

ANNUAL REPORT 2010 – VAN LEER GROUP FOUNDATION

The Van Leer Group Foundation is a privately endowed charitable organization established in its current form in 1979 by Oscar Van Leer. It performs the holding function for all the Van Leer charitable activities and as such supervises its investment portfolio and the governance of its charitable activities.

The Van Leer charitable activities are presently embodied in the Van Leer Group Foundation in Amstelveen, the Bernard Van Leer Foundation in The Hague, Van Leer Jerusalem Institute and Jerusalem Film Centre in Israel.

Apart from an investment portfolio managed by several independent investment managers the Van Leer Group Foundation fully owns Crecor B.V., which is active as a venture capital company in Israel through its Israeli subsidiary Docor International Management in Tel Aviv.

The Van Leer Group Foundation's origins lie with Bernard Van Leer, a Dutch industrialist and philanthropist. In 1919, he started a packaging company in the Netherlands that developed into a world leader in the packaging industry. Royal Packaging Industries provided him with the resources to pursue his philanthropic ideals: to use his wealth for the benefit of others.

When he passed away in 1958, he had arranged that his business interests would continue to fuel his philanthropic activities by transferring all shares of the privately held company to a charitable foundation. His wife Polly and their sons Wim and Oscar had already relinquished their inheritance rights and a humanitarian foundation had been established in 1949 in Lucerne, Switzerland.

The Van Leer Group Foundation is the legal successor of this foundation. The packaging company was sold and by 2002 the foundation was no longer invested in the packaging company.

In its articles of association, the Van Leer Group Foundation mentions three statutory objectives. These are:

to promote the optimum development of socially and economically disadvantaged children up to the age of 8, with the objective of developing their innate potential to the greatest extent possible.

to contribute to the development and strengthening of a Jewish, democratic and national home in Israel committed to a free, equitable and just society for all its citizens; to contribute to the pursuit of regional peace, for the benefit and betterment of social cultural and individual lives in Israel.

to promote and advance the continuity and the preservation of the identity of the Van Leer entity.

The financial strategy of the foundation is formulated as follows:

'to maintain or add to the purchasing power of the investment assets, measured in

Euros, and to provide a relatively predictable, stable and, in real terms, constant stream of income for annual charitable expenses by the foundation.'

The foundation regards future generations of grant recipients equally important as the present generation. Since its aim is to exist in perpetuity, the real value of the investment assets should, over the years, not be eroded by excessive pay-outs. In order to realize the above mentioned strategy of at least maintaining the purchasing power of investments, the long-term investment total returns (net of investment management fees and other related costs) must at least equal the sum of the foundation's annual expenditures (expected to average 4.5% of asset value) plus the rate of inflation. Thus, the primary investment goal is to earn an average annual real total return of 4.5%, within acceptable limits of risk. The foundation expects that this goal will not be realized every year, but could be achieved in most five-year periods. However, in 2011 the foundation will review its spending policy and investment policy to evaluate whether the 4.5% expected return is still a realistic return in the current financial climate. It is not unlikely that a lower expected return and therefore lower spending will result.

On December 31, 2010 the value of the global investment portfolio of the Van Leer Group Foundation amounted to € 606 million (2009: € 563 Million).

The investment policy of the foundation is implemented (with the exception of Crecor B.V.) by external investment managers and investment advice is given by an independent outside advisor.

The total return on assets in 2010 was 16.6%. However, to assess the adequacy of an investment policy for the agreed upon pay-out for charitable activities (i.e. the sum of the foundation's annual expenditures), it is important not to concentrate on a total return figure of one single year. In stead it is important to look at total return figures over a longer period of time. For the Van Leer Group Foundation this means looking at total return figures since 1996: the year that Royal Packaging Industries Van Leer went public and the portfolio was no longer mainly invested in one stock. The average total return on the investment portfolio of the Van Leer Group Foundation since inception, i.e. 1996, has been 5.8% (at the end of 2009: 5.0%). After reduction of an average annual inflation figure over this period of 2.1% (OECD CPI G-7) the annual real total return has been 3.7%.

It may be concluded from these figures that the annual real total return of 3.7% did not meet the investment objectives of 4.5%.

The breakdown of the foundation's expenditures over 2010 was:

| | 2009 (x 1,000) | 2010 (x 1,000) |
|------------------------------|---------------------------------|---------------------------------|
| Bernard Van Leer Foundation | € 20,567 | € 16,754 |
| Van Leer Jerusalem Institute | € 3,456 | € 3,376 |
| Jerusalem Film Center | € 596 | € 598 |
| Incidental contributions | € 0 | € 41 |
| <i>Total</i> | € 24,619 | € 20,769 |

The charitable spending pay-out in 2010 was 3.55% of the average assets over that year (2009: 4.53%).

The Van Leer Group Foundation directs its charitable spending exclusively towards the Bernard Van Leer Foundation, Van Leer Jerusalem Institute and Jerusalem Film Center.

If the annual expenditures of the Van Leer Group Foundation itself are added, the overall total is € 22 million (2009: € 26 million).

The total actual pay-out in 2010 was 3.83% of the average assets over that year (2009: 4.81%).

In addition an amount of € 8 million was taken out of the endowment and paid to the Bernard Van Leer Foundation. This payment reduced an existing liability to the Bernard Van Leer Foundation. Combining this payment with the total actual pay-out takes the total draw on the endowment in 2010 up to 4.92%.

Governing Council in 2010

Peter Bell (*U.S.*)

Joep Brentjens (*Netherlands*)

Gideon Frank (*Israel*)

Rien van Gendt (*Netherlands*)

Trude Maas (*Netherlands*)

Nancy Newcomb (*U.S.*)

In April 2010 the Chair of the Governing Council, Harry Leliveld, passed away. Joep Brentjens took over as Chair until June 2010.

Trude Maas was appointed Chair as of June, 2010.

In March 2011 Jacqueline Tammenoms Bakker and Robert Swaak were appointed as members of the Governing Council. Joep Brentjens retired from the Governing Council in June 2011.

Staff

Andre Betting (*Netherlands*), Executive Director

Jacqueline Jacob

Tim Otto