006:

Year ended December 31, 2007	United States of America		Europe		Holding, Projects & Other		Total	
(in € millions)	2007	2006	2007	2006	2007	2006	2007	2006
Segment assets	232.2	341.9	721.6	1,209.8	74.2	102.0	1,028.0	1,653.7
<b>Total assets</b>	<b>232.2</b>	<b>341.9</b>	<b>721.6</b>	<b>1,209.8</b>	<b>74.2</b>	<b>102.0</b>	<b>1,028.0</b>	<b>1,653.7</b>

## 6 BUSINESS COMBINATIONS

### Acquisition Robbins & Henderson, LLC

On August 1, 2007, the Group acquired 100% of the membership interest in Robbins & Henderson, LLC ('R&H Securities, LLC') as part of the strategy of VDM to expand the brokerage business. R&H Securities, LLC is included in the segment Brokerage US and now trading under the name R&H Securities, LLC. The acquisition price consisted of an initial payment of US\$2.0 million (€1.5 million) and a deferred earn out payment for the years 2007 and 2008. The deferred earn out payment is based on the profitability of R&H Securities, LLC and will be calculated as the total of 35% of 4.5 times the net profit for 2007 and 35% of 4 times the net profit for 2008. The total consideration including costs as at the date of acquisition are estimated at €3.7 million paid and to be paid in cash. The estimated earn out 2007 (€0.8 million) is reported as other current liabilities. The estimated earn out 2008 (€1.2 million) is reported as non current liability.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The total consideration consist of:

(in € millions)

Amount paid in cash	1.5
Estimated deferred payment 2007 and 2008	2.0
Costs related directly to acquisition	0.2
<b>Total consideration including costs as at the date of acquisition</b>	<b>3.7</b>

The total goodwill has been estimated at €3.7 million and comprises the fair value of expected synergies arising from the integration of R&H Securities, LLC in the US Brokerage organisation.

From the date of the acquisition, R&H Securities, LLC has contributed approximately € nil to the net profit of the Group. If the combination had taken place at the beginning of the year, R&H Securities, LLC would have attributed €0.5 million to the net result. Revenues would have increased by €3.0 million.

The fair value of the identifiable assets and liabilities of R&H Securities, LLC as at the date of acquisition did not vary for the carrying amounts immediately before the acquisition were:

(in € millions)

### Assets

Cash and cash equivalents	0.7
Receivable from clearing broker	0.4
Commissions receivable	0.1
Other assets	-
<b>Total assets</b>	<b>1.2</b>

### Equity

### Liabilities

Payable to customers	0.1
Other liabilities and accrued expenses	1.1
<b>Total liabilities</b>	<b>1.2</b>

### Additional Profit share VDM Capital Markets, LLC

In December 2007, the Group acquired an additional profit share in VDM Capital Markets, LLC, taking its interest from 50% to 100%. The Company recognized a total goodwill of €0.3 million. The goodwill has been fully impaired in December 2007.

### Acquisitions in 2006

#### Acquisition of Hills Independent Traders Ltd. ('HIT')

On July 25, 2006 VDM has acquired a call option for the securities portfolio of HIT for an amount of GB £3.0 million (€4.4 million), representing the fair value of the securities portfolio at that moment. On October 13, 2006 the purchase of the business and assets as specified in the Asset Purchase Agreement together with the assignment of the portfolio contracts was completed.

### Acquisition of Curvalue Beheer B.V.

On January 2, 2006 the Group acquired 100% of the share capital of Curvalue Beheer B.V. and its subsidiaries (together 'Curvalue'), an independent trading and broker/dealer houses in Europe. Curvalue focuses mainly on the European derivative exchanges. The fair value of the identifiable assets and liabilities of Curvalue as at the date of acquisitions and the corresponding carrying amounts immediately before the acquisition were:

(in € millions)	Book value consolidated	Fair value step up	Fair value consolidated
Tangible fixed assets	1.1		1.1
Investments	0.4		0.4
Net working capital positions	8.9		8.9
Net working capital operations (of which €5.4 million relates to cash)	3.9		3.9
Trading rights		9.7	9.7
Software	1.1	8.0	9.1
Long term liabilities	(5.0)		(5.0)
Net deferred tax liability on step up	(4.0)	(5.0)	(9.0)
<b>Net assets</b>	<b>6.4</b>	<b>12.7</b>	<b>19.1</b>
Initial goodwill arising from acquisition			32.1
<b>Total Consideration including costs as at the date of acquisition</b>			<b>51.2</b>
The total consideration consist of:			
Amount paid in cash			5.9
Amount paid in issued and issuable VDM shares (at a share price of €6.37)			42.8
Costs related directly to the acquisition			2.5
<b>Total Consideration including costs as at the date of acquisition</b>			<b>51.2</b>
The reconciliation between the initial goodwill recorded and total goodwill related to the acquisition can be summarized as follows:			
Initial goodwill arising from acquisition			32.1
Final determination of earn-out 2006			1.2
<b>Total goodwill related to the acquisition ( before impairment)</b>			<b>33.3</b>
The goodwill related to the acquisition of Curvalue (before impairment) has been allocated to the following cash generating units (CGUs):			
- Curvalue Principal Trading			17.3
- Curvalue Brokerage			16.0
			<b>33.3</b>

On the basis of a preliminary valuation, the costs of the Curvalue business was estimated at €51.2 million, comprising the fair value estimate of Van der Moolen Holding N.V. shares ('VDM shares') issued and issuable at a price of €6.37 per share (the quoted price of VDM shares on January 2, 2006), the initial cash payment of €5.0 million, the estimated earn out payments and costs directly attributable to the business combination. As per January 2, 2006 the estimated consideration for this acquisition is comprised of an initial cash payment of €5.0 million and 3,803,509 VDM shares issued on the date of acquisition, being January 2, 2006. In addition, an earn out was agreed consisting of two payments depending on the profitability of Curvalue in 2005 and 2006 relative to pre-established profit targets.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On January 2, 2007 the first part of the earn out has been settled. The payment consisted of 1,920,964 VDM shares and an amount of €940,679 in cash.

On January 2, 2008 the second part of the earn out has been settled. The payment consisted of 1,175,965 shares.

The VDM shares issued with respect to this transaction have selling restrictions of between two to four years since the date of acquisition. Reference is made to Note 8 for further information regarding the Goodwill that arised from the acquisition of Curvalue.

### 7 DISCONTINUED OPERATIONS

On August 16, 2007 Van der Moolen announced publicly that Van der Moolen has decided to terminate the European bond activities in Van der Moolen Obligaties B.V. as from August 1, 2007 after concluding that the activities could not be scaled to the desired levels. Van der Moolen Obligaties B.V. made market in Dutch and selected French, Italian and Belgian fixed income instrument traded on Euronext. Its primary activity was to provide liquidity in these bonds to banks and brokers in order to fill retail order flow. Van der Moolen Obligaties B.V. has been included in the Trading Securities Europe segment.

On November 15, 2007 VDM publicly announced that VDM Specialists has not succeeded in bringing its operations back to profitability and will not be able to meet its second half year US target. Therefore, the Executive Board has decided to terminate all of the activities of VDM Specialists, except for the activities related to the NYSE Euronext shares as promptly as possible, but subject to an orderly transition. From then on the activities of VDM Specialists were not considered any more to be of a strategic nature. On December 17, 2007 (date of closing of the deal), Van der Moolen Holding N.V. has sold assets directly related to the US specialist activities to Lehman Brothers Inc. for zero consideration. The agreement includes the sale of all specialist assignments and transfer of the majority of staff. As from the date of sale, Lehman Brothers Inc. will assume specialist responsibility for the 308 operating companies on the New York Stock Exchange floor. In 2006 VDM Specialists were a separate business segment. Since 2007 VDM Specialists is included in the business segment Discontinued Trading US.

On December 11, 2007 the Executive Board of Van der Moolen Holding N.V. decided to terminate the business of Van der Moolen Securities Ltd. and VDM Gibraltar Ltd. after concluding that these entities can not meet the desired levels of profitability. The termination of Van der Moolen Securities Ltd. was completed December 21, 2007. Van der Moolen Securities Ltd. is included in the business segment Discontinued Trading Securities Europe. The Executive Board initiated a plan to find buyers for VDM Gibraltar Ltd. VDM Gibraltar Ltd. is an offshore subsidiary of Van der Moolen Holding N.V. which activities are focused on institutional brokering. The Board estimated the fair value less costs at the carrying value of the business less the undiscounted value of off balance liabilities (e.g. rent agreement).

The contribution of discontinued operations to the consolidated income statements, consolidated balance sheet and consolidated cash flow statement for the years ended December 31, 2007 and December 31, 2006, summarized by business segment, is given in the table below:

(in € millions)	Trading US		Trading Securities		Brokerage Europe		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenues	22.5	76.1	10.8	9.4	0.6	-	33.9	85.5
Operating expenses	(78.2)	(69.8)	(14.4)	(8.9)	(2.4)	(0.4)	(95.0)	(79.1)
<b>Operating profit/ (loss)</b>	<b>(55.7)</b>	<b>6.3</b>	<b>(3.6)</b>	<b>0.5</b>	<b>(1.8)</b>	<b>(0.4)</b>	<b>(61.1)</b>	<b>6.4</b>
Finance costs-net	(27.0)	(15.4)	(0.3)	0.1	0.2	-	(27.1)	(15.3)
<b>Loss from discontinued operations before income tax</b>	<b>(82.7)</b>	<b>(9.1)</b>	<b>(3.9)</b>	<b>0.6</b>	<b>(1.6)</b>	<b>(0.4)</b>	<b>(88.2)</b>	<b>(8.9)</b>
Income tax benefit	0.2	(69.4)	1.1	(0.1)	-	-	1.3	(69.6)
<b>Loss for the year from discontinued operations</b>	<b>(82.5)</b>	<b>(78.5)</b>	<b>(2.8)</b>	<b>0.5</b>	<b>(1.6)</b>	<b>(0.4)</b>	<b>(86.9)</b>	<b>(78.4)</b>
The major assets and liabilities of VDM Gibraltar Ltd. classified as held for sale as at December 31, 2007 are as follows:								
<b>Assets</b>								
Property, plant and equipment	-	-	-	-	0.1	-	-	-
Due from clearing organizations	-	-	-	-	3.1	-	-	-
Cash and cash equivalents	-	-	-	-	5.8	-	-	-
<b>Assets of disposal group classified as held for sale</b>					<b>9.0</b>			
<b>Liabilities</b>								
Due to clearing organizations	-	-	-	-	(5.4)	-	-	-
Other current assets, liabilities and accrued expenses	-	-	-	-	(1.1)	-	-	-
Due to customers	-	-	-	-	(2.5)	-	-	-
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9.0)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets directly associated with disposal group</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
The net cash flows incurred by the discontinued operations are:								
Cash inflow/(outflow) from operating activities	58.0	1.6	(0.1)	(0.6)	(1.4)	(0.3)	56.5	0.7
Cash inflow/(outflow) from investing activities	23.0	(2.1)	(5.4)	0.1	0.1	-	17.7	(2.0)
Cash inflow/(outflow) from financing activities	(62.7)	(45.1)	-	-	2.0	-	(60.7)	(45.1)
<b>Earnings per share</b>								
Basic, from discontinued operations	(1.77)	(1.73)	(0.05)	0.01	(0.04)	(0.01)	(1.86)	(1.73)
Diluted, from discontinued operations	(1.77)	(1.73)	(0.05)	0.01	(0.04)	(0.01)	(1.86)	(1.73)

On the disposal of a foreign operation, the cumulative amount of the foreign exchange differences deferred in the separate component of equity relating to that foreign operation shall be recognized in profit or loss when the gain or loss on disposal is recognized. Due to the disposal of VDM Specialists ad €14.1 million have been reported as a foreign exchange loss in the books. The abandonment of Van der Moolen Securities Ltd. caused a similar loss of approximately €0.1 million. Please note, as has been explained in the note to the shareholders' equity that these two amounts have overall no impact on equity, as the opposite impact is reclassified from cumulative translation adjustments to retained earnings.

Only the net assets directly associated with VDM Gibraltar Ltd. are classified as held for sale assets and liabilities. Van der Moolen Obligaties B.V. and Van der Moolen Securities Ltd. were abandoned and VDM Specialists have been sold before year end.

The additional IFRS 7 disclosure requirements on assets and associated liabilities classified as held for sale are not applicable, because these assets comprise mainly of receivables and payables on demand and cash and carry equivalents.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 INTANGIBLE ASSETS

(in € millions)

	Goodwill	Specialist assignments	Software	Trading rights	Other intangibles
<b>At January 1, 2006</b>					
Cost	24.8	96.7	2.0	-	98.7
Accumulated amortization and impairment	-	(52.9)	(0.5)	-	(53.4)
<b>Net book amount January 1, 2006</b>	<b>24.8</b>	<b>43.8</b>	<b>1.5</b>	<b>-</b>	<b>45.3</b>
Additions (internal development)	-	-	3.2	-	3.2
Additions (through business combinations)	33.3	-	9.1	9.7	18.8
Amortization charge - continuing operations	-	-	(1.7)	(1.1)	(2.8)
Amortization charge - discontinuing operations	-	(1.0)	(0.2)	-	(1.2)
Impairment charge - continuing operations	(10.0)	-	-	-	-
Impairment charge - discontinuing operations	-	(20.2)	-	-	(20.2)
Exchange rate difference	(2.5)	(3.6)	(0.2)	-	(3.8)
<b>Net book amount December 31, 2006</b>	<b>45.6</b>	<b>19.0</b>	<b>11.7</b>	<b>8.6</b>	<b>39.3</b>
<b>At December 31, 2006</b>					
Cost	45.6	86.9	15.7	9.7	112.3
Accumulated amortization and impairment of other intangibles	-	(67.9)	(4.0)	(1.1)	(73.0)
<b>Net book amount December 31, 2006</b>	<b>45.6</b>	<b>19.0</b>	<b>11.7</b>	<b>8.6</b>	<b>39.3</b>
Additions (internal development)	-	-	3.1	-	3.1
Additions (through business combinations)	3.7	-	-	-	-
Additions (buy out minority partners)	0.3	-	-	-	-
Amortization charge - continuing business	-	-	(2.6)	(1.0)	(3.6)
Amortization charge - discontinuing business	-	(0.5)	(0.6)	-	(1.1)
Impairment charge - continuing business	(0.3)	-	(0.3)	-	(0.3)
Impairment charge - discontinuing business	(20.2)	(16.9)	(1.7)	-	(18.6)
Exchange rate difference	(2.4)	(1.6)	(0.3)	-	(1.9)
<b>Net book amount December 31, 2007</b>	<b>26.7</b>	<b>-</b>	<b>9.3</b>	<b>7.6</b>	<b>16.9</b>
<b>At December 31, 2007</b>					
Cost	26.7	-	18.5	9.7	28.2
Accumulated amortization and impairment of other intangibles	-	-	(9.2)	(2.1)	(11.3)
<b>Net book amount December 31, 2007</b>	<b>26.7</b>	<b>-</b>	<b>9.3</b>	<b>7.6</b>	<b>16.9</b>

The remaining amortization periods of the software and trading rights are respectively 2 years and 8 years.

On December 31, 2007, goodwill is allocated to the Group's cash-generating units; R&H Securities, LLC (€3.4 million), domiciled in the USA, and Curvalue Brokerage (€6.0 million) and Curvalue Trading (€17.3 million). Trading rights are allocated to the Group's cash-generating unit Curvalue Trading. As a result of the termination of the VDM specialist business, the related goodwill has been fully impaired during the fourth quarter of 2007.

In December 2007, the Group acquired an additional profit share in VDM Capital Markets, LLC, taking its interest from 50% to 100%.

The Company recognized a total goodwill of €0.3 million. The goodwill has been fully impaired in December 2007.

Specialist assignments represented amounts paid in relation to the acquisition of specialist assignments. Specialist assignments acquired through business combinations after January 1, 2001 are capitalized on the balance sheet. Those acquired prior to that date were written-off to equity; this treatment persists in these consolidated financial statements in accordance with the optional exemptions provided by IFRS 1. As a result of the termination of the VDM specialist business, the specialist assignments have been fully impaired in the fourth quarter of 2007.

All amounts stated are determined using the underlying US dollar amounts, if applicable, translated to euros using December 31, 2007 closing rates. The cost price of goodwill and specialist assignments at December 31, 2007 translated at historical exchange rates amounted to €27.0 million (December 31, 2006: €197.9 million including specialist assignments).

#### **Impairment tests for goodwill VDM Specialists and specialist assignments**

On November 15, 2007, the Company announced the termination of the VDM specialist business. On December 4, 2007 the Company completed the sale of certain assets related to the specialist activities to Lehman Brothers Inc. for zero consideration. As a result, the fair value of the goodwill and specialist rights related to the VDM specialist business is estimated to be zero, leading to an impairment charge of €20.2 million related to goodwill, and an impairment charge of €16.9 million related to specialist assignments (included in loss from discontinued operations before income tax). During the third quarter of 2006, the Company performed an impairment test, since there were events and circumstances that the carrying amount might not be recoverable. As a result of this impairment test, the Company recognized an impairment loss of €20.2 million relating to specialist assignments.

#### **Impairment test for goodwill Curvalue Principal Trading and Curvalue Brokerage**

The Company performed an impairment test on the carrying value of the goodwill of both Curvalue Principal Trading and of Curvalue Brokerage on June 30, 2007. The valuations were carried out in conformity with the Group's policy that an impairment test is performed annually.

The recoverable amount is the higher of its fair value less cost to sell its value in use. The recoverable amount of goodwill related to both Curvalue Principal Trading and Curvalue Brokerage is determined on value in use calculations, using the methods as described in Note 4(a). For determining the value in use of goodwill the Company uses discounted cash flow projections based on financial budgets approved by management covering a 3.5 year period and 2.5 year period for Curvalue Principal Trading and Curvalue Brokerage, respectively. Cash flows beyond these periods are extrapolated using an estimated growth rate. The growth rate does not exceed the long-term average growth rate for both the Principal Trading and Brokerage business in which VDM Curvalue operates.

Key assumptions and operating trends used for value-in-use calculations for the impairment testing of the goodwill on June 30, 2007:

	Projections	
Residual calculation percentage trading segment	9.5%	
Revenue growth for trading segment	2.5% - 10%	(10% for 2008 and 2009 and 2.5% for 2010)
Post-tax discount rate - Trading segment	12%	(equivalent to a pre-tax rate of 16%)
Residual calculation percentage brokerage segment	13.6%	
Revenue growth for brokerage segment	28% - 35%	(35% for 2008 and 28% for 2009)
Post-tax discount rate - Brokerage segment	17%	(equivalent to a pre-tax rate of 23%)



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The outcome of the calculations based on the above key assumptions resulted in no impairment charge on the carrying value of goodwill of both Curvalue Principal Trading and Curvalue Brokerage. In 2006, the outcome of the annual impairment test resulted in an impairment charge on the carrying amount of goodwill related to Curvalue Brokerage of €10.0 million. As a result, after this impairment, the total carrying value of goodwill related to the Curvalue acquisition amounted to €23.3 million of which €17.3 million relates to Curvalue Principal Trading and €6.0 million to Curvalue Brokerage.

As a result of uncertain market conditions and the associated possible lower profitability, the Company performed an analysis on the goodwill related to the Curvalue Brokerage, in order to assess the sensitivity if the revenues would decrease. This sensitivity analysis shows that no impairment changes would be applicable if the decrease would materialize.

If the estimated revenues from the brokerage and trading activities included in the valuation model would be decreased by 10%, there would be no impairment charge for both Curvalue Principal Trading and Curvalue Brokerage.

### Impairment test for goodwill R&H Securities, LLC

On December 31, 2007, the Group performed an impairment test on the carrying value of the goodwill related to R&H Securities, LLC. The valuations were carried out in conformity with the Group's policy that an impairment test is performed annually.

The recoverable amount is the higher of its fair value less cost to sell its value in use. The recoverable amount of goodwill related to R&H Securities, LLC is determined on value in use calculations, using the methods as described in Note 4(a). For determining the fair value in use of goodwill the Company uses discounted cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using an estimated growth rate. The growth rate does not exceed the long-term average growth rate for the brokerage business in which R&H Securities, LLC operates.

The following key assumptions were used:

	Projections	
Residual calculation percentage	9.3%	
Revenue growth	0%-10%	(0% for 2008, 10% for 2009 and 2010)
Post-tax discount rate	12%	(equivalent to a pre-tax rate of 23%)

The outcome of the calculations based on above key assumptions resulted in no impairment charge on the carrying value of goodwill related to R&H Securities, LLC.

Also, if the revenues from R&H Securities, LLC included in the valuation model would be decreased by 10%, there would be no impairment charge.

## 9 PROPERTY, PLANT AND EQUIPMENT ('PPE')

(in € millions)

	Furniture and fixtures	Company cars	Total
<b>At January 1, 2006</b>			
Cost	13.9	0.8	14.7
Accumulated depreciation	(10.4)	(0.3)	(10.7)
<b>Net book amount January 1, 2006</b>	<b>3.5</b>	<b>0.5</b>	<b>4.0</b>
Additions	3.7	0.1	3.8
Additions (through business combinations)	1.1	-	1.1
Depreciation charge - continuing operations	(1.1)	(0.2)	(1.3)
Depreciation charge - discontinuing operations	(0.8)	-	(0.8)
Divestments	(0.2)	(0.2)	(0.4)
Exchange rate differences	(0.3)	(0.0)	(0.3)
<b>Net book amount December 31, 2006</b>	<b>5.9</b>	<b>0.2</b>	<b>6.1</b>
<b>At December 31, 2006</b>			
Cost	14.4	0.3	14.7
Accumulated depreciation	(8.5)	(0.1)	(8.6)
<b>Net book amount December 31, 2006</b>	<b>5.9</b>	<b>0.2</b>	<b>6.1</b>
Additions	2.2	0.2	2.4
Depreciation charge - continuing operations	(1.2)	(0.1)	(1.3)
Depreciation charge - discontinuing operations	(0.9)	-	(0.9)
Impairment charge - continuing operations	(0.2)	-	(0.2)
Impairment charge - discontinuing operations	(1.7)	-	(1.7)
PPE of disposal group classified as held for sale	(0.1)	-	(0.1)
Divestments	(0.2)	(0.1)	(0.3)
Exchange rate differences	(0.4)	-	(0.4)
<b>Net book amount December 31, 2007</b>	<b>3.4</b>	<b>0.2</b>	<b>3.6</b>
<b>At December 31, 2007</b>			
Cost	15.1	0.3	15.4
Accumulated depreciation	(11.7)	(0.1)	(11.8)
<b>Net book amount December 31, 2007</b>	<b>3.4</b>	<b>0.2</b>	<b>3.6</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10 DEFERRED INCOME TAX ASSETS AND LIABILITIES

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balances is as follows:

Deferred income tax assets (in € millions)	Intangibles written-off to equity	Tax losses	Impairment losses	Other	Total
<b>At January 1, 2006</b>	<b>62.2</b>	<b>14.3</b>	<b>14.0</b>	<b>2.5</b>	<b>93.0</b>
Reclassification from deferred tax liabilities	-	-	(4.9)	-	(4.9)
Additions (through business combinations)	-	14.6	-	-	14.6
(Charged)/credited to the income statement	(56.5)	(23.6)	2.2	(1.3)	(79.2)
Exchange differences	(5.7)	(0.6)	(1.1)	(0.2)	(7.6)
<b>At December 31, 2006</b>	<b>-</b>	<b>4.7</b>	<b>10.2</b>	<b>1.0</b>	<b>15.9</b>
Reclassifications	(32.7)	31.9	-	-	(0.8)
(Charged)/credited to the income statement	32.7	(25.3)	(9.8)	(0.5)	(2.9)
Exchange differences	-	(0.4)	(0.4)	-	(0.8)
<b>At December 31, 2007</b>	<b>-</b>	<b>10.9</b>	<b>-</b>	<b>0.5</b>	<b>11.4</b>

The deferred income tax assets arising from tax losses carried forward recognized at December 31, 2007 have an estimated remaining life of 1 to 5 years.

As per the opening balance the deferred income tax assets of €10.2 million relate to temporary deductible differences arising from the impairment of intangible assets in the years 2003 to 2006, which are amortized on a straight-line basis for tax purposes over a remaining period of about 10 years.

Due to the fact that VDM Specialists has been discontinued and the operations have been sold to Lehman Brothers Inc. at zero consideration both the book base and the tax base for the related intangible assets have been impaired. This resulted that the deferred tax assets on the impairment losses are as December 31, 2007 zero. The deferred tax assets related to the intangibles written off reserves, which have been fully derecognized in 2006, have been, however, reclassified to tax losses for an amount of €32.7 million. The tax base for the intangible assets have been impaired by €98.0 million.

In June 2007 the bank guarantee for an amount of €4.6 million of the deferred income tax assets indemnifications which have been issued by the sellers of Curvalue as part of the business combination agreement has been released. However, the indemnifications in the business combination agreement continues to exist.

Deferred income tax assets are recognized for temporary tax deductible differences and tax loss carry-forwards or unused tax credits to the extent that the Group has sufficient temporary taxable differences relating to the same tax authority and the same taxable entity, which will result in taxable amounts against which the temporary tax deductible differences, unused tax losses and tax credits can be utilized before they expire or that the realization of the related tax benefit through future taxable profits is probable.

At December 31, 2007, using the currency rate as at balance sheet date, the Group did not recognize deferred income tax assets of approximately €93.1 million (at December 31, 2006 approximately €62.7 million) in respect of temporary deductible differences, tax losses carried forward or tax credits that can be utilized against future taxable income, about €90.5 million (at December 31, 2006 about €61.4

million) of which relates to our U.S. tax position. U.S. tax losses may be utilized within a period of 20 years. The derecognition of deferred income tax assets resulted from management's reassessment of the probability criteria as stated in the applicable accounting standards in light of the multiple years of tax losses incurred in the applicable tax jurisdictions.

The amount of not recognized deferred income tax assets at December 31, 2007 and the average remaining utilization period before they expire, can be specified as follows (measured at closing rate):

Not recognized deferred income tax assets (in € millions)	Intangibles written-off to equity	Tax losses	Other	Total
Profit before tax	(31.5)	(164.0)	(7.0)	(202.5)
Not recognized deferred income tax assets	14.8	75.2	3.1	93.1
Ultimate expiry date (after applying utilization period of tax losses in relevant tax jurisdiction)	20 years	19 years	21 years	

The movement in deferred income tax liabilities without taking into consideration the offset of balances is as follows:

Deferred tax liabilities (in € millions)	Accelerated tax depreciation	Available-for-sale financial assets	Business combination accounting	Income deferred for tax purposes	Retirement benefit plans and other long-term benefits	Total
<b>At January 1, 2006</b>	<b>6.7</b>	<b>5.3</b>	<b>-</b>	<b>-</b>	<b>1.1</b>	<b>13.1</b>
Reclassification from deferred tax assets	(4.9)	-	-	-	-	(4.9)
Additions (through business combinations)	-	-	5.0	18.4	-	23.4
Charged/(credited) to the income statement	0.8	5.3	(1.2)	(12.1)	(0.2)	(7.4)
Charged/(credited) to equity	-	(1.5)	-	-	-	(1.5)
Exchange differences	(0.2)	(1.1)	-	-	-	(1.3)
<b>At December 31, 2006</b>	<b>2.4</b>	<b>8.0</b>	<b>3.8</b>	<b>6.3</b>	<b>0.9</b>	<b>21.4</b>
Reclassification to current tax	-	-	-	(1.1)	-	(1.1)
Charged/(credited) to the income statement	(2.3)	(2.2)	(0.7)	2.6	-	(2.6)
Charged/(credited) to equity	-	(1.6)	-	-	-	(1.6)
Exchange differences	(0.1)	(0.7)	-	-	-	(0.8)
<b>At December 31, 2007</b>	<b>-</b>	<b>3.5</b>	<b>3.1</b>	<b>7.8</b>	<b>0.9</b>	<b>15.3</b>

As of January 1, 2005, a new US-Netherlands tax treaty has taken effect that eliminates the withholding of taxes on dividend distributions from the United States of America to the Netherlands. Consequently, there are no taxable temporary differences on investments in subsidiaries at December 31, 2007.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same tax authority.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The amounts offset and the estimated reversal period of deferred income tax assets and liabilities are as follows:

(in € millions)	December 31, 2007	December 31, 2006
<b>Deferred income tax assets</b>		
Deferred income tax assets to be recovered after more than 12 months	11.4	15.0
Deferred income tax assets to be recovered within 12 months	-	0.9
	<b>11.4</b>	<b>15.9</b>
Offset of deferred income tax liability	(5.1)	(14.0)
<b>Net deferred income tax asset</b>	<b>6.3</b>	<b>1.9</b>
<b>Deferred income tax liabilities</b>		
Deferred income tax liabilities to be settled after more than 12 months	15.3	20.2
Deferred income tax liabilities to be settled within 12 months	-	1.2
	<b>15.3</b>	<b>21.4</b>
Offset of deferred income tax assets	(5.1)	(14.0)
<b>Net deferred income tax liability</b>	<b>10.2</b>	<b>7.4</b>

(in € millions)	Consolidated Balance sheet		Consolidated Income Statement	
	December 31, 2007	December 31, 2006	2007	2006
<b>Deferred tax assets comprise of:</b>				
Deferred tax assets - continuing operations	6.3	1.7	(2.9)	(12.3)
Deferred tax assets - discontinued operations	-	0.2	-	(66.9)
	<b>6.3</b>	<b>1.9</b>		
<b>Deferred tax liabilities comprise of:</b>				
Deferred tax liabilities - continuing operations	(10.2)	(5.0)	2.6	9.3
Deferred tax liabilities - discontinued operations	-	(2.4)	-	(1.9)
	<b>(10.2)</b>	<b>(7.4)</b>	<b>(0.3)</b>	<b>(71.8)</b>

## 11 INVESTMENTS IN ASSOCIATES

Besides Elite Derivatives Ltd. (a), the Group has the following investments in associates (amount in € millions):

	CBOE Stock Exchange, LLC (b)	Gibraltar Exchange (c)	Total
<b>At January 1, 2006</b>	-	-	-
Acquisitions	7.6	1.7	9.3
<b>At December 31, 2006</b>	<b>7.6</b>	<b>1.7</b>	<b>9.3</b>
<b>At January 1, 2007</b>	<b>7.6</b>	<b>1.7</b>	<b>9.3</b>
Share in result	(0.2)	-	(0.2)
Translation adjustment	(0.8)	-	(0.8)
<b>At December 31, 2007</b>	<b>6.6</b>	<b>1.7</b>	<b>8.3</b>

(a) Through the acquisition of Curvalue as at January 2, 2006 the Group has acquired 40% ownership of Elite Derivatives Ltd. which was then valued at zero, and subsequently as well as the net asset value of Elite Derivatives Ltd. were negative.

- (b) The Group has a 20% interest in CBOE Stock Exchange, LLC, a Delaware limited liability company which was formed on July 31, 2006. CBOE Stock Exchange, LLC is a privately owned company that is not listed on any public exchange. Reference is also made to Note 35 (c). The financial information of CBOE Stock exchange, LLC is as follows:

	December 31, 2007	December 31, 2006
Current assets	15.3	17.8
Non current assets	19.2	20.8
Current liabilities	1.4	0.5
Net assets	33.1	38.1
Loss/profit	(1.0)	0.1

- (c) Reflects a possible participation of 33.3% in the Gibraltar Exchange, a company incorporated in accordance with the laws of Gibraltar, for which a bank guarantee of €1.7 million has been issued. The Gibraltar Exchange is a privately owned company that is not listed on any public exchange. At this moment, no summarised financial information of this associate is available, due to the fact that the Gibraltar Exchange has not started its activities yet. The fair value of the investment approximates the carrying value. Reference is also made to Note 35 (e).

## 12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

(in € millions)

	NYSE exchange Memberships	NYSE shares	ISE Stock Exchange, LLC	Total
<b>Net book amount January 1, 2006</b>	<b>18.0</b>	-	-	<b>18.0</b>
Conversion NYSE Membership to NYSE Shares	(18.0)	27.0	-	9.0
Sale of NYSE shares in secondary offering	-	(9.6)	-	(9.6)
Acquisition	-	-	2.3	2.3
Fair value change credited to equity	-	7.0	-	7.0
Currency translation differences	-	(2.5)	-	(2.5)
<b>Net book amount December 31, 2006</b>	<b>-</b>	<b>21.9</b>	<b>2.3</b>	<b>24.2</b>
Sale of NYSE shares	-	(7.1)	-	(7.1)
Transfer shares to minority members	-	(1.4)	-	(1.4)
Fair value change to minority members	-	(0.3)	-	(0.3)
Fair value change to equity	-	(2.9)	-	(2.9)
Currency translation differences	-	(1.2)	(0.2)	(1.4)
<b>Net book amount December 31, 2007</b>	<b>-</b>	<b>9.0</b>	<b>2.1</b>	<b>11.1</b>

### (a) NYSE Euronext shares

The fair value of the NYSE Euronext shares is based on the current bid price as per December 31, 2007 and December 31, 2006. The NYSE Euronext shares owned by the Group are subject to two year restrictions for sale. The restriction will be removed on March 7, 2008 and March 7, 2009, unless the restrictions are removed earlier by the NYSE Group, Inc. in its sole discretion.

### (b) ISE Stock Exchange, LLC

In June 2006 the Group entered into a subscription agreement with ISE Stock Exchange, LLC for an amount of €2.3 million (US \$3.0 million) obtaining a 3% share in ISE Stock Exchange, LLC. The view of the Group's management, is that given the limited information on the investment at this moment, the range of reasonable fair value estimate for the investment could be significant and the probabilities of the various estimates cannot be reasonably assessed as at December 31, 2007. Given this view, under IAS 39 the Group is precluded from measuring the fair value.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 SECURITIES OWNED AND SECURITIES SOLD, NOT YET PURCHASED

The following table provides an analyses of securities owned and securities sold, not yet purchased

(in € millions)	December 31, 2007		December 31, 2006	
	Owned	Sold, not yet purchased	Owned	Sold, not yet purchased
Bonds	0.1	-	14.1	7.6
Common and preferred shares	391.2	366.6	495.8	384.8
Derivatives held-for-trading	209.2	266.2	567.9	575.3
	<b>600.5</b>	<b>632.8</b>	<b>1.077.8</b>	<b>967.7</b>

Based on agreements with the Group's clearing organizations and professional parties, the Group's securities are pledged to clearing organizations, depositories and other financial institutions for the purpose of financing the Group's trading activities.

In order to secure payments to the clearing organisations, the Group has also to pledge on first request of these clearing organisations, the current and future receivables connected with its normal business. The clearing organisations are authorized to use the collateral at their own risk or to invest it and may join the collateral of their assets and other collateral. If the Group does not comply with the first request to deposit or supplement collateral or with requirements such as haircut and Net liq, all debts to the clearing organisations shall become payable and the clearing organisations shall be entitled to proceed with the liquidation of the Group's security position and realize, at its discretion, all collateral or part thereof without prior warning or notice or default, at such time and in such manner as the clearing organisation deems desirable to recover from the proceeds everything owed to the clearing organisations according to its books, including interest and costs.

At December 31, 2007, securities owned and securities sold, not yet purchased, resulting from our specialist and market making activities, include €31.6 million and €31.6 million, respectively, of positions with offsetting market risk, amongst others in American Depositary Receipts (ADRs) and the corresponding shares arising as a result of the Group's arbitrage activities. These positions are measured at the quoted mid price of the market of the original security.

#### Derivates held-for-trading

Trading activities in derivatives are entered in principally for the purpose of generating profits from short term fluctuations in price or margin. Positions may be traded actively or held over a period of time to benefit from expected changes in exchange rates, interest rates, equity prices or other market parameters. Trading includes market making, positioning and arbitrage activities. Market making entails quoting bid and offer prices to other market participants for the purpose of generating revenues based on spread and volume; positioning means managing market risk positions in the expectation of benefiting from favourable movements in prices, rates or indices; arbitrage involves identifying and profiting from price differentials between markets and products.

The fair values of derivatives held-for-trading are determined by market price quotations. If quoted market prices are not available the fair value is determined based on quoted market prices of comparable instruments.

## 14 LOANS AND RECEIVABLES

The Company advanced a loan of €0.4 million on Elite Derivatives Ltd., an associate of the Company. This loan carries an interest of 6.5% per annum and has a final maturity date of July 31, 2010. During 2006, the Company recognized an impairment loss of €0.2 million. In 2007, the Company determined that it would not be likely that the loan will be repaid by Elite Derivatives Ltd. As a result the loan was fully impaired during 2007 (€0.2 million). No collateral is held for this loan.

## 15 OTHER CURRENT ASSETS AND PREPAID EXPENSES

Other current assets and prepaid expenses is comprised of the following:

(in € millions)	December 31, 2007	December 31, 2006
Taxes and social securities	2.1	2.4
Receivable from partners in VDM Specialists	-	0.2
Other	5.8	4.3
	<b>7.9</b>	<b>6.9</b>

## 16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented under current assets is comprised of the following:

(in € millions)	December 31, 2007	December 31, 2006
Cash at bank and in hand	75.9	49.1
Short-term bank deposits	13.7	13.7
Cash accounts with clearing organizations and other professional parties	80.8	40.9
Money market funds and other highly liquid investments	95.2	11.2
	<b>265.6</b>	<b>114.9</b>

The fair value of cash and cash equivalents is €265.6 million (2006: €114.9 million). An amount of €76.3 million of cash at bank is held with one commercial bank. For these balances a cash pooling arrangement exists that includes bank overdrafts of the Group of €69.7 million as at December 31, 2007.

The short-term bank deposits outstanding at December 31, 2007 has an effective interest rate of 6.5% (2006: 5.1%).

At December 31, 2007, the Group has approximately €130.0 million (December 31, 2006: €19.0 million) of freely-available cash (including its disposition on security positions and other assets). The remainder represents amounts that are earmarked for collateralizing bank overdrafts within the cash pooling arrangement as set out above, for purposes of collateralizing positions and meeting regulatory requirements imposed by stock exchanges.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The reconciliation between cash and cash equivalents and the amounts used for cash flow purposes is given below:

(in € millions)	2007 December 31	2006 December 31	2006 January 1
Cash and cash equivalents	265.6	114.9	115.8
Bank overdrafts	(84.1)	(112.4)	(114.2)
<b>Cash and cash-equivalents, net of amounts of bank overdrafts</b>	<b>181.5</b>	<b>2.5</b>	<b>1.6</b>

Non-current cash and cash equivalents are not part of the cash management of the Group and are therefore excluded from year-end balances in the consolidated cash flow statement. Movements in non-current cash and cash equivalents are presented as a cash flow from operating activities.

On December 31, 2007, the Group had no committed credit facilities (2006: €15.0 million).

### Non-current cash and cash equivalents

In 2007 VDM Specialists terminated its specialists' activities. As a result as per December 31, 2007 VDM Specialists is not subject any more to New York Stock Exchange Rule 104.22, which specifies minimum net liquid assets requirements. As of December 31, 2007 VDM Specialists' minimum net liquid asset requirement was nil (2006: €103.0 million).

## 17 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

Movements in share capital, share premium and treasury shares arise as follows:

(in € millions, except for number of shares data)

	Capital attributable to the Company's equity holders							
	Financing preferred shares		Common shares		Treasury shares		Share premium	Total
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Amounts		
<b>Balance at January 1, 2006</b>	-	-	<b>39,343,295</b>	<b>3.2</b>	<b>102,182</b>	<b>(2.5)</b>	<b>135.7</b>	<b>136.4</b>
Acquisition Curvalue	-	-	3,803,509	0.3	-	-	43.7	44.0
Recognition financing preferred shares	642,304	0.4	-	-	-	-	51.0	51.4
Share option contribution	-	-	-	-	-	-	0.5	0.5
Stock dividend 2005 (Note 40)	-	-	437,158	0.0	-	-	(0.0)	-
<b>Balance at December 31, 2006</b>	<b>642,304</b>	<b>0.4</b>	<b>43,583,962</b>	<b>3.5</b>	<b>102,182</b>	<b>(2.5)</b>	<b>230.9</b>	<b>232.3</b>
Acquisition Curvalue	-	-	1,920,964	0.2	-	-	(0.2)	(0.0)
Repurchase of financing preferred shares	(251,000)	(0.2)	-	-	-	-	(10.2)	(10.4)
Share option contribution	-	-	-	-	-	-	-	-
Stock dividend 2006 (Note 40)	-	-	-	-	-	-	-	-
<b>Balance at December 31, 2007</b>	<b>391,304</b>	<b>0.2</b>	<b>45,504,926</b>	<b>3.7</b>	<b>102,182</b>	<b>(2.5)</b>	<b>220.5</b>	<b>221.9</b>

### Financing preferred shares

On April 5, 2006, the Annual General Meeting of shareholders ('AGM') approved the alteration of the Articles of Association in order to permit recognition of the financing preferred shares as an equity instrument under IFRS (IAS 32). Until the alteration of the Article of Association,

financing preferred shares have been classified as borrowings and the relating dividend as interest expense (Note 2.17). The recognized interest expense in the income statement for the period January 1 until April 5, 2006, amounts to €1.1 million.

Details of the financing preferred shares for the years ended December 31, 2007 and December 31, 2006 are as follows:

The number of authorized and issued financing preferred shares at December 31, 2007 is:

- 1,200,000 cumulative financing preferred shares 'A' with a par value of €0.60 per share, non of which were issued and fully paid; (December 2006: 251,000 shares issued and fully paid);
- 1,200,000 cumulative financing preferred shares 'B' with a par value of €0.60 per share, of which 391,304 were issued and fully paid (December 31: 391,304 shares issued and fully paid);
- 1,200,000 cumulative financing preferred shares 'C', 1,200,000 cumulative financing preferred shares 'D' and 1,200,000 cumulative financing preferred shares 'E' with a par value of €0.60 per share, none of which have been issued (2006: none). The financing preferred shares are not mandatorily redeemable.

On April 26, 2007, the AGM approved the repurchase and cancellation of all the outstanding financing preferred shares A. As a result, on April 27, 2007, Van der Moolen Holding N.V. repurchased and cancelled all of the outstanding financing preferred shares A, being 251,000 shares for a total amount of €11.3 million. This amount includes a dividend amount of €0.8 million for the period January 1, 2006 until April 27, 2007. These shares had a cumulative dividend that is calculated on the basis of a dividend percentage equal to the average effective yield on three government bonds, the remaining term of which to the extend possible equals 10 years, increased or decreased by 500 basis points to be rounded up to whole cents. The dividend distribution is, at the discretion of the Executive Board with the approval of the Supervisory Board, either added to the dividend reserve A or is paid out as cash dividend. The profit basis (the dividend expense is equal to the profit basis times of the dividend percentages) of the financing preferred A shares is equal to the issuance rate of the financing preferred A shares issued on January 16, 1997, being €40.21 per share. The dividend for the year 2007 amounts to €0.2 million (2006: €0.7 million including the interest expense recognized in the income statement (€0.2 million) until the alteration of the Articles of Association). The dividend percentage was re-established each 10 years.

The cumulative financing preferred B shares have a cumulative dividend that is calculated on the basis of a dividend percentage equal to the calculated average, over the last five stock exchange dates prior to the date of payment, of the effective yield on government bonds with a (remaining) term of 6 to 7 years and 7 to 8 years (as calculated by the Centraal Bureau voor Statistiek and published by the Officiële Prijscourant of Euronext Amsterdam) increased or decreased by a maximum of 500 basis points, rounded up to whole cents. The dividend distribution is, at the discretion of the Executive Board with the approval of the Supervisory Board, either added to the dividend reserve B or is paid out as a cash dividend. The profit basis is equal to the issuance rate of €104.37 per share. The dividend for the year 2007 amounts to €3.4 million (2006: €3.4 million, including the interest expense recognized in the income statement (€0.9 million) until the alteration of the Articles of Association). The dividend percentage is re-established each 7 year period; the last time being on April 5, 2006.

The effective interest rates for the year ended December 31, 2007 were as follows:

- Cumulative financing preferred A shares 6.53% or €2.71 per share (until April 27, 2007).
- Cumulative financing preferred B shares 8.45% or €8.82 per share.

The (dividend) interest expense on financing preferred shares is not deductible for corporate income tax purposes.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Common shares

The total authorized number of common shares is 54,000,000 shares per December 31, 2007 (December 31, 2006: 54,000,000 shares) with a par value of €0.08 per share. All issued shares are fully paid.

On January 2, 2006, Van der Moolen Holding N.V. ('VDM') acquired 100% of the share capital of Curvalue Beheer B.V. and its subsidiaries (together Curvalue). The consideration of this acquisition is comprised of an initial cash payment of €5.0 million and 3,803,509 VDM shares issued on the date of acquisition ('closing'), being January 2, 2006. In addition, an earn out was agreed consisting of two payments: a maximum amount of €10.4 million in cash and a maximum number of 1,920,964 VDM shares due approximately five months and one year after closing of the transaction; and a maximum amount of €10.4 million in cash and a maximum number of 1,920,964 VDM shares due approximately seventeen months and two years after closing of the transaction. The amount of the earn-out is dependent upon the profitability of Curvalue in 2005 and 2006 relative to pre-established profit targets. On January 2, 2007, the first part of the earn-out has been settled. The payment consisted of 1,920,964 VDM shares and an amount of €940,679 in cash. In 2008, the second part of the earn out has been settled. A total number of 1,175,965 VDM shares has been issued. The newly issued shares have selling restrictions varying from 2 to 4 years.

On January 24, 2008 VDM announced that it has the intention to buy back its common shares with a maximum of 10% of the outstanding shares. Further reference is made to Note 35 Events after the balance sheet date.

### Share premium

The total share premium reserve can be distributed free of tax.

### Treasury shares

Van der Moolen Holding N.V. acquired 882,182 common shares through purchases on Euronext Amsterdam during 2003. These purchases were made to cover the Group's obligations under its employee share option plan. The total amount paid to acquire the shares was €8.1 million, and this was deducted from Shareholders' equity in 2003. On April 22, 2004, 780,000 shares were sold via Euronext Amsterdam for a total consideration of €5.6 million. The proceeds have been credited to Shareholders' equity in 2004. This sale followed from changing the methodology used to determine the number of shares necessary to cover the Group's outstanding obligations under the share option plan. As at December 31, 2007, Van der Moolen Holding N.V. holds 102,182 common shares (2006: 102,182 shares); it has the right to resell these shares at a later date.

### Preferred shares

On December 31, 2007, authorized share capital included 13,200,000 preferred shares with a par value of €0.60 per share, none of which have been issued. On May 1, 2001, the Company amended its articles of association to provide for the future issuance of preferred shares to a foundation called Stichting Van der Moolen Holding ('Stichting'). The Stichting's objective is to safeguard the interests of the Company and its subsidiaries in the event of, for instance, a hostile take over, by acquiring and managing the preferred shares of the Company and by exercising the rights attaching to those shares, in particular the voting rights. The Company entered into an agreement with the Stichting pursuant to which the Stichting has been granted a call option right allowing it to acquire up to the number of preferred shares of which the aggregate par value is equal to the aggregate par value of the total number of the Company's outstanding common and cumulative financing preferred shares.

## Voting rights

Each common share carries one vote and each preferred and financing preferred share of €0.60 nominal each carries 7.5 votes.

## Proposed appropriation of result for the year

The following proposal for appropriation of result will be presented for shareholder approval at the Group's Annual General Meeting of Shareholders ('AGM') on May 22, 2008 (in comparison to the appropriation of result for the year 2006 as adopted at the AGM of April 26, 2007).

(in € millions, except for number of shares data)

	2007	2006
Dividend on common shares (EUR nil per share in cash or common shares)	-	-
(Debit)/Credited to retained earnings	(91.7)	(78.7)
<b>Profit/(Loss) for the year attributable to the Company's common equity holders</b>	<b>(91.7)</b>	<b>(78.7)</b>

## 18 FAIR VALUE RESERVE, CUMULATIVE TRANSLATION ADJUSTMENT RESERVE, PREFERRED DIVIDEND RESERVE AND RETAINED EARNINGS

Movements in the fair value reserve, cumulative translation adjustment reserve and retained earnings arise as follows:

(in € millions)

	Reserves attributable to the Company's equity holders				
	Fair value reserve	CTA reserve	Preferred financing dividend reserve	Retained earnings	Total
<b>Balance at January 1, 2006</b>	<b>5.1</b>	<b>7.8</b>	<b>-</b>	<b>71.5</b>	<b>84.4</b>
Profit for the year attributable to common equity shareholders	-	-	-	(78.7)	(78.7)
Cash dividend 2005 (Note 40)	-	-	-	(2.3)	(2.3)
Dividends of financing preferred shares	-	-	4.0	-	4.0
Realized fair value available-for-sale financial assets, net of tax	(5.1)	-	-	-	(5.1)
Fair value change of available-for-sale financial assets, net of tax	3.5	-	-	-	3.5
Currency translation differences	(0.3)	(22.5)	-	-	(22.8)
<b>At December 31, 2006</b>	<b>3.2</b>	<b>(14.7)</b>	<b>4.0</b>	<b>(9.5)</b>	<b>(17.0)</b>
Profit for the year attributable to common equity shareholders	-	14.1	-	(91.7)	(77.6)
Payment preferred dividend	-	-	(4.3)	-	(4.3)
Reallocation of minority interest	-	-	-	4.7	4.7
Dividends of financing preferred shares	-	-	3.7	-	3.7
Realized fair value available-for-sale financial assets, net of tax	(0.4)	-	-	-	(0.4)
Fair value change of available-for-sale financial assets, net of tax	(1.2)	-	-	-	(1.2)
Currency translation differences	(0.5)	(10.8)	-	-	(11.3)
<b>At December 31, 2007</b>	<b>1.1</b>	<b>(11.4)</b>	<b>3.4</b>	<b>(96.5)</b>	<b>(103.4)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19 SHARE OPTION PLAN

The Group's employee option plan was terminated at the beginning of 2003. At the end of 2006, current and former employees retained options exercisable into common shares as a result of distributions in prior years. The options have various economic lives of five and ten years. The exercise of employee options is regulated, so that the Group can ensure its compliance with insider trading statutes. As of December 31, 2006, (former) members of the Executive Board and current and former employees held a total of 184,580 options on the common shares of Van der Moolen Holding N.V. During 2007 the majority of these options either expired or forfeited. As a result, at end of 2007 former employees held a total of 22,500 options on the common shares of Van der Moolen Holding N.V. These options have an economic life of ten years.

The vesting period of the option rights is three years, during which time the relevant employees must remain employed with the Group. If employees cease to be employed by the Group, their unexercised options are generally forfeited. The Executive Board must approve any exceptions to this policy. The vesting period is expired for the Group's employee option plan. Van der Moolen began to repurchase its shares at the beginning of 2003, in order to cover its obligations under its employee option plan. These shares are included in equity as Treasury Shares (Note 17).

The following table summarizes option activity for the year ended December 31, 2007:

(in € millions, except for number of options data)

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Range of Exercise Prices	Weighted Average Fair Value at Grant Date
Outstanding at January 1, 2007	22,500	€ 16.17	2.92	€ - - 16.17	€ 4.63
Outstanding at January 1, 2007	162,080	€ 21.09	0.96	€ 21.00 - 24.79	€ 7.11
Expired	(79,250)	€ 21.09	0.96	€ 21.00 - 24.79	€ 7.11
Forfeited	(82,830)	€ 21.09	0.96	€ 21.00 - 24.79	€ 7.11
<b>Outstanding at December 31, 2007</b>	<b>22,500</b>	<b>€ 16.17</b>	<b>1.92</b>	<b>€ - - 16.17</b>	<b>€ 4.63</b>
Outstanding at December 31, 2007	-	€ -	-	€ - - -	€ -
<b>Outstanding at December 31, 2007</b>	<b>22,500</b>	<b>€ 16.17</b>	<b>1.92</b>	<b>€ - - 16.17</b>	<b>€ 4.63</b>
Exercisable options	22,500	€ 16.17	1.92	€ - - 16.17	€ 4.63

The following table summarizes option activity for the year ended December 31, 2006:

(in € millions, except for number of options data)

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Range of Exercise Prices	Weighted Average Fair Value at Grant Date
Outstanding at January 1, 2006	22,500	€ 16.17	3.92	€ - - 16.17	€ 4.63
Outstanding at January 1, 2006	186,080	€ 21.08	1.96	€ 21.00 - 24.79	€ 7.11
Outstanding at January 1, 2006	418,425	€ 30.13	0.81	€ 27.30 - 31.45	€ 7.27
Expired	(412,425)	€ 30.11	0.81	€ 27.30 - 31.45	€ 7.27
Expired	(24,000)	€ 21.00	1.96	€ 21.00 - 24.79	€ 7.13
Forfeited	(6,000)	€ 31.45	0.92	€ 27.30 - 31.45	€ 7.27
<b>Outstanding at December 31, 2006</b>	<b>22,500</b>	<b>€ 16.17</b>	<b>2.92</b>	<b>€ - - 16.17</b>	<b>€ 4.63</b>
Outstanding at December 31, 2006	162,080	€ 21.09	0.96	€ 21.00 - 24.79	€ 7.11
<b>Outstanding at December 31, 2006</b>	<b>184,580</b>	<b>€ 20.49</b>	<b>1.20</b>	<b>€ 16.17 - 24.79</b>	<b>€ 6.81</b>
Exercisable options	184,580	€ 20.49	1.20	€ 16.17 - 24.79	€ 6.81

All the options outstanding during 2007 were already vested at the end of 2005;  
Hence no costs have been recognized in relation to its share option plan (2006: €nil).

On January 1, 2006, Mr. R.D. den Drijver on his personal title has awarded the employee group of Curvalue a stock award by donating 4% of his consideration received through the sale of his Curvalue shares to Van der Moolen, being 209,707 VDM shares. The weighted average fair value of these equity instruments amounts to approximately €0.5 million. This fair value is based on the observable market price of the underlying shares at December 31, 2007.

The conditions for awarding this stock plan can be summarized as follows:

1. The donation is only for those personnel members who still have an active contractual relation with Curvalue at the moment of the determination of the individual donations, being December 20, 2007;
2. The level of individual donation will be at the complete discretion of Mr. R.D. den Drijver, who will determine at his full discretion the elements relevant for determining the level of the individual donations; and
3. The donation will be distributed in 5 tranches in the period 2008-2012. If a personnel member leaves before the end of 2012, the employee will receive compensation in cash instead of the shares.

Since there is direct relation between the donation and the employment during the specific period the transfer of shares qualifies as share based payments and IFRS 2 should be applied.

This arrangement has no impact on the participation of common and preferred shareholders, as no additional shares will be issued by the Company in this respect. The compensation costs related to this arrangement amounts to a gain of less than €0.1 million (2006: expense of €0.5 million). The total expense recognized will not affect equity, since the expenses will be offset by an increase in share capital as described in IFRS 2.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 MINORITY INTEREST (EQUITY) AND CAPITAL OF MINORITY MEMBERS (LIABILITIES)

Movements in minority interest and capital of minority members are comprised of:

(in € millions)

	Equity			Liability
	Minority interest in specialist assignments	Other minority interest	Total Minority interest	Capital of minority members
<b>Net book amount at January 1, 2006</b>	<b>10.9</b>	<b>-</b>	<b>10.9</b>	<b>16.3</b>
Change in minority interest in specialist assignments due to amortization and impairment (Note 8)	(5.3)	-	(5.3)	-
Other results for the year attributable to minority members	-	4.3	4.3	-
Allocation of profits to Capital accounts	-	(4.3)	(4.3)	4.3
Capital contribution from minority members	-	-	-	2.7
Distribution to minority members	-	-	-	(8.8)
Fair value change on available-for-sale financial assets (Note 12)	-	-	-	(0.4)
Interest attributable to Capital Accounts of minority members	-	-	-	1.3
Exchange rate differences	(0.9)	-	(0.9)	(1.7)
<b>Net book amount December 31, 2006</b>	<b>4.7</b>	<b>-</b>	<b>4.7</b>	<b>13.7</b>
Change in minority interest in specialist assignments due to amortization and impairment (Note 8)	(0.0)	-	(0.0)	-
Other results for the year attributable to minority members	-	(1.8)	(1.8)	-
Allocation of profits to Capital accounts	-	1.8	1.8	(1.8)
Distribution to minority members	-	-	-	(5.6)
Acquisition of 100% interest	(4.7)	-	(4.7)	(6.0)
Fair value change on available-for-sale financial assets (Note 12)	-	-	-	(0.3)
Loan loss provision (Note 30)	-	-	-	1.2
Transfer of available-for-sale financial assets (Note 12)	-	-	-	(1.4)
Interest attributable to Capital Accounts of minority members	-	-	-	0.5
Exchange rate differences	0.0	-	0.0	(0.3)
<b>Net book amount December 31, 2007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The effective interest rate on the capital accounts of minority members for the years ended December 31, 2007 and December 31, 2006 was 10%.

On June 21, 2007, the Group entered into an option agreement with effective date April 1, 2007 with the minority partners of VDM Specialists to acquire the remaining 15.6% minority interest in VDM Specialists and VDM Trading. As a result, 100% of the results of VDM Specialists and VDM Trading are included in the Group's result as of 1 April, 2007.

### 21 SUBORDINATED BORROWINGS

The subordinated borrowings, including their final maturity date, are listed as follows:

(in € millions)

	Effective interest rate	Principal Amount outstanding	Carrying amount	
			2007	2006
7.11%, payable March 1, 2008	7.27%	-	-	15.8
7.54%, payable August 3, 2008	7.86%	11.5	12.1	35.0
7.80%, payable August 3, 2011	8.10%	35.4	37.0	52.6
		<b>46.9</b>	<b>49.1</b>	<b>103.4</b>
Less: current portion (Note 23)		(46.9)	(49.1)	(38.5)
		<b>-</b>	<b>-</b>	<b>64.9</b>

The following table presents the repayment schedules for the subordinated borrowings agreed with the bond holders, based on their principal amount outstanding:

(in € millions)	7.54%	7.80%	7.11%	Total
	Subordinated Note	Subordinated Note	Subordinated Note	
2008	(11.5)	(35.4)	-	(46,9)
	(11.5)	(35.4)	-	(46,9)

At December 31, 2007, all subordinated borrowings are issued by VDM Specialists and are denominated in US dollars and subordinated to claims of general creditors of VDM Specialists. Because of the termination of VDM Specialists activities in 2007 VDM Specialists has no minimum net liquidity and capital requirement any more, as per December 31, 2007. As part of the termination of the specialist activities of VDM Specialists the subordinated loans, which were taken up to fund minimum net liquidity and capital requirements of VDM Specialists, are repaid in 2008. For this early redemption a make whole penalty of €3.5 million has been paid. This amount was already fully accrued in 2007 (Note 25).

In 2006 and 2007 the fair values of subordinated borrowings approximate the carrying amounts.

## 22 LONG-TERM BORROWINGS

Long-term borrowings represent the outstanding principal of a 6.25% loan with a final maturity date of January 28, 2010. The loan is repayable in annual instalments. An amount of €0.3 million is due within 2008, and an total amount of €0.7 million is due within 2009 and 2010. The principal amount with maturity less than one year has been classified within short-term borrowings in the consolidated balance sheet (Note 23). The effective interest rate on this loan is 6.25% per annum (2006: 6.25%). The fair value of the long-term borrowings approximates the fair value.

## 23 SHORT-TERM BORROWINGS

(in € millions)	2007	2006
	December 31	December 31
Current portion of subordinated borrowings (Note 21)	49.1	38.5
Current portion of long-term loans (Note 22)	0.3	0.4
	<b>49.4</b>	<b>38.9</b>

The fair value of the short-term borrowings approximates the carrying value.

## 24 PROVISIONS

### (a) Legal expenses

At December 31, 2006 a provision of €0.6 million was established relating to settlements for certain investigations and reviews by the New York Stock Exchange and for litigation expense for former minority members. In 2007 this provision was fully utilized. At December 31, 2007 a provision of €7.0 million has been set up for legal expenses mainly relating to the US specialist activities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (b) Restructuring provision

At December 31, 2006 a provision related to estimated severance payments was record amounting to €0.1 million. This provision was utilized in full during 2007. At December 31, 2007 a provision of €1.8 million has been set up for redundancy payments for the closing down of the equity trading activities in the United Kingdom.

## 25 OTHER CURRENT LIABILITIES AND ACCRUED EXPENSES

Other current liabilities and accrued expenses comprise the following:

(in € millions)	2007	2006
	December 31	December 31
Trade payables	2.1	1.0
Other taxes and social security contributions	2.8	1.6
Accrued bonuses	23.0	9.1
Capital payable to former partners of VDM Specialists	0.4	0.5
Make whole penalty	3.5	-
Bank guarantee Gibraltar Exchange	1.7	1.7
Deferred payment R&H Securities, LLC	0.8	-
Other	11.3	7.7
	<b>45.6</b>	<b>21.6</b>

Regarding the liability for capital payable to former partners of VDM Specialists, interest is payable based on the interest rate applicable to investments in cash and cash-equivalents. The make whole penalty relates to early redemption of the subordinated loans in January 2008. Reference is made to Note 21.

## 26 OTHER GAINS AND LOSSES - NET

### NYSE shares

On March 7, 2006, the NYSE and Archipelago Holdings, Inc. combined their businesses and became wholly-owned subsidiaries of NYSE Group Inc., a newly-created, for-profit and publicly-traded holding company. Each NYSE member became entitled to receive US \$300,000 in cash, plus 80,177 shares of NYSE Group common stock in exchange for the NYSE membership. In addition, immediately prior to the merger, the NYSE announced a 'permitted dividend' paid to each NYSE membership in the amount of US \$70,570, which was the equivalent to the membership's pro rata portion of the NYSE's 'excess cash', as defined in the NYSE Merger Agreement. As per March 7, 2006, the Company owned six memberships.

As a result of the NYSE Merger, the Company's six NYSE memberships were converted into the right to receive an aggregate of US \$1.8 million in cash (not including the permitted dividend) and 481,062 shares of NYSE Group common stock. Subsequent to the merger, the Company has joined the so-called secondary offering of NYSE Group shares. Early May 2006, approximately 181,940 shares, out of the 481,062 set out above, have been successfully offered and allocated in this process. The total gain recognized in 2006 as a result of the NYSE merger amounts to €21.1 million.

This gain is composed of the following components:

Permitted dividend	0.4
Cash received as result of NYSE merger	1.5
Shares received as result of NYSE merger	20.1
Shares sold during 'Secondary offering'	(0.9)
<b>Total realized gain</b>	<b>21.1</b>

During 2007, the Company sold another 125,197 shares, resulting in a realized profit of €0.8 million including dividend received on the NYSE shares.

#### Other

In 2006, other gains and losses - net also includes a non-taxable amount of €0.4 million was received in respect of the settlement of the litigation surrounding the value of an option to acquire 12.3% in Prebon Group Ltd. The litigation started as a result of a take-over of Prebon Group Ltd. by a third party and the subsequent request Van der Moolen Holding N.V. issued for the settlement of the option value. In 2007, other gains and losses-net also includes distributions of reserves of the Vereniging European Options Exchange amounting to €0.1 million.

## 27 RETIREMENT BENEFIT PLANS AND OTHER LONG-TERM BENEFITS

The Company has employee retirement benefit plans in Germany, the United States of America, the United Kingdom, Switzerland and the Netherlands.

#### (a) Retirement benefits – Defined contribution plans

The German subsidiary has a defined contribution plan in place for management team members as well as certain employees. The annual contribution under this plan during the years ended December 31, 2007, and 2006 was €20,636 and €36,924, respectively. In the United States, the Company sponsors a 401(k) plan covering all eligible full-time employees. Under certain circumstances prescribed by law, the Company may be required to make contributions to this plan. During the year ended December 31, 2007 contributions of €21,888 were made under this plan (2006: €143,346). The UK subsidiaries installed a defined contribution plan during the year 2006. The annual contribution during 2007 was €308,691 (2006: nil). The Swiss subsidiary recognized €68,099 as defined contribution costs in 2007. In the Netherlands, the Curvalue Group has a defined contribution plan in place. The total contribution for 2007 was €66,095 (2006: €53,430).

#### (b) Retirement benefits – Defined benefit plans

In the Netherlands, various defined benefit plans exist. Defined benefits plans are based on years of service and compensation levels at the time of retirement. The main Dutch plan is a defined benefit average pay plan.

Because of changes in the Dutch legislation as of January 1, 2006, certain plan changes were required. Besides a change in retirement age (to 65 years instead of 60 years), the pension system has been prospectively changed from a mitigated final pay plan to an average pay plan. The effect of the plan changes resulted in a gain of €0.1 million. Under the plan, the employees are entitled to retirement benefits varying between 70% and 80% of the average salary upon attainment of a retirement age of 65. No other post-retirements benefits related to these employees are provided. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2007, by an independent company of actuaries and advisors. The present value of the defined benefit



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. The Company's Dutch collective schemes are insured with insurance companies in the Netherlands. The insurance companies guarantee a rate of return of approximately 3.75% on the actuarial reserve. The actual rate of return on investments normally exceeds the guaranteed rate of return described above; the excess is called interest profit and the Company is entitled to a share of the interest profit. The actual rate of return on investment is based on the yield on certain state debentures in the Netherlands. Because of the nature of these insurance contracts, there are no separate asset and investment policies.

### (c) Other long-term benefits

Besides aforementioned post-employment benefit plans the Company provides for other long-term employee benefits, such as for some employees of a former subsidiary of Van der Moolen Holding N.V.

The amounts recognized in the balance sheet in respect of the Group's defined benefit retirement plans and other long-term benefits are as follows:

(in € millions)	2007 December 31	2006 December 31
Present value of funded obligations	15.5	17.3
Fair value of plan assets	(16.9)	(19.4)
<b>Excess of plan assets over funded obligations</b>	<b>(1.4)</b>	<b>(2.1)</b>
Present value of unfunded obligations	0.1	0.3
Unrecognized actuarial gains/(losses)	(2.3)	(1.7)
Unrecognized past service cost	-	-
<b>Net (Asset)/Liability in the balance sheet</b>	<b>(3.6)</b>	<b>(3.5)</b>

The total of the present value of funded and unfunded obligations amounts to €15.6 million as of December 31, 2007 (2006: €17.6 million).

The movement of the assets recognized in the balance sheet is as follows:

(in € millions)	2007	2006
Balance at January 1	3.5	3.4
Total expense recognized in the income statement	(0.2)	(0.1)
Contributions paid by employer	0.3	0.4
Other	-	(0.2)
<b>Balance at December 31</b>	<b>3.6</b>	<b>3.5</b>

The principal assumptions used for the purpose of the actuarial valuation were as follows:

(in € millions)	2007 December 31	2006 December 31
Discount rate	5.50%	4.75%
Expected return on plan assets (based on risk free rate)	4.50%	4.25%
Expected average rate of compensation increases (including expected inflation rate of 2.0%)	2.91%	2.90%

Assumptions regarding future mortality experience are based on published statistics, known as 'Collectief '93', and experience in each territory.

The amounts recognized in the income statement in respect of the Group's retirement benefit plans and other long-term benefits are as follows:

(in € millions)	2007	2006
Current service cost	0.2	0.3
Interest on obligation	0.8	0.8
Expected return on plan assets	(0.8)	(0.8)
Recognition/amortization of actuarial losses/(gains)	0.0	0.0
Settlement	-	(0.2)
Plan change	-	(0.1)
Other costs	0.0	0.1
<b>Total (income)/expense</b>	<b>0.2</b>	<b>0.1</b>

The expense for the year is included in the employee benefits expense in the income statement. The recognized expense for the plan change in 2006 relates to past service costs.

Changes in the present value of funded and unfunded obligations are as follows:

(in € millions)	2007	2006
Opening present value of obligations	17.6	19.6
Current service cost	0.2	0.3
Interest cost	0.8	0.8
Benefits paid	(1.0)	(1.0)
Settlement	-	(0.2)
Other	(0.1)	-
Plan change	-	(0.1)
<b>Expected present value of obligations (end of year)</b>	<b>17.5</b>	<b>19.4</b>
Actual actuarial (gain)/loss	(1.9)	(1.8)
<b>Closing present value of obligations</b>	<b>15.6</b>	<b>17.6</b>

Changes in the fair value of plan assets are as follows:

(in € millions)	2007	2006
Opening fair value of plan assets	19.4	20.6
Expected return on plan assets	0.8	0.8
Contributions by the employer	0.3	0.4
Benefits paid	(1.0)	(1.0)
Other	(0.2)	(0.0)
<b>Expected plan assets (end of year)</b>	<b>19.3</b>	<b>20.8</b>
Actual gains/(losses)	(2.5)	(1.4)
<b>Closing fair value of plan assets</b>	<b>16.8</b>	<b>19.4</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in € millions)	2007	2006
	December 31	December 31
Expected return on plan assets	0.8	0.8
Actual gain/(loss)	(2.5)	(1.4)
<b>Actual return on plan assets</b>	<b>(1.7)</b>	<b>(0.6)</b>

The fair value of plan assets at the balance sheet date is analyzed as follows:

(in € millions)	2007	2006
	December 31	December 31
Other assets	16.8	19.4
<b>Closing fair value of plan assets</b>	<b>16.8</b>	<b>19.4</b>

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group. The expected rates of return on individual categories of plan assets are determined by reference to relevant indices published by a stock exchange. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The history of the plan for the current and prior period is as follows:

(in € millions)	2007	2006
	December 31	December 31
Present value of funded and unfunded obligations	15.6	17.6
Fair value of plan assets	(16.8)	(19.4)
<b>Deficit/(Excess)</b>	<b>(1.2)</b>	<b>(1.8)</b>

(in gains/losses of:)	2007	2006	2005	2004
Experience adjustments on plan liabilities	(10.9%)	(9.6%)	1.4%	0.9%
Experience adjustments on plan assets	(13.2%)	(6.7%)	3.7%	5.2%

The Group expects to contribute approximately €0.4 million to its retirement benefit plans in 2008.

## 28 EMPLOYEE BENEFIT EXPENSE

Employee benefit expenses comprise of:

(in € millions)	2007	2006
Base salaries	16.5	11.7
Social security cost	2.1	1.4
Retirement benefits - defined contribution plans (Note 27)	0.3	0.1
Retirement benefits - defined benefit plans and other long-term benefits (Note 27)	0.2	0.3
Other retirement benefits expense	(0.1)	-
<b>Total fixed employee benefit expense</b>	<b>19.0</b>	<b>13.5</b>
Share options granted to directors and employees (Note 19)	(0.0)	0.5
Employee bonuses - variable compensation	29.8	9.7
<b>Total variable employee benefit expense</b>	<b>29.8</b>	<b>10.2</b>
<b>Total employee benefit expense</b>	<b>48.8</b>	<b>23.7</b>

Base salaries include termination benefits amounting to €2.6 million (2006: €0.5 million).

During 2007, the average number of employees was 338 (2006: 405), of which 245 were employed by foreign group companies (306 in 2006). The number of employees at December 31, 2007 was 344 (December 31, 2006: 446).

## 29 GENERAL AND ADMINISTRATIVE EXPENSES

(in € millions)	2007	2006
Professional fees	7.4	6.0
Other general and administrative expenses	10.0	9.9
	<b>17.4</b>	<b>15.9</b>

Professional fees include legal advisory expense of €1.3 million (2006: €1.2 million).

## 30 INTEREST INCOME AND OTHER FINANCE COSTS

Interest income is comprised of:

(in € millions)	2007	2006
Intercompany interest income	5.4	7.3
Other interest income	1.5	1.4
<b>Total interest income</b>	<b>6.9</b>	<b>8.7</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The intercompany interest income from operations that were discontinued during 2007 is considered to be income from continuing business and hence included in interest income. The opposite intercompany expense is part of the result from discontinued operations.

Other finance costs are comprised of:

(in € millions)	2007	2006
Interest on capital of minority members (Note 2.2(c) and 20)	(0.5)	(0.0)
Long-term borrowings (Note 22)	(0.1)	(0.1)
Loan loss provision	(1.4)	-
Other interest expenses	(0.5)	(1.7)
<b>Total other finance costs</b>	<b>(2.5)</b>	<b>(1.8)</b>

Loan loss provision relates to the impairment of the loan receivable of €0.2 million (Note 14) and the waived losses of minority members of VDM Trading, LLC and VDM Capital Markets, LLC for the total amount of €1.2 million. The minority members of VDM Trading, LLC were waived for their losses as a result of the acquisition of 100% of VDM Specialists. The minority members of VDM Capital Markets, LLC were waived of their losses as a result of the acquisition of the 100% result share.

### 31 INCOME TAX BENEFIT/[EXPENSE]

Profit/(loss) before income tax from continuing operations for purposes of income tax calculations can be determined as follows (see Note 2.23):

(in € millions)	2007	2006
Profit/(loss) before income tax from continuing operations	1.2	6.7
Add: result attributable to minority interest	1.8	1.0
<b>Profit/(loss) before income tax from continuing operations for purposes of income tax calculations</b>	<b>3.0</b>	<b>7.7</b>

The income tax benefit/(expense) consists of the following:

(in € millions)	2007	2006
Current income tax	(2.5)	(3.0)
Deferred income tax (Note 10)	(0.3)	(71.8)
	<b>(2.8)</b>	<b>(74.8)</b>
Less: relating to discontinued operations	(1.3)	69.6
<b>Income tax from continuing operations</b>	<b>(4.1)</b>	<b>(5.2)</b>

The consolidated effective tax rate on the Group's profit before tax and after minority interest from continuing operations in 2007 (charge: 135%) was significantly influenced by fixed payable tax amounts based on contributed capital in the tax jurisdictions concerned (mainly Swiss and US) rather than taxes based on profit before income tax. The consolidated effective tax rate 2006 (charge 67.4%) was importantly influenced by non-taxable items. Both the 2007 and 2006 consolidated effective tax rate is further discussed below.

The 2007 consolidated weighted average tax rate of 28.2% provides a fair view on the domestic tax rates applicable to profits in the tax jurisdictions concerned, because the profit before tax is relatively divided equally.

The weighted average statutory tax rate applicable to pretax result from continuing operations in 2006 has been significantly influenced as a result of the combination of profits realized in high-taxed jurisdictions (Germany) and losses incurred in lower-taxed jurisdictions (Netherlands) together with a relative low level of pretax results. Applying the domestic rates applicable to pretax income and losses from continuing operations in the tax jurisdictions in which the individual group companies operated in 2006, the Group would incur tax expenses in the amount of €4.9 million. In 2006, the weighted statutory average tax rate was 63.1%. A reconciliation between the income tax expense/ (benefit) and that derived from applying the weighted average statutory tax rate to (loss)/profit before income tax from continuing operations as defined above, is given below:

(in € millions)	2007	2006
Pretax profit/(loss) from continuing operations for purposes of income tax calculations	3.0	7.7
Weighted average tax rate applicable to the Group	(28.2%)	(63.1%)
<b>Income tax calculated at the domestic tax rates applicable to profits in the tax jurisdictions concerned</b>	<b>(0.9)</b>	<b>(4.9)</b>
Capital tax instead of income tax	(1.9)	4.9
Expenses not deductible for tax purposes	0.1	(3.5)
Non-taxable income	-	1.7
Derecognition of deferred tax assets	(0.7)	(2.7)
Effect of change in tax rates	-	(0.8)
Setoff of deferred tax liability on equity through the income statement	(1.0)	-
Other	0.4	0.1
<b>Income tax from continuing operations</b>	<b>(4.1)</b>	<b>(5.2)</b>

The following factors materially affected the comparison between the effective tax rate and the weighted average applicable tax rate both 2007 and 2006:

#### Capital tax instead of income tax

In both the Swiss and US domestic tax jurisdictions certain criteria's are met which causes the Company to pay taxes on basis of contributed capital rather than on profit before tax. The US tax amounts are based on a minimum and maximum payable tax, as long as this is covered with sufficient tax losses. In 2007 the Swiss tax is only based on a percentage of capital contribution while the taxable profits are almost zero, due to the available tax exemptions. As a result the 2007 effective income tax charge, compared to the weighted statutory average income tax, in the US and Swiss jurisdictions of the Group is approximately €2.8 million higher and approximately €0.9 million lower, respectively.

#### Expenses not deductible for tax purposes

Expenses not deductible for tax purposes mainly reflect the non-tax deductible nature of the 2006 impairment charge on goodwill relating to the Group's brokerage activities (see Note 7), the financing preferred dividends recognized as an expense until April 5, 2006 and of the expense recognized in respect of the settlement reached with NYSE in relation to the stock loan investigation.

#### Non-taxable income

Non-taxable income mainly relates to the impact of certain Group companies having a different functional currency for tax purposes than that applied for the preparation of the financial statements.

#### Derecognition of deferred tax assets

The derecognition of deferred tax assets mainly relates to the Group's tax position in the Netherlands, France and the United Kingdom. The derecognition loss resulted from management's reassessment of the probability criteria as stated in the applicable accounting standards in light of the multiple years of tax losses incurred in the applicable tax jurisdictions (see notes 4(c) and 10).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Setoff deferred tax liability on equity through income statement

Under IAS 12 the deferred tax position related to the movements in fair value reserve are to be recognized in equity. The NYSE Euronext shares are classified as available-for-sale financial assets and hence the related deferred tax position is recognized through equity. The US deferred tax asset position that are to be derecognized be set off against the deferred tax liability movements of the NYSE Euronext shares. These movements are to be recognized through the income statement.

### Effect of change in tax rates

The effect of change in tax rates reflects in 2006 the impact of remeasurement of the Group's deferred income tax positions in the Netherlands. In 2006, a change in the Netherlands tax law was enacted. As a result of this enacted change, the tax rate applicable for years beginning on January 1, 2007 decreased to 25.5%. Given the Group's deferred tax position existing on December 31, 2006, this decrease in tax rate resulted in a tax benefit of €0.8 million. In 2007, no tax changes were applicable.

## 32 EARNINGS PER SHARE

### Basic

Basic earnings per share is calculated by dividing profit attributable to common shareholders of the Company by the weighted average number of common shares in issue for the period, excluding common shares purchased by the Company and held as treasury shares (Note 17) with - in addition - the weighted impact of the shares issued on January 2, 2007 in relation to the earn-out 2005 agreement as part of the acquisition of Curvalue and the shares issuable in respect of the earn-out 2006, which are considered to be 'earned' at January 1, 2007.

	2007	2006
Profit/(loss) attributable to common equity shareholders of the Group (in € millions)	(91.7)	(78.7)
Weighted average number of common shares in issue outstanding	46,680,891	45,352,290
Basic earnings per share from continuing operations (€ per share)	(0.10)	(0.01)
Basic earnings per share from discontinued operations (€ per share)	(1.86)	(1.73)
<b>Basic earnings per share (€ per share)</b>	<b>(1.96)</b>	<b>(1.74)</b>

### Diluted

Diluted earnings per share is calculated adjusting the weighted average number of common shares outstanding to assume conversion or exercise of all dilutive potential common shares. The Company has one category of dilutive potential common shares: the outstanding options under the share option plan (Note 19). For these share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares so calculated is compared with the number of shares that would have been issued assuming the exercise of the share options. The dilutive effect of share options is nil for the years 2006 and 2007 as a result of share option exercise prices being higher than the average annual market share price; hence diluted earnings per share is equal to basic earnings per share.

For the year 2006, the estimated number of shares that are issuable in respect of the Curvalue earn-out arrangement for the year 2006 could potentially dilute the basic earnings per share, but are not included in the diluted loss per share as these instruments have an antidilutive impact due to the reported loss attributable to common shareholders. Should the impact of the instruments have been taken into account, the dilutive loss per common share would amount to €1.69.

## 33 COMMITMENTS AND CONTINGENT LIABILITIES

### 33.1 Guarantees

Van der Moolen Holding N.V. has issued a guarantee to third parties for a total amount of €1.0 million in relation to a credit facility of Stichting Van der Moolen Holding. No amounts were drawn under this facility on December 31, 2007 (2006: nil).

Van der Moolen Holding N.V. is liable for debts arising from the legal activities of its, 100%-owned direct and indirect subsidiaries, with the exception of the companies established outside the Netherlands.

At December 31, 2007 VDM Specialists has no longer issued any so-called 325(e) guarantees to the New York Stock Exchange, since VDM Specialists ceased activities as a specialist at the end of 2007 (2006: total guarantees of €3.8 million were issued).

In the ordinary course of its business, the Company indemnifies certain service providers, such as clearing and custody agents, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates (together herein: the Company). In addition, the Company is a member of payment, clearing and settlement networks as well as securities exchanges that may require the Company to meet the obligations of such networks and exchanges in the event of member defaults. The Company is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the Company will have to make material payments under these arrangements, and no liabilities related to these guarantees and indemnifications have been recognized in the consolidated balance sheet as of December 31, 2007.

### 33.2 Lease obligations (non-cancellable operating leases)

Office rent	
2008	2.0
2009	1.9
2010	1.5
2011	0.7
2012	0.6
Later years	0.5
<b>Total</b>	<b>7.2</b>

Certain leases contain renewal options and escalation clauses. Rental expense for the year 2007 amounted to €2.9 million (2006: €2.7 million), and is recognized in general and administrative expenses.

### 33.3 Regulatory Proceedings and litigation

#### (a) Van der Moolen Specialists USA, LLC

##### (i) Specialist Trading Investigations by SEC and NYSE and criminal charges

On April 12, 2005 seven former employees of Van der Moolen Specialists USA, LLC, and indirectly owned subsidiary of Van der Moolen Holding N.V. ("Van der Moolen"), were indicted by the U.S. Department of Justice for securities fraud and conspiracy to commit securities fraud. Two of these defendants pleaded guilty to one count of securities fraud (each on May 12, 2006). On July 14, 2006, two of the other indicted former employees of VDM Specialists were found guilty of one count of securities fraud each (and were acquitted on the conspiracy count and other counts of securities fraud) after a jury trial and are appealing their conviction to the United States Court of Appeals for the



Second Circuit. On April 6, 2006, the government dismissed the conspiracy count against the remaining three former employees of VDM Specialists who had been indicted on April 12, 2005. Two former employees were acquitted on all remaining counts on August 1, 2006 and September 18, 2006 respectively and the government dismissed all charges against the final defendant on November 22, 2006. As a result, there are currently two appeals pending from these criminal charges against the seven former employees of VDM Specialists.

Also on April 12, 2005, the U.S. Securities and Exchange Commission ('SEC') commenced administrative proceedings against the seven former employees of VDM Specialists who were indicted by the U.S. Department of Justice, as well as another employee of VDM Specialists who was not indicted. The New York Stock Exchange ('NYSE') has also brought charges against these former employees of VDM Specialists, however, this matter is currently stayed. The complaint of the SEC alleges trading practices in violation of certain anti-fraud provisions of federal securities laws and of NYSE rules, constituting violations of the Exchange Act. The two employees of VDM Specialists who pleaded guilty to one count in the criminal trials also settled with the SEC. A stay of the SEC proceedings against the two employees who were found guilty in the criminal trials and are currently appealing, remains in effect. On October 30, 2007 the SEC submitted a memorandum to the relevant Administrative Judge seeking penalties from the other four employees of VDM Specialists. The hearing commenced on February 11, 2008 and is divided in two phases. Phase 1 has concluded and Phase 2 with respect to the former VDM employees is expected to commence on April 28, 2008 and is expected to conclude in May 2008. It is not possible to predict the outcome of the SEC's enforcement action against the remaining former employees of VDM Specialists. However, the outcome may be influenced by the outcome of the appeals in the criminal cases.

The financial liability of VDM Specialists in these criminal and administrative proceedings arises from its operating agreement. Pursuant to Section 5.5 of such agreement, VDM Specialists is required to advance funds for actual litigation expenses (including legal fees and fines assessed) incurred by the relevant members in connection with these proceedings.

## (ii) In re NYSE Specialist Securities Litigation

In the fourth quarter of 2003, four putative class actions were filed with the United States District Court for the Southern District of New York (the 'District Court') against VDM Specialists and other NYSE specialist firms. In March 2004, a similar suit was filed with the District Court by an individual plaintiff, not purporting to represent a class. One of the class actions and the individual suit also named the NYSE and Van der Moolen Holding N.V. as defendants. In May 2004, the District Court entered an order consolidating the four class actions and the individual action and appointing lead plaintiffs.

Each of these five actions was filed on behalf of plaintiffs who allege that the defendants violated U.S. federal securities law by conducting various improper trading activities to the detriment of pending customer orders. The actions were based on the administrative charges brought by the NYSE and SEC against the specialist firms. The actions seek unspecified restitution and damages.

On November 16, 2004, Van der Moolen Holding N.V., VDM Specialists and the other NYSE specialist firms moved to dismiss the amended consolidated complaint. On December 15, 2005, the Court granted in part and denied in part the motion to dismiss, thereby allowing plaintiffs' claims to go forward against Van der Moolen Holding N.V., VDM Specialists and the other specialist firms. Initially the claims against the NYSE were dismissed in their entirety but on September 18, 2007 the Court of Appeals for the Second Circuit reversed in part the dismissal of the claims against the NYSE and remanded the matter for further proceedings before the District Court. Plaintiffs served a request for the production of documents on defendants on or about February 16, 2006, and the parties have begun to produce discovery. Van der Moolen Holding N.V. and VDM Specialists answered the complaint on February 23, 2006.

No class has yet been certified. The plaintiffs' motion for class certification has been briefed. The defendants have argued that class certification should not be granted, *inter alia*, because individualized assessments would be required (for several reasons) and because there are intra-class conflicts. Oral argument on the plaintiffs' class certification motion is scheduled for April 30, 2008.

It is the Group's belief that Van der Moolen Holding N.V. and VDM Specialists have substantial defenses to this litigation, although the outcome or a range of outcomes of the litigation cannot be predicted



at this time. Additionally, whether a class is certified in this case or not, members of the putative class may elect to bring individual claims for damages against Van der Moolen Holding N.V. and VDM Specialists. The likelihood of such litigation and its outcome or range of outcomes cannot be predicted at this time.

### **(iii) Sea Carriers, LP I v. NYSE Euronext**

On June 1, 2007, a putative class action was filed in the District Court by Sea Carriers, LP I and Sea Carriers Corporation against Van der Moolen Holding N.V., VDM Specialists, other NYSE specialists and their affiliates, various large brokerage firms and their affiliates, and NYSE Euronext. The plaintiffs allege that during the class period (beginning October 17, 1998) the defendants violated the U.S. federal anti-trust and securities laws and state fiduciary duty law by misrepresenting the market for execution services and costs of execution of trades on the NYSE, manipulating trading on the NYSE, and colluding to raise, fix and maintain at anti-competitive levels the costs of executions services on the NYSE, all with respect to market orders sent to the NYSE floor by means of the Exchange's SuperDOT system. In September 2007, VDM Specialists was served with the complaint in this action. The action seeks unspecified monetary damages, equitable relief, attorneys' fees, costs and expenses, pre-judgment interest, and treble damages for any violations of anti-trust laws.

### **(iv) In re Short Sale Antitrust Litigation**

On October 24, 2006, VDM Specialists was served with an amended complaint in an antitrust class action brought in the District Court against numerous financial institutions alleging that the defendants violated federal antitrust laws and state fiduciary duty law by conspiring to raise borrowing costs for 'hard-to-borrow' securities. The defendants filed a motion to dismiss, which was granted by the court. The plaintiff has appealed this decision.

### **(v) Arbitration against Mill Bridge IV, Inc. et al.**

In May 2007, three former members of VDM Specialists commenced a NYSE arbitration against Mill Bridge IV, Inc. (a subsidiary of VDM Specialists) and seven individual members of the Management Committee of VDM Specialists, alleging a failure by these members to disclose to the minority members of VDM Specialists an alleged offer by Van der Moolen N.V. to purchase the membership interest of these minority members. The claim seeks damages in excess of US \$630,000 plus the diminution of the members' capital accounts

during January 2007, interest, attorneys' fees, costs and other unspecified relief.

In March 2008, the claimants submitted an amended statement of claim, raising new claims in addition to the claim for damages relating to the failure to disclose an alleged offer (as described above), and asserting claims also against Van der Moolen Holding N.V. The claimants allege that they are entitled to a percentage share of Van der Moolen Holding N.V.'s equity stake in the CBOE Stock Exchange, LLC, through the imposition of a constructive trust, and also to damages in an amount to be determined relating to their alleged share of Van der Moolen Holding N.V.'s stake in the CBOE Stock Exchange, LLC.

We believe that we have substantial defences to this litigation although the outcome or a range of outcomes of the litigation cannot be predicted at this time.

The financial liability of VDM Specialists in this arbitration arises from its operating agreement. Pursuant to Section 5.5 of such agreement VDM Specialists is required to advance funds for actual litigation expenses (including legal fees and fines assessed) incurred by the relevant members in connection with these proceedings.

### **(vi) Investigation by the NYSE Regulation**

The Division of Enforcement of NYSE Regulation has informed VDM Specialists that it is investigating the conduct of one of its specialists in connection with the delayed opening and reopening of Rockwell Collins, Inc. common stock on the morning of July 26, 2007 and the possible failure by the specialist to maintain a fair and orderly market in the stock that day. The outcome of this investigation cannot be predicted at this time.

### **(vii) Legal Fees VDM Specialists**

In 2007, VDM Specialists incurred a €5.5 million in legal fees and associated expenses in relation to regulatory proceedings and litigation (2006: €2.9 million). Pursuant to Section 5.5 of its operating agreement, VDM Specialists is required to advance funds for actual litigation expenses incurred by various (former) members in connection with these litigation and regulatory inquiries. All such advances have been included in the aforementioned amount and are recognized as expenses in the Consolidated Income Statement. This is relevant in relation to the cases described above (i.e., Specialist



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Trading Investigations by SEC and NYSE and the Arbitration against Mill Bridge IV, Inc. et al.). In 2007 an amount of approximately €3.0 million was recognized (2006: €2.6 million). (Reference is made to Note 24 for details of a provision of €7.0 million established at December 31, 2007). There can be no assurance that further legal fees over and above this provision will not arise, and such expenses could be material.

### **(b) U.S. Option Business**

#### **(i) Investigations by the American Stock Exchange, the Chicago Board Options Exchange, the Philadelphia Stock Exchange and the SEC**

The investigations by the American Stock Exchange's Enforcement Division on charges of possible violations by Cohen, Duffy, McGowan & Co., LLC of, inter alia, the exchange's limit order display rule and the firm quote rule resulted in a fine for Cohen, Duffy, McGowan & Co., LLC of US \$65,000, which was paid in September 2006. As a result the proceeding has been concluded.

In addition, the Department of Market Regulation of the Chicago Board Options Exchange requested written information from Van der Moolen Options USA, LLC relating to compliance with the Chicago Board Options Exchange's firm quote rule. On January 28, 2004, the SEC requested data from all U.S. option exchanges, including all those on which our option units acted as specialists or in a similar capacity, regarding the functioning and trading practices of specialists on those exchanges. It is possible that these requests have been lodged in advance of additional investigations into trading practices by the Chicago Board Options Exchange or the SEC.

On May 11, 2004, the SEC requested financial information and information in respect of the compliance procedures of Cohen, Duffy, McGowan & Co., LLC. Cohen, Duffy, McGowan & Co., LLC was closed in December 2003 and was dissolved and we disposed of the activities of Van der Moolen Options USA, LLC in December 2004. In 2005 Van der Moolen USA, LLC merged into Mill Bridge V, Inc.

On February 11, 2005, the Chicago Board Options Exchange sent a notice informing Van der Moolen Options USA, LLC that it had initiated an inquiry to determine whether Van der Moolen Options USA, LLC, in its capacity as Designated Primary Market-Maker on the Chicago Board Options Exchange or through its designee members,

interpositioned or traded its principal account ahead of orders Van der Moolen Options USA, LLC represented as agent during the period from at least January 1999 through December 2004, in violation of Chicago Board Options Exchange or SEC rules. The outcome of this investigation cannot be predicted at this time.

Also, on December 21, 2004, the Philadelphia Stock Exchange advised Van der Moolen Options USA, LLC that it is conducting an investigation and fact-finding effort related to the order handling and trading activity by Van der Moolen Options USA, LLC for the period of February 2003 through September 2004, regarding compliance with Philadelphia Stock Exchange Rule 1082 ('Firm Quotations').

The outcomes or range of losses arising from these investigations in respect of our U.S. options business cannot be reliably estimated at this time.

#### **(ii) Last Atlantis Capital et al. vs. Chicago Board Options Exchange et al.**

On January 20, 2004, five entities who allege that they are purchasers and sellers of options commenced an action in the U.S. District Court for the Northern District of Illinois against four national securities exchanges (the American Stock Exchange, the Chicago Board Options Exchange, the Philadelphia Stock Exchange and the Pacific Stock Exchange) and 35 securities dealers who made markets in options, including Cohen, Duffy, McGowan & Co., LLC and Van der Moolen Options USA, LLC (currently Mill Bridge V Inc.) as well as Van der Moolen Holding N.V. Plaintiffs allege that Van der Moolen's (former) subsidiaries conspired with other defendants by allegedly failing to execute orders, cancelling orders and refusing to cancel orders for the purchase and sale of options. Plaintiffs allege violations of federal antitrust laws (Sections 1 of the Sherman Act and 4 and 16 of the Clayton Act), and securities laws (Section 10(b) of the Exchange Act and rule 10b-5 thereunder), breach of contract, common law fraud, breach of fiduciary duty, violations of an Illinois consumer fraud and deceptive business practices statute and tortious interference with business. Injunctive relief and damages (including punitive damages) in an unspecified amount are sought. Cohen, Duffy, McGowan & Co., LLC, Van der Moolen Options USA, LLC and Van der Moolen Holding N.V. were never served with the process in this action, and although named in the caption of the Complaint, there were no specific allegations in the complaint against either Van der Moolen Holding N.V. or Van der Moolen Options USA, LLC.



Motions to dismiss were filed with the court on June 14, 2004. On March 30, 2005 the court granted the motion to dismiss. On May 9, 2005, the court denied the plaintiffs' motion for reconsideration except with respect to the federal securities count as to which the court gave plaintiffs leave to replead with particularity. Plaintiffs subsequently filed an amended complaint. Plaintiffs also filed virtually identical complaints before two judges on behalf of three additional plaintiffs. The two actions were reassigned to the judge hearing the first action and, on November 7, 2005, plaintiffs filed a consolidated complaint. Defendants moved to dismiss on January 6, 2006.

On September 15, 2006, the District Court granted the motions to dismiss with prejudice. Plaintiffs again moved for reconsideration and sought leave to file a proposed amended complaint. On March 22, 2007, the District Court granted the motion for reconsideration in part, allowing plaintiffs to file their proposed amended complaint against all the defendants except the securities exchanges. Plaintiffs filed an amended consolidated complaint on April 5, 2007. The amended consolidated complaint, on behalf of all eight plaintiffs, names as defendants 34 securities dealers and affiliates, including Van der Moolen Holding N.V., Van der Moolen Options USA, LLC and Cohen, Duffy, McGowan & Co., LLC. On May 25, 2007, Van der Moolen N.V. filed a motion to dismiss the amended consolidated complaint. On May 31, 2007, the District Court granted the motion to dismiss and dismissed the amended consolidated complaint against Van der Moolen Holding N.V., Van der Moolen Options USA, LLC and Cohen, Duffy, McGowan & Co., LLC with prejudice. On August 22, 2007, the District Court vacated the May 31, 2007 order in part, allowing plaintiffs an additional 60 days (until October 22, 2007) to serve Cohen, Duffy, McGowan & Co., LLC with the amended consolidated complaint. There is no indication that plaintiffs have achieved service on Cohen, Duffy, McGowan & Co., LLC. The case remains dismissed against Cohen, Duffy, McGowan & Co., LLC, Van der Moolen Options USA, LLC, and Van der Moolen Holding N.V. Because the case is still pending against 30 other defendants, the order of dismissal is not yet final or appealable.

On November 27, 2007, defendants filed a renewed motion to dismiss the amended consolidated complaint. On February 7, 2008, the District Court granted the motion to dismiss with respect to all defendants that had not entered into certain consent orders with the American Stock Exchange in 2006. The dismissal order expressly does not apply to the eleven defendants, including Cohen, Duffy,

McGowan & Co., LLC, which entered into consent orders with the American Stock Exchange. However, as discussed above, there is no indication that plaintiffs have ever achieved service on Cohen, Duffy, McGowan & Co., LLC.

### (c) Concluding remark

With respect to the regulatory investigations and civil litigations described above, there can be no assurance as to the outcome or timing of the resolution of these matters. The range of possible resolutions could include determinations and judgments against us or settlements that could require substantial payments by us that could have a material adverse effect on our financial condition, results of operations and cash flows.

## 33.4 Other

Early October 2007, the Group has entered into an agreement through a partnership with Sycap Group AB ('Sycap'). Together with Sycap, the Group will start to develop a forex platform based on a software license agreement, which will be offered to both external customers as well as the Group's traders. The Group anticipates to contribute capital during 2008 of €1.4 million, (€1.0 million in the form of a subordinated loan and €0.4 million working capital). The Group also is required to pay software maintenance and development costs of €0.7 million during 2008.

On October 9, 2007 the Group announced that it has reached an agreement with GSFS Asset Management B.V. to cooperate globally with traditional proprietary arbitrage trading and structured products trading. The agreement is based on a profit share. There were no significant operations in 2007.

## 34 RELATED PARTY TRANSACTIONS

### i) Seat leases

Until the merger between NYSE and Archipelago Holdings, Inc. early March 2006, VDM Specialists leased exchange memberships from its employees and minority members through operational lease agreements. The leases were based on NYSE published lease rates at the date of renewal. Since there is no lease agreement for memberships any more there was no payment (2006: less than €0.1 million) to minority members in 2007.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### ii) Key Management Compensation

At December 31, 2007, the Supervisory Board of Van der Moolen had three members (2006: four). They received total remuneration of €0.1 million (2006: €0.2 million). For attendance at meetings of the Audit Committee and Remuneration and Nominating Committee, committee members received €1,500 per meeting, excluding value added tax (2006: €1,500). The total remuneration of Supervisory Board members in 2007 and 2006 was as follows (all amounts including VAT, where applicable):

(in €)	Supervisory Board Attendance	Audit Committee Attendance	Remuneration and Nominating Committee Attendance	Total 2007	Total 2006
Prof. dr. R.G.C. van den Brink, Chairman (resigned August 14, 2007)	28,429	8,088	4,044	40,561	69,101
G.L. van den Broek, Chairman (until August 14, 2007 Vice Chairman)	31,197	12,031	5,156	48,384	38,894
J. Aalberts (resigned April 6, 2006)	-	-	-	-	6,268
M. Arentsen	38,996	14,436	-	53,432	52,896
G.H. de Marez Oyens	25,049	11,591	-	36,640	39,640
	<b>123,671</b>	<b>46,146</b>	<b>9,200</b>	<b>179,017</b>	<b>206,799</b>

The total remuneration of members of the Executive Board in 2007 and 2006 was:

(in €)	Base Salary	Bonuses	Post employment benefits and social security expense	Other short term benefits	Total 2007	Total 2006
R.D. den Drijver (Chairman) <sup>1)</sup>	447,108	178,843	45,925	216,157	888,033	458,022
M. Wolfswinkel <sup>2)</sup>	274,170	109,668	45,093	19,442	448,373	-
F.M.J. Böttcher (Chairman) <sup>3)</sup>	-	-	-	-	-	355,164
L.J. Pruis <sup>4)</sup>	-	-	-	-	-	755,248
C.F. Rondeltap <sup>5)</sup>	301,587	-	48,307	1,073,964	1,423,858	395,587
	<b>1,022,865</b>	<b>288,511</b>	<b>139,325</b>	<b>1,309,563</b>	<b>2,760,264</b>	<b>1,964,021</b>

1) Mr. R.D. den Drijver was appointed to the Executive Board effective April 5, 2006 and became chairman on May 1, 2006.

2) Mr. M. Wolfswinkel was appointed effective March 1, 2007.

3) Mr. F.M.J. Böttcher resigned from the Executive Board on May 1, 2006. Up to and including September 2006, he engaged as advisor to the Executive Board.

4) Mr. L.J. Pruis resigned effective November 30, 2006. In accordance with his contractual arrangements, Mr. L. J. Pruis received a total severance payment of €374,000

5) Mr. C. F. Rondeltap resigned effective November 30, 2007. In accordance with his contractual arrangements, Mr. C.F. Rondeltap received a total severance payment of €1,009,957

In December 2004 the partnership interest of 1% in VDM Specialist, LLC of Mr. Cleaver, a former member of the Executive Board, was relinquished. Therefore in 2007 there is no interest payment any more (2006: €0.1 million) on this capital. Due to the merger between the NYSE and Archipelago Holdings, Inc. in 2006, the Group does not lease any more a seat anymore from Mr. Cleaver and hence he did not receive any payments in 2007 (2006: €8,500).

#### Former Board members

F.M.J. Böttcher <sup>1)</sup>

J.P. Cleaver, Jr. <sup>2)</sup>

Life of options at issuance in years	Number of options December 31, 2006	Average exercise price	Expired	Number of options December 31, 2007	Average exercise price
5	25,000	€ 21.00	(25,000)	-	-
5	5,000	€ 21.00	(5,000)	-	-
<b>5</b>	<b>30,000</b>	<b>€ 21.00</b>	<b>(30,000)</b>	<b>-</b>	<b>-</b>

1) Mr. Böttcher resigned May 1, 2006.

2) Mr. Cleaver, Jr. retired as of December 31, 2004

As part of the initial payment of the acquisition of Curvalue Beheer B.V. and its subsidiaries on January 2, 2006, 3,803,509 common shares of Van der Moolen Holding N.V. were issued. The RDD Family Foundation, a related party to Mr. Den Drijver, the Chairman of our Executive Board, received 3,018,354 common shares. The remaining 785,155 shares were issued to persons, or related parties thereof, that are currently employed by the Group or act as its advisor. In addition, there is an earn-out consisting of two payments depending on the profitability of Curvalue in 2005 and 2006. Based on the 2005 Curvalue financial performance, an additional 1,920,964 common shares were issued on January 2, 2007, of which 1,524,421 have been received by the RDD Family Foundation and 396,543 shares have been received by persons, or related parties thereof, that are currently employed by the Group or act as our advisor. On January 2, 2008, 1,175,965 shares are issued in relation to the 2006 earn-out, 933,246 of which have been received by the RDD Family Foundation and 242,719 shares have been received by persons, or related parties thereof, that are currently employed by the Group or act as our advisor.

At December 31, 2007 the RDD Family Foundation held 4,594,816 common shares in the capital of the Company. During 2007, no other members of the Supervisory Board or Executive Board held common shares, financing preferred shares or related options (other than employee options as disclosed in the table above) in the capital of the Company.

In March 2007 the Company acquired 9.4% interest of the minority partners of VDM Specialists against no consideration. In the second quarter of 2007 the Company entered in to an option agreement with the minority partners of VDM Specialists to acquire the remaining interest of the minority partners of VDM Specialists.

This agreement gives the Company the right to purchase 15.6% interest of the minority partners for an amount of €6.2 million until June 30, 2009. The minority partners have the right to sell their 15.6% minority interest for €6.2 million until June 30, 2009.

As per December 31, 2007 VDM has acquired the entire interest of minority members.

At December 31, 2007, Members of the Management Committee VDM Specialists held nil options (2006: 13,500 options). For other components of compensation paid to the management committee members of VDM Specialist, who are considered key employees of the Group, reference is made to iii) Compensation paid to minority members below.

For an overview of the movements of the capital of the minority members reference is made to Note 20.

#### iii) Compensation to minority members

Minority members of VDM Specialists and VDM Trading, LLC act as employees of these entities and hence receive salaries, bonuses and related compensation, for which in 2007, €3.4 million has been charged to the income statement (2006: €8.8 million). In addition, minority members received interest on their capital accounts of €0.5 million in 2007 (2006: €1.3 million).

Individual members of the Management Committee of VDM Specialists and VDM Trading, LLC received remuneration including interest on their capital accounts of in total €1.0 million (2006: €2.7 million). This amount includes base salaries of €0.7 million, bonuses of €0.0 million, interest on capital accounts of €0.1 million and other short term benefits of €0.2 million.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### iv) Loans due from related parties

Reference is made to Note 14.

### v) Commitments and contingencies

For details of guarantees issued in relation to related parties reference is made to Note 33, Commitments and contingent Liabilities.

Reference is made to Note 4d and Note 10 in relation to tax indemnifications issued by related parties.

### vi) Major shareholders of the Company (minimum of 5%)

On December 31, 2007, the RDD Family Foundation, a related party to Mr. Den Drijver, the Chairman of the Executive Board, held an interest over 5% in the Company. For shares issuable in 2008 to the RDD Family Foundation reference is made to ii) above.

On December 31, 2007, Fortis Utrecht N.V. classified as a major shareholder with an ownership interest over 5% in the company. During 2007, affiliates of this entity also act as a clearing

organization for the Company. These services are provided on an arm's length basis.

### vii) Former Share Holders Curvalue

Based on the Business Combination Agreement dated October 12, 2005 between the former Curvalue shareholders and Van der Moolen Holding N.V. there is a receivable at (€0.5 million) from and a payable at (€0.5 million) from to the former share holders of Curvalue. As per December 31, 2007 the net amount is recognized on the balance sheet as other asset.

### viii) List of subsidiaries

All subsidiaries are fully owned unless stated otherwise (see table below).

### ix) List of investments in associates

- CBOE Stock Exchange, LLC (share of 20%)
- Gibraltar Exchange (share of 33.3%)
- Elite Derivatives Ltd. (share of 40%)

List of subsidiaries		
Netherlands	Switzerland	United States of America
Van der Moolen Effectengroep N.V.	Curvalue AG	Van der Moolen USA, Inc.
Van der Moolen Effecten Specialist B.V.	Neutral Network Trading GmbH	Mill Bridge IV, LLC
Van der Moolen Obligaties B.V. <sup>1)</sup>		Mill Bridge V, Inc.
Elnam Dam B.V.		Mill Bridge VI, LLC
Elnam Amsterdam B.V.		VDM Seat Lease, Inc.
Van der Moolen Financial Services B.V.		Windmill Capital Holdings, LLC
Curvalue Beheer B.V.		Van der Moolen Specialists USA, LLC <sup>1)</sup>
Curvalue B.V.		Van der Moolen Capital Markets, LLC
Curvalue II B.V.		VDM Trading, LLC
Curvalue III B.V.		Van der Moolen Chicago Holdings, LLC
Cybertrading B.V.		Van der Moolen Chicago, LLC (50%)
Finvalue B.V.		Curvalue US, LLC
		R&H Securities, LLC <sup>3)</sup>
Germany	Italy	
Breitmühle GmbH	VDM Italy Srl <sup>4)</sup>	
Tague Securities GmbH		
Curvalue Options Trading GmbH		
Van der Moolen Beteiligungs GmbH		
Curvalue II GmbH		
	United Kingdom	Gibraltar
	Van der Moolen Derivatives Ltd.	VDM Gibraltar Ltd. <sup>2)</sup>
	Van der Moolen Securities Ltd. <sup>1)</sup>	
	Curvalue IV Ltd.	
	Van der Moolen International Ltd.	
	Maxi Finance Once Ltd.	
	Curvalue Management Services Ltd.	
	Derivatives Trading No.2 Ltd.	
	VDM Global Markets Ltd. <sup>5)</sup>	

1) Disposed during 2007

2) Classified as held for sale during 2007

3) Acquired during 2007

4) Founded in 2007

5) Until February 7, 2008 Elan Asset Management Ltd.

## 35 EVENTS AFTER THE BALANCE SHEET DATE

### (a) Extra ordinary shareholders meeting

On March 18, 2008, the Company held an extraordinary shareholders meeting (BAvA). The BAvA approved an alteration to the articles of incorporation and authorized the Company to acquire an additional 10% of its the Company's outstanding shares. Furthermore, the BAvA approved the abrogation of the own shares held by the Company.

### (b) Last Earn-Out Curvalue acquisition

On January 2, 2008, Van der Moolen announced that 1,175,965 common shares Van der Moolen Holding N.V. have been issued as part of the settlement of the earn-out agreement in respect of the Curvalue acquisition that was completed on January 2, 2006. The amount of the earn-out payment was based on the profitability of Curvalue in 2006 relative to pre-established profit targets. The issuance of the common shares Van der Moolen Holding N.V. has been included in the basic earnings per share after December 31, 2006.

### (c) Sale of Serie B Voting Shares in CBOE Stock Exchange LLC

On January 3, 2008, VDM Chicago, LLC, part of the Van der Moolen Group has agreed to sell an interest of 0.6% in CBOE Stock Exchange, LLC to Lime Brokerage Holdings, LLC. The consideration agreed amounts to €0.6 million. After this sale, the Van der Moolen Group holds an interest of 19.4% in CBOE Stock Exchange, LLC.

### (d) Share buy back

On January 24, 2008, Van der Moolen announced the intention to buy back its common shares up to a maximum of 10%, or 4.6 million shares. On March 10, 2008, Van der Moolen announced that 4,576,125 ordinary shares were repurchased for a total consideration of €12,860,419 and that 100% of the repurchase program was completed.

### (e) Repayment Sub-ordinated debt

As part of the termination of the specialist activities of VDM Specialists the subordinated loans, which were taken up to fund minimum net liquidity and capital requirements of VDM Specialists, are repaid amounting to approximately €49.4 million on January 31, 2008. For this early redemption a make whole penalty of €3.5 million has been paid.

### (f) Gibraltar Exchange

The bank guarantee of €1.7 million which has been issued for a possible participation in the Gibraltar Exchange, a company incorporated in accordance with the laws of Gibraltar, has been withdrawn in 2008.



# Parent Only Financial Statements

## Parent Only Balance Sheet (before appropriation of result of the year)

(in € millions)	Note*	2007	2006
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible fixed assets	37	23.3	23.4
Tangible fixed assets	38	0.5	0.5
Financial fixed assets	39	134.8	216.7
		<b>158.6</b>	<b>240.6</b>
<b>Current assets</b>			
Receivable from Group companies		9.9	2.3
Current income tax receivables		1.5	1.9
Other taxes and social security contributions		1.1	1.4
Other current assets and prepaid expenses		0.3	0.2
Cash and cash equivalents		40.9	14.3
		<b>53.7</b>	<b>20.1</b>
<b>Total assets</b>		<b>212.3</b>	<b>260.7</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	40	3.9	3.9
Share premium	40	220.5	230.9
Fair value reserve	40	1.1	3.2
Cumulative translation adjustment reserve	40	(11.4)	(14.7)
Retained earnings	40	(7.3)	66.7
Unappropriated result for the year	40	(91.7)	(78.7)
Preferred financing dividend shares	40	3.4	4.0
		<b>118.5</b>	<b>215.3</b>
<b>Non-current liabilities</b>			
Deferred tax liability	42	0.9	0.9
Long-term borrowings	43	13.9	1.0
		<b>14.8</b>	<b>1.9</b>
<b>Current liabilities</b>			
Payable to Group companies		5.1	0.9
Short-term borrowings		0.3	0.3
Bank overdrafts		68.1	38.9
Current income tax liabilities		1.0	1.0
Other taxes and social security contributions		0.7	0.6
Other current liabilities and accrued expenses		3.8	1.8
		<b>79.0</b>	<b>43.5</b>
<b>Total equity and liabilities</b>		<b>212.3</b>	<b>260.7</b>

\*The notes to the parent only financial statements on pages 116 to 123 are an integral part of these financial statements.

## Parent Only Income statement

(in € millions)	Note*	2007	2006
Profit/(Loss) from Group companies after income tax		(66.7)	(53.6)
Other income and expenses after income tax		(21.3)	(22.1)
<b>Profit/(Loss) after income tax</b>		<b>(88.0)</b>	<b>(75.7)</b>

\*The notes to the parent only financial statements on pages 116 to 123 are an integral part of these financial statements.



# Notes to the Parent Only financial statements

## 36 PRINCIPALS FOR THE PREPARATION OF THE PARENT ONLY FINANCIAL STATEMENTS

### 36.1 General

The parent-only statutory financial statements of Van der Moolen Holding N.V. (hereinafter also referred to as the 'parent only financial statements') are part of the 2007 financial statements of Van Moolen Holding N.V. and are prepared in compliance with the legal requirements of Part 9, Book 2, of the Netherlands Civil Code.

With respect to the parent only income statement, Van der Moolen Holding N.V. ('the Company') made use of the exemption provided under Article 402 of Part 9, Book 2, of the Netherlands Civil Code, which allows the Company to present only the profit from Group companies after income tax and other income and expenses after income tax.

### 36.2 Basis for measurement and recognition of assets and liabilities and determination of result

The Company made use of the option provided by Article 362, paragraph 8, Part 9, Book 2, of the Netherlands Civil Code to apply the same measurement and recognition policies (including those concerning the presentation of financial instruments as either equity instruments or financial liabilities) as those applied for the consolidated financial statements of Van der Moolen Holding N.V.

From 2005 onwards, the Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards, as such are endorsed by the European Union ('IFRS').

Unless otherwise described in the notes to the parent only financial statements, reference should be made to the notes to the consolidated financial statements for details of the accounting principles adopted in these parent only financial statements.

### 36.3 Intangible fixed assets

Goodwill is determined based on the accounting principles applied in the consolidated financial statements (Note 2.5). Goodwill acquired through a direct investment in Group companies is presented in the parent only balance sheet of the Company. The goodwill arising on direct investments prior to January 1, 2001 was written of the reserves. Goodwill acquired through indirect investments in Group companies is capitalized within the carrying value of the entities that have directly acquired these investments (Note 36.4).

### 36.4 Financial fixed assets

Group companies or 'subsidiaries' are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in group companies are measured using the net asset value method. The net asset value and results of group companies are determined on the basis of the accounting policies that are applied in the consolidated financial statements. The accounting policies of group companies are changed where necessary to ensure consistency with the policies adopted by the Company.

If losses of group companies that are allocable to the Company exceed the carrying value of the interest in the group company (including separately presented goodwill, if any, and including other non-secured receivables), further losses are not recognized unless the Company has incurred obligations or made payments on behalf of the group company to satisfy obligations of the group company. In such a situation, the Company recognizes a provision up to the extent of this obligation.

Unrealized gains and losses on transactions between group companies, if any, are eliminated.

## 37 INTANGIBLE FIXED ASSETS

As at January 2, 2006, the Company acquired all shares of Curvalue Beheer B.V. and its subsidiaries ('Curvalue'). The Company recognized goodwill of €33.3 million of which €10.0 million has been impaired during 2006. Reference is made to Note 6 and Note 8.

Acquired computer software licenses are capitalized on the basis of the costs incurred to and bring to use the specific software. These costs are amortized using the straight-line method over their estimated useful lives (two to three years) and are recognized in the income statement.

The net book amount of software €0.0 million at December 31, 2007 (December 31, 2006: €0.1 million) mainly relates to acquired computer software licenses acquired in connection with the accounting, control and information systems of the Company. The amortization charge for 2007 recognized in the parent only income statement amounted to €0.1 million (2006: €0.1 million).



## NOTES TO THE PARENT ONLY FINANCIAL STATEMENTS

### 38 TANGIBLE FIXED ASSETS

Movements in the tangible fixed assets are as follows:

(in € millions)

	Furniture and fixtures	Company cars	Total
<b>January 1, 2006, net book amount</b>	<b>0.4</b>	<b>0.3</b>	<b>0.7</b>
<b>Movements 2006</b>			
Additions	0.2	0.1	0.3
Depreciation charge	(0.2)	(0.1)	(0.3)
Divestments	-	(0.1)	(0.1)
Exchange rate differences	(0.1)	0.0	(0.1)
<b>December 31, 2006, net book amount</b>	<b>0.3</b>	<b>0.2</b>	<b>0.5</b>
<b>December 31, 2006, net book amount</b>			
Cost	4.0	0.3	4.3
Accumulated depreciation	(3.7)	(0.1)	(3.8)
<b>Net book amount</b>	<b>0.3</b>	<b>0.2</b>	<b>0.5</b>
<b>Movements 2007</b>			
Additions	0.2	0.2	0.4
Depreciation charge	(0.1)	(0.1)	(0.2)
Impairment	(0.1)	-	(0.1)
Divestments	-	(0.1)	(0.1)
Exchange rate differences	(0.0)	(0.0)	(0.0)
<b>December 31, 2007, net book amount</b>	<b>0.3</b>	<b>0.2</b>	<b>0.5</b>
<b>December 31, 2007, net book amount</b>			
Cost	4.1	0.3	4.4
Accumulated depreciation	(3.8)	(0.1)	(3.9)
<b>Net book amount</b>	<b>0.3</b>	<b>0.2</b>	<b>0.5</b>

## 39 FINANCIAL FIXED ASSETS

Movements in financial fixed assets are as follows:

(in € millions)

	Investments in Group companies	Loans receivable	Deferred income tax assets	Retirement benefit plans and other long-term benefits	Total
<b>January 1, 2006, net book amount</b>	<b>262.7</b>	<b>54.2</b>	<b>1.0</b>	<b>3.4</b>	<b>321.3</b>
<b>Movements 2006</b>					
Loans advanced	-	1.3	-	-	1.3
Result for the year	(53.6)	-	2.7	-	(50.9)
Fair value change on available-for-sale financial assets	(1.6)	-	-	-	(1.6)
Acquisition	19.1	5.0	-	-	24.1
Divestments, distributions and repayments	(36.7)	(11.4)	-	-	(48.1)
Movements in retirement benefit plan	-	-	-	0.1	0.1
Currency exchange differences	(24.3)	(5.2)	-	-	(29.5)
	<b>(97.1)</b>	<b>(10.3)</b>	<b>2.7</b>	<b>0.1</b>	<b>(104.6)</b>
<b>December 31, 2006, net book amount</b>	<b>165.6</b>	<b>43.9</b>	<b>3.7</b>	<b>3.5</b>	<b>216.7</b>
<b>Movements 2007</b>					
Loans advanced	-	(8.6)	-	-	(8.6)
Result for the year	(66.7)	-	2.5	-	(64.2)
Acquisition	4.7	-	-	-	4.7
Fair value change on available-for-sale financial assets	(2.1)	-	-	-	(2.1)
Acquisition	-	-	-	-	-
Divestments, distributions and repayments	-	-	-	-	-
Movements in retirement benefit plan	-	-	-	0.1	0.1
Currency exchange differences	(10.6)	(1.2)	-	-	(11.8)
	<b>(74.7)</b>	<b>(9.8)</b>	<b>2.5</b>	<b>0.1</b>	<b>(81.9)</b>
<b>December 31, 2007, net book amount</b>	<b>90.9</b>	<b>34.1</b>	<b>6.2</b>	<b>3.6</b>	<b>134.8</b>

### Deferred income tax assets

The deferred income tax assets mainly relate to the calculated tax impact of the carry forward losses allocable to the parent company. Van der Moolen Holding N.V. is head of the fiscal unity of the Dutch entities within the Group. Deferred income tax assets are recognized for temporary tax deductible differences and tax loss carry forwards or unused tax credits to the extent that the Group has sufficient temporary taxable differences relating to the same tax authority and the same taxable entity, which will result in taxable amount against which the temporary tax deductible differences, unused tax losses and tax credits can be utilized before they expire or that the realization of the related tax benefit through future taxable profits is probable.

### Retirement benefit plans and other long-term benefits

The Retirement benefit plans and other long-term benefits reported above are contracted with Van der Moolen Holding N.V. The employees that are members of the retirement benefit plans are employed either by the Company or its Dutch operating entities, excluding Curvalve. The Company recharges the expense for employees that are employed by other Dutch operating entities on the basis of actual charges that are paid to the insurance companies at which the retirement benefit plans are placed. The recharges to the Dutch operating entities for the years 2007 and 2006 were approximately €54,000 and €91,000, respectively. For the disclosure of the movements of the Retirement benefit plan and other long-term benefit plans, reference is made to Note 2.20 and Note 27 to the consolidated financial statements.



## NOTES TO THE PARENT ONLY FINANCIAL STATEMENTS

### 40 CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS, AND FINANCING PREFERRED SHARES

#### General

For both the years ended December 31, 2007 and December 31, 2006, the capital and reserves that are attributable to the Company's equity holders included in the parent only financial statements is equal to the capital and reserves attributable to the Company's equity holders as presented in the consolidated financial statements.

#### Share Capital

##### Authorized and issued share capital

On December 31, 2007, the authorized and issued share capital consisted of:

- 54,000,000 common shares with a par value of €0.08 per share, of which 45,607,108 were issued and fully paid. Excluding the shares that have been repurchased, the number of common shares issued and outstanding is 45,504,926 (December 31, 2006: 43,686,144 and 43,583,962 respectively);
- 1,200,000 cumulative financing preferred shares 'A' with a par value of €0.60 per share, of which none were outstanding and fully paid (December 31, 2006: 251,000);
- 1,200,000 cumulative financing preferred shares 'B' with a par value of €0.60 per share, of which 391,304 were outstanding and fully paid (December 31, 2006: 391,304);
- 1,200,000 cumulative financing preferred shares 'C', 1,200,000 cumulative financing preferred shares 'D' and 1,200,000 cumulative financing preferred shares 'E' with a par value of €0.60 per share and none of which have been issued (December 31, 2005: nil); and
- 13,200,000 preferred shares with a par value of €0.60 per share, none of which have been issued (December 31, 2006: nil).

##### Treasury shares

On December 31, 2007, the Company had repurchased 102,182 common shares with a par value of €0.08 per share. These treasury shares form part of issued and fully paid share capital, but carry no voting or dividend rights.

The movements in the number of shares in 2006 and 2007 are as follows:

(in number of shares)

	Common shares	Treasury shares	Financing preferred shares
<b>Balance at December 31, 2006</b>	<b>39,343,295</b>	<b>102,182</b>	<b>642,304</b>
Stock dividend 2005	437,158	-	-
Shares issued in relation to the acquisition of Curvalue	3,803,509	-	-
<b>Balance at December 31, 2006</b>	<b>43,583,962</b>	<b>102,182</b>	<b>642,304</b>
Shares issued in relation to the acquisition of Curvalue	1,920,964	-	-
Cancellation Financing preferred shares A	-	-	(251,000)
<b>Balance at December 31, 2007</b>	<b>45,504,926</b>	<b>102,182</b>	<b>391,304</b>

The purchase or sale of treasury shares is deducted or added to retained earnings and measured at the transaction price at purchase or at sale.

### Financing preferred shares

On April 5, 2006, the Annual General Meeting of shareholders approved the alteration of the Articles of Association in order to permit recognition of the financing preferred shares as an equity instrument under IFRS (IAS 32). From January 1, 2005, the date of the adoption of IAS 32/39, until April 5, 2006, financing preferred shares were classified as non-current liabilities.

On April 26, 2007, the AGM approved the repurchase and cancellation of all the outstanding financing preferred shares A. As a result, on April 27, 2007, Van der Moolen Holding N.V. repurchased and cancelled all of the outstanding financing preferred shares A, being 251,000 shares for a total amount of €11.3 million. This amount includes a dividend amount of €0.9 million for the period January 1, 2006 until April 27, 2007.

The movement schedule of capital and reserves attributable to the shareholders of the Company in 2006 and 2007 is presented below:

( in € millions)

	Common shares		financing preferred shares							Total
	Share capital	Share premium	Share capital	Share premium	Fair value reserve	Currency translation adjustment reserve	Retained earnings	Unappropriated result for the year	Preferred financing dividend reserve	
<b>Balance at January 1, 2006</b>	<b>3.2</b>	<b>135.7</b>	<b>-</b>	<b>-</b>	<b>5.1</b>	<b>7.8</b>	<b>57.7</b>	<b>11.3</b>	<b>-</b>	<b>220.8</b>
Appropriation of result	-	-	-	-	-	-	11.3	(11.3)	-	-
Cash dividend 2005	-	-	-	-	-	-	(2.3)	-	-	(2.3)
Stock dividend 2005	0.0	(0.0)	-	-	-	-	-	-	-	-
Recognition of financial preferred shares as equity	-	-	0.4	51.0	-	-	-	-	-	51.4
Dividends of financial preferred shares	-	-	-	-	-	-	-	(3.0)	4.0	1.0
Acquisition Curvalue	0.3	43.7	-	-	-	-	-	-	-	44.0
Realized fair value available-for-sale financial assets, net of tax	-	-	-	-	(5.1)	-	-	-	-	(5.1)
Fair value change on available-for-sale financial assets, net of tax	-	-	-	-	3.5	-	-	-	-	3.5
Share option contribution	-	0.5	-	-	-	-	-	-	-	0.5
Currency exchange differences	-	-	-	-	(0.3)	(22.5)	-	-	-	(22.8)
Profit for the year	-	-	-	-	-	-	-	(75.7)	-	(75.7)
<b>Balance at December 31, 2006</b>	<b>3.5</b>	<b>179.9</b>	<b>0.4</b>	<b>51.0</b>	<b>3.2</b>	<b>(14.7)</b>	<b>66.7</b>	<b>(78.7)</b>	<b>4.0</b>	<b>215.3</b>
<b>Balance at January 1, 2007</b>	<b>3.5</b>	<b>179.9</b>	<b>0.4</b>	<b>51.0</b>	<b>3.2</b>	<b>(14.7)</b>	<b>66.7</b>	<b>(78.7)</b>	<b>4.0</b>	<b>215.3</b>
Appropriation of result	-	-	-	-	-	-	(78.7)	78.7	-	-
Preferred financing dividend 2006	-	-	-	-	-	-	-	-	(4.0)	(4.0)
Cancellation preferent shares A	-	-	(0.2)	(10.2)	-	-	-	-	(0.3)	(10.7)
Acquisition Curvalue earnout 2006	0.2	(0.2)	-	-	-	-	-	-	-	-
Dividends of financial preferred shares	-	-	-	-	-	-	-	(3.7)	3.7	-
Realized fair value available-for-sale financial assets, net of tax	-	-	-	-	(0.4)	-	-	-	-	(0.4)
Fair value change on available-for-sale financial assets, net of tax	-	-	-	-	(1.2)	-	-	-	-	(1.2)
Share option contribution	-	-	-	-	-	-	-	-	-	-
Acquisition minority interest	-	-	-	-	-	-	4.7	-	-	4.7
Currency exchange differences	-	-	-	-	(0.5)	(10.8)	-	-	-	(11.3)
Profit for the year	-	-	-	-	-	14.1	-	(88.0)	-	(73.9)
<b>Balance at December 31, 2007</b>	<b>3.7</b>	<b>179.7</b>	<b>0.2</b>	<b>40.8</b>	<b>1.1</b>	<b>(11.4)</b>	<b>(7.3)</b>	<b>(91.7)</b>	<b>3.4</b>	<b>118.5</b>



## NOTES TO THE PARENT ONLY FINANCIAL STATEMENTS

### Currency translation reserve

From 2005 onwards, the currency translation reserve is a legal reserve in accordance with Article 373, paragraph 4, Part 9, Book 2 of the Netherlands Civil Code that should be formed for cumulative translation adjustments ('CTA'). To the extent the CTA reserve is negative, it reduces the amount that can be freely distributed out of reserves.

In 2006 and for the period until April 1, 2007 the presentation currency of the Company, the Euro, is different from its functional currency, the US dollar. The CTA movements resulting from the translation of the Company's parent-only assets and liabilities and the result for the year from its functional currency into the presentation currency are included in the CTA reserve as Other CTA. With prospective effect from April 1, 2007 the functional currency of the Company has been changed from the US dollar to the Euro (for further details please refer to Note 2.1 and 2.4 to the consolidated financial statements). As a consequence only CTA movements arise because the functional currency of foreign operations is different from the functional currency of the Company.

A breakdown of the CTA reserve and the movements therein is given below.

(in € millions)

	CTA on net-investments in foreign operations	Other CTA	Total CTA reserve
Balance at December 31, 2006	15.1	(7.3)	7.8
Currency translation differences	(24.3)	1.8	(22.5)
<b>Balance at December 31, 2006</b>	<b>(9.2)</b>	<b>(5.5)</b>	<b>(14.7)</b>
CTA recognition in income statement	14.1	-	14.1
Currency translation differences	(10.6)	(0.2)	(10.8)
<b>Balance at December 31, 2007</b>	<b>(5.7)</b>	<b>(5.7)</b>	<b>(11.4)</b>

### Proposed appropriation of result for the year

The following proposal for appropriation of result will be presented for shareholder approval at the Group's Annual General Meeting of Shareholders ('AGM') on May 22, 2008 (in comparison to the appropriation of result for the year 2006 as adopted at the AGM of April 26, 2007):

(in € millions)

	2007	2006
(Debited)/credited to retained earnings	(91.7)	(78.7)
<b>Profit/(loss) for the year attributable to the Company's equity holders</b>	<b>(91.7)</b>	<b>(78.7)</b>

Reference is made to Note 49 for further details of the Articles of the Association with respect to the appropriation of result.

## 41 SHARE OPTION PLAN

Details of the share option plan are provided in Note 19 to the consolidated financial statements.

## 42 DEFERRED TAX LIABILITY

The deferred tax liability in the parent only financial statements relates to the temporary difference on the retirement benefit plans and other long-term benefits (Note 39). Calculated at the statutory tax rate of 25.5% the deferred tax liability amounts to €0.9 million as of December 31, 2007 (December 31, 2006: €0.9 million).

## 43 LONG-TERM BORROWINGS

Long-term borrowings include Intercompany loans installed during 2007, for an amount of €13.2 million. The loans are granted for a period of three years and repayable at maturity.

For other long-term borrowings reference is made to Note 22 of the financial statements.

## 44 OTHER INCOME AND EXPENSE AFTER INCOME TAX

Other income and expense after income tax includes foreign currency exchange losses of €14.1 million, relating to foreign currency exchange results previously recognized in equity (Currency Translation Adjustments). When a foreign entity is sold or abandoned, the previously recognized exchange results in equity need to be recycled through the Profit & Loss.

During 2007, the average number of employees was 23 (2006: 22). The number of employees at December 31, 2007 was 28 (December 31, 2006: 22).

Reference is made to Note 34 to the consolidated financial statements for the related party transactions

## 45 COMMITMENTS AND CONTINGENT LIABILITIES

Reference is made to Note 33 to the consolidated financial statements.

## 46 STATUTORY MANAGEMENT COMPENSATION

The statutory management remuneration is consistent with the Executive Board remuneration as included in the consolidated financial statements. Reference is made to Note 34 ii to the consolidated financial statements.

Amsterdam, April 21, 2008

The Executive Board

The Supervisory Board



# Other Information

## 47 SHAREHOLDER INFORMATION

### Share Trading

Our common shares were listed on Euronext in 1986, and American Depositary Receipts ('ADRs') each certifying ownership of one common share, were listed on the New York Stock Exchange in 2001. In December 2007, we delisted from the NYSE. Our shares are components of the Small Cap Index.

### Dividend Policy

VDM has the obligation to clarify its dividend policy in accordance with the best practice provision IV.1.4 of the Dutch Code and to explain this to shareholders at the AGM on 22 May, 2008.

### Principles

VDM's dividend and reserves policy takes into consideration the company's internal financing requirements, its investments and growth prospects, together with investors' dividend expectations. The level of dividend payment depends on a combination of the level of normalized net profit, our liquidity position, our asset ratios and the Company's future financing needs.

### Policy

Shareholders expect a dividend that justifies the financial results achieved. It is also important to shareholders that the Company invests in profitable growth. The proposal for the annual dividend payment is determined with careful consideration for the investments necessary to achieve our strategic goals. VDM strives for a payout ratio of between 40% and 50% of normalized net profit attributable to shareholders of common shares.

### Choice of dividend

A feature of VDM's dividend policy is to offer shareholders the choice of a dividend in cash or in shares. On an annual basis, after publication of the financial results of the preceding year, a dividend is made available to shareholders, in accordance with articles 29 and 30 of the Articles of Association. Depending on the shareholder's choice, the dividend will be paid out fully in cash or fully in shares from the share premium reserve. Payment in cash is subject to 25%

dividend tax. The period for choosing the form of dividend payment starts after the close of stock market trading on the first working day after the AGM. For payment in shares, shareholders are required to entrust their stock dividend rights together with the dividend payment return. As a result no official listing of trading in stock dividends will take place. In the event that no choice is made by shareholders or their stockbrokers during this selection period, the dividend will be paid out in cash.

### Shareholders with an interest of 5% or more

Two shareholders have declared to the Financial Markets Authority, as required under Dutch law, that they have a holding in Van der Moolen Holding's shares of 5% or more:

- Fortis Utrecht N.V.
- RDD Family Foundation

A total of 5,724,473 of our common shares, representing 12.3% of those outstanding on December 31, 2007 are under selling restrictions. Our financing preferred shares are freely transferable, but not listed on an exchange.

### More Information

- Our annual reports, press releases, various compliance and corporate governance disclosures and other information about Van der Moolen are posted on our website, [www.vandermoolen.com](http://www.vandermoolen.com)
- Trading information on our shares can be accessed on Reuters under the symbol VDMN.AS, and on Bloomberg under MOO\_NA; trading information on our ADRs can be accessed under their NYSE ticker symbol, VDM
- Shareholder information: Investor Relations/Corporate Communications, telephone: +31 20 535 6789, fax: +31 20 535 6744, e-mail: [info@nl.vandermoolen.com](mailto:info@nl.vandermoolen.com).

## 48 AUDITORS' REPORT

To the Audit Committee and the Supervisory Board of Van der Moolen Holding N.V.

### Report on the financial statements

We have audited the accompanying financial statements 2007 of Van der Moolen N.V., Amsterdam. The financial statements consist of the consolidated financial statements and the parent only financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the consolidated income statement, consolidated cash flow statement and the consolidated statement of recognized income and expense for the year then ended, and the notes to the consolidated financial statements. The parent only financial statements comprise the parent only balance sheet as at 31 December 2007, the parent only income statement for the year then ended and the notes to the parent only financial statements.

### Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the other sections of the Annual Report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements 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.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of

the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Van der Moolen Holding N.V. as at 31 December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

### Opinion with respect to the parent only financial statements

In our opinion, the parent only financial statements give a true and fair view of the financial position of Van der Moolen Holding N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

### Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, April 21, 2008

for Ernst & Young Accountants  
/s/ G. H. C. de Meris



## 49 APPROPRIATION OF RESULT FOR THE YEAR

## (a) Articles of Association

## Article 29 (extract).

2. From the profits (i.e. the positive balance of the profit and loss account) made in any financial year, except as provided in this paragraph the company shall first distribute a dividend on each preferred share that was issued and outstanding at any point during the financial year in question. The dividend shall equal the percentage referred to in the following sentence multiplied by the amount paid on such share at the commencement of the financial year for which the distribution is being made. *The percentage referred to in the previous sentence shall be equal to the average of the European Inter Bank Offering Rate ('EURIBOR') for cash loans with a term of twelve months, increased by two hundred basis points. The average EURIBOR rate shall be determined on a weighted basis that reflects the number of days during the year on which each EURIBOR rate was in effect. If, during the financial year for which the distribution referred to above is being made, the amount paid on a preferred share was decreased or if, pursuant to a resolution on a further call, was increased, the distribution shall be decreased or increased, as applicable, on a pro rata basis. If preferred shares were issued in the course of a financial year, the dividend on such shares shall be decreased pro rata to reflect the number of days during which the share was unissued. If and to the extent the profit shall be insufficient to defray the payment referred to above in full, any deficit shall be defrayed by the reserves with the exception of the share premium reserves A, B, C, D and E and the dividend reserve A, B, C, D and E. If, in any financial year the profit or the reserves referred to in the previous sentence shall be insufficient to defray the payment referred to above in this paragraph, that determined below shall first become applicable after the deficit shall have been covered. To the extent that profit, made in any financial year, is not deployed to defray any deficit, as referred to in the previous sentence it shall first, if possible, having been resolved by the Executive Board and approved by the Supervisory Board, be added as a primary dividend to each of the dividend A, B, C, D and E reserves. The amount of this* addition shall equal the result of multiplying the percentage referred to in paragraph 7, sub-paragraph a by the average balance weighted in time of the dividend reserves A, B, C, D and E during that financial year. If, in any year, the profit made shall not be sufficient to add the aforementioned amounts a primary dividend to the respective dividend reserves, that determined in paragraph 3 shall first become applicable after the deficit shall have been covered.
3. The Executive Board shall be authorized to reserve amount of the profits remaining after the application of that determined in paragraph 2, in compliance with the reserve and dividend policy pursued by the company if the Executive Board, with the approval of the Supervisory Board shall so determine. If and to the extent that as a result of the reserves referred to in the previous sentence, the remaining profit shall be insufficient to made the additions referred to in paragraph 4, respectively payment on the financial preferred shares, the deficit shall be defrayed by the amount to be reserved to be added to the dividend reserves A, B, C, D and E, in proportion to the entitlement of the holders of the financing preferred shares with the corresponding letters.
4. The profit remaining after the application of that determined in the previous paragraphs shall firstly, if possible and at the discretion of the Executive Board, with the approval of the Supervisory Board, either be added to the dividend reserve A, B, C, D or E or paid out on the financing preferred shares A, B, C, D or E as a dividend. The amount of that addition or payment as the case may be shall equal the result of calculation referred to in paragraph 7 of the dividend less the amount which shall be added on the grounds of that determined in paragraph 3 to the dividend reserve A, B, C, D or E.
5. If, in any financial year, the profit or the remainder of the profit after making the reserve referred to above in paragraph 3, shall be insufficient to make the additions or payment referred to above in paragraph 4, that determined in paragraph 4 shall first become applicable in subsequent financial years after that deficit shall have been covered, with the proviso that the deficit shall not require being covered if and to extent that an amount equal to the deficit shall have already been added, in



accordance with paragraph 3, last sentence, to the dividend reserve A, B, C, D or E.

6. The Executive Board shall be authorised, with the approval of the Supervisory Board, to resolve to pay an amount equal to the deficit referred to in the previous paragraph on the financing preferred shares, or add such an amount to the dividend reserves A, B, C, D or E charged to the reserves, with the exception of the share premium reserves A, B, C, D or E and the dividend reserves A, B, C, D or E.

- 7 a Payment shall be made on the financing preferred shares A, B, C, D and E which shall be of the percentage referred to below calculated on the amount paid on the financing preferred shares of the class in question upon the commencement of the financial year for which the payment is made, including any share premium. If the amount paid in the financial year for which the payment is made on the financing preferred shares, including share premium, shall have been reduced, or pursuant to a resolution adopted to make further payment, shall have been increased, the payment shall be reduced, respectively increased, if possible, by an amount equal to the percentage referred to above of the amount of the reduction, respectively, the increase, calculated from the time of the reduction, respectively the time at which the further payment was made. The Executive Board shall determine or shall propose to the general meeting, with the approval of the Supervisory Board, which classes shall be issued. The dividend percentage for each class shall, without prejudice to that determined in this paragraph under b., equal the arithmetical average of the effective yield on (i) three Netherlands Treasury Bonds with a (remaining) duration of ten (10) years or a period which shall resemble ten (10) years as closely as possible (for financing preferred shares A), (ii) Netherlands Treasury Bonds with a (remaining) duration of six (6) to seven (7) years and seven (7) to eight (8) years (for financing preferred shares B), (iii) Netherlands Treasury Bonds with a (remaining) duration of ten (10) years (for financing preferred shares C), (iv) Netherlands Treasury Bonds with a (remaining) duration of ten (10) years (for financing preferred shares D) and (v) Netherlands Treasury Bonds with a (remaining) duration of ten (10) years (for financing preferred shares E), hereinafter referred to as reference period, as determined by the Netherlands Central Office of Statistics and published in the "Officiële Prijscourant"

on the last five Stock Exchange trading days prior to the day of the first issue of the sort of shares in question, possibly increased by a supplement of no more than five hundred (500) basis points which shall be determined upon adopting the resolution to issue shares or when the proposal to issue shares shall be made by the Executive Board, with the approval of the Supervisory Board, depending on the then prevailing market circumstances. The dividend amount per financing preferred shares, being the result of the aforementioned and described method of calculation, shall be rounded up in whole (Euro) cents. The definition of the first issue per series used in these articles of association also concerns the first issue of financing preferred shares of a series which shall be made after a full cancellation thereof shall have been made in accordance with article 11, paragraph 2.

- 7 b The dividend percentages referred to above in this paragraph under a., shall first be reviewed as of a date which shall for classes A, be ten (10) years, for series B, be seven (7) years, for series C, be ten (10) years, for series D (10) years, and for series E, be ten (10) years after the day of first issue of the sort in question and upon the review date elapsing, shall continue to be reviewed for a period to be determined by the Executive Board, after prior approval from the Supervisory Board, and shall be such that the dividend percentage shall equal the arithmetical average of the effective yield on three Netherlands Treasury Bonds (for financing preferred shares A, Treasury Bonds (for financing preferred shares B, C, D and E with a (remaining) duration which corresponds with the reference period for the sort in question, as determined by the Netherlands Central Office of Statistics and published in the "Officiële Prijscourant" on the last five days of Stock Exchange trading, possibly increased by a supplement of no more than five hundred (500) basis point which shall be determined by the Executive Board, after prior approval from the Supervisory Board, depending on the then prevailing market circumstances. If the dividend percentage shall be amended in the course of the financial year, the calculation of the dividend for that financial year shall use the percentage which applied before that amendment was made up to the day on which the amendment was made and the amended percentage from the day that amendment was made.
8. If the first issue of preferred or financing preferred shares is



## OTHER INFORMATION

made during the course of a financial year, the dividend for that year financial year on the preferred or financing preferred shares in question shall be reduced in proportion to the first day of issue, in which, when determining that reduction, the assumption shall be made of the number of days from the first day of the financial year in question to the first day of issue, in which, the assumption shall also be made of there being thirty days in each calendar month and the each year has three hundred and sixty days.

9. If the profit for a financial year is ratified and in that financial year or upon the close of the financial year but before the annual accounts for that financial year shall have been ratified, one or more preferred or financing preferred shares of one or both classes, with repayment, shall have been cancelled, the parties which according to the register referred to in article 6 who were entitled at the time the cancellation of the preferred or financing preferred shares in question was made, shall have an unalienable right to receive payment from profit as described in the following sentence. The profit which shall be paid to the part referred to in the previous sentence shall, if possible, equal the amount of the payment to which the party would have been entitled on the grounds of that determined above in this article and that determined in paragraph 2 were, at the time of the profit being ratified, that party still to have been the holder of the preferred or financing preferred shares, calculated in terms of the time line of the period that party held in the financial year in question the preferred or financing preferred shares in question.
10. Under reference to be made to the class in question, the percentages referred to in paragraph 7 shall be made the subject of a notice issued within eight days after having been determined to the trade register in which the company is registered.
11. The profit remaining after applying that determined in the previous paragraphs shall be made available to the general meeting.
12. Should any loss be incurred in any financial year, no dividend shall be paid out on common shares for that year. In the subsequent years, payment of dividend on common shares shall solely be made after the loss shall have been covered. The general meeting may however, on the strength of a proposal made by the Executive Board, with the approval of the Supervisory Board, resolve to defray any such loss by charging it to the disburseable part of own equity. If the general meeting resolves to defray any loss by charging it to the disburseable part of own equity, that determined in the first two full sentences of the paragraph shall not be applied.
13. No losses may be covered by being defrayed by share premium reserves and dividend reserves of financing preferred shares of a given sort until all other reserves which may be deployed shall have been exhausted. Defraying losses by charging them to the share premium reserves A, B, C, D and E and the dividend reserves A, B, C, D and E shall be done in proportion to the total share premium paid on the financing preferred shares of each class, respectively, in proportion to the entitlement to dividend reserves A, B, C, D and E on the part of holders of the financing preferred shares corresponding therewith. Amounts charged to share premium reserves, respectively dividend reserves, in the aforementioned proportion, shall be defrayed as soon as possible after payment paid on the financing preferred shares or adding to a dividend reserve connected therewith, in accordance with the reserve to be made in compliance with that determined in paragraph 4 through 7 of this article and for each other payment or reserve which is not imposed and required by law.
14. The Executive Board may pay an interim dividend in compliance with article 2:105 of the Civil Code of the Netherlands, and with the approval of the Supervisory Board, if and to the extent the profit permits this. Interim dividend may also solely be paid on a certain class of shares.
15. The company may solely make payments to the extent the equity of the company shall be greater than the issued and subscribed part of his capital increased by the reserves which are required to be maintained by law.
16. Shares which the company holds in its own capital shall not be included in accordance with article 2:105, paragraph 5 of the Civil Code of the Netherlands when calculating the apportionment of profit.

### Article 30.

1. The general meeting may, upon a proposal made by the Executive Board, with the approval of the Supervisory Board, resolve to pay a dividend on shares in whole or in part not in cash but in shares in the company or depositary receipts thereof.

2. The general meeting may, upon a proposal made by the Executive Board, with the approval of the Supervisory Board, resolve to make payments to holders of common shares charged to the disburseable part of the equity, with the exception of share premium reserves A, B, C, D and E and the dividend reserves A, B, C, D and E. That determined in the previous paragraph shall be accordingly applicable. Payments as referred to in this paragraph may however not be made if and to the extent that not all the dividend due in accordance with article 29 on preferred shares and financing preferred shares shall have been paid or added to the dividend reserves A, B, C, D of E.
- 3 a The Executive Board may resolve, without the approval of the Supervisory Board, to make payments of the amounts due in accordance with article 29 to holders of preferred shares and holders of financing preferred shares from the dividend reserves A, B, C, D or E which correspond therewith.
- 3 b The Executive Board may resolve, with the approval of the Supervisory Board, to make payments of the amounts due in accordance with article 29 to holders of preferred shares and holders of financing preferred shares, charged to the disburseable part of equity, with the exception of the share premium reserves A, B, C, D and E and the dividend reserve A, B, C, D and E.
- 3 c Moreover, the Executive Board may also resolve, with the approval of the Supervisory Board, to make payments to holders of financing preferred shares of amounts which are not due in accordance with article 29, paragraph 4, but solely when charged to the share premium reserve of the shares in favour of which the payment is made. A resolution adopted by the Executive Board as referred to in the previous full sentence may solely be adopted under simultaneous or with prior approval of the meeting of financing preferred shares of the class in question.

#### **Proposed appropriation of profit for the year**

Please refer to Note 40 for further specification of proposed appropriation of the result 2007.



## OTHER INFORMATION

### 50 EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 35 of the notes to the consolidated financial statements for the disclosure of events after the balance sheet date.

## STICHTING VAN DER MOOLEN HOLDING

The Management Board of the Stichting Van der Moolen Holding ('Stichting') comprises the following people:

H. Langman (Chairman)

R.W.J.M. Bonnier

Prof. dr. R.A.H. van der Meer

J.C.T. van der Wielen

Mr. G.L. van den Broek

On May 1, 2001, Van der Moolen Holding N.V. ('Van der Moolen' or the 'Company') amended its Articles of Association to provide for the future issuance of preferred shares to an unaffiliated foundation called Stichting Van der Moolen. The Stichting's objective is to safeguard the interests of Van der Moolen and its subsidiaries in the event of, for instance, a hostile takeover, by acquiring and managing the preferred shares of Van der Moolen and by exercising the rights attached to those shares, in particular the voting rights.

Van der Moolen entered into an agreement with the Stichting pursuant to which the Stichting has been granted a call option right allowing it to acquire up to the number of preferred shares of which the aggregate par value is equal to the aggregate par value of the total number of common and cumulative financing preferred shares of Van der Moolen Holding N.V. outstanding.

There are currently no preferred shares in issue. In accordance with Article 29, paragraph 1 of the Company's Articles of Association, the holders of preferred shares are entitled to a primary dividend. No other preferences are attached to these shares. The preferred shares of Van der Moolen are not convertible into common shares.

Amsterdam, April 21, 2008

Executive Board of Van der Moolen Holding N.V.

Management Board of Stichting Van der Moolen Holding





