



## **Extraordinary Shareholders' Meeting**

**March 8, 2007**

### **Background to proposed resolutions**

---

This document gives background information to the resolutions placed before the Extraordinary Shareholders' Meeting of RHJ International SA ("RHJI") convened on March 8, 2007 and should be read in conjunction with the official Notice for such Extraordinary Shareholders' Meeting.

#### **1 Appointment and resignation of directors**

Mr. Jeffrey M. Hendren resigned as a director of RHJI with effect as of September 13, 2006. Mr. Hendren also resigned as an employee with effect as of November 13, 2006. Pursuant to the terms of his resignation arrangements, he is remaining a consultant through March 31, 2007 to effect a smooth transition of his responsibilities and then pursue other professional interests following June 30, 2007.

To fill the vacancy created by the resignation of Mr. Hendren as a director, the Board of Directors has appointed Mr. Harvey Golub as a director on and with effect as of September 20, 2006. In accordance with the Articles of Association of RHJI, the Board of Directors provided for the appointment to be effective until and submitted to reconfirmation by the first Shareholders' Meeting following the Board meeting of September 20, 2006.

If Mr. Golub is reconfirmed by the Extraordinary Shareholders' Meeting, his mandate would last for the remainder of the term of Mr. Hendren. This means that his mandate would end immediately after the Annual Shareholders' Meeting of September 2008.

Mr. Golub is the Executive Chairman of Ripplewood Holdings, LLC, Non-Executive Chairman of the Boards of Campbell Soup Company, ClientLogic and Sentient Jet and a director of Dow Jones and Co. Mr. Golub served as the Chief Executive Officer and Chairman of the Board of American Express from 1993 until he retired in 2001. Prior to joining American Express in 1991, he was a senior partner with McKinsey & Co.

Based on the advice of the Nomination and Remuneration Committee of RHJI, the Board of Directors proposes to the shareholders to reconfirm Mr. Golub as a director.

As was the case for Mr. Hendren, Mr. Golub will not qualify as an independent director within the meaning of the Belgian Companies Code or of the Belgian Code on Corporate Governance.

## **2 Share capital reductions**

Under the provisions of the Belgian Companies Code, RHJI is currently not in a position to make distributions to shareholders.

The non-consolidated financial statements of RHJI for the fiscal year ended March 31, 2006 reflect carried forward losses of JPY 11,001,479,000.

In order for RHJI to have flexibility for future distributions (e.g. by way of a share buy-back program) to shareholders, if and when such distributions are deemed appropriate by the Board of Directors (no guarantee whatsoever is provided that there will be any distribution in the future), it is proposed to effect:

- a share capital reduction in order to absorb the carried forward losses as of March 31, 2006. As the share capital is expressed in EUR, this JPY 11,001,479,000 amount will be converted in EUR on the day before the Extraordinary Shareholders' Meeting;
- a share capital reduction of JPY 19,000,000,000 (also to be converted in EUR) in order to create an available reserve of such amount.

All such reductions would be made without cancellation of shares.

As an example, based on exchange rate prevailing in early February 2007, the current share capital (EUR 855,455,470, represented by 85,545,547 shares) would, as a result of the above share capital reductions, be reduced to approximately 663,900,000 while still being represented by 85,545,547 shares. The Articles of Association would be amended to reflect such new share capital.

## **3 Adjustment of authorized capital amount**

The Articles of Association (Article 8) reflect a current authorized capital of EUR 740,955,470.

The authorized capital is the total amount of capital that the Board of Directors is authorized to issue directly, i.e. without being required to seek approval by the shareholders.

Pursuant to the Articles of Association (Article 8), this authorization is effective for five years as of April 26, 2005.

A portion of the authorized capital, i.e. EUR 77,000,000, was used by the Board of Directors in order to issue 7,700,000 new shares for RHJI's second global offering completed in March 2006. The current amount of authorized capital available to the Board of Directors is EUR 663,955,470.

Under the Belgian Companies Code, the authorized capital of a listed company (RHJI is listed on Euronext Brussels) may not exceed its share capital. Assuming, after the share capital reductions mentioned under 2 above, the share capital would become approximately EUR 663,900,000, it would then be proposed to reduce the amount of authorized capital currently reflected in the Articles of Association to EUR 663,900,000. However, if, as a result of exchange rate variations occurring until the day before the Extraordinary Shareholders' Meeting approves the share capital reductions, the share capital resulting from such share capital reductions would be higher than EUR

663,955,470, then EUR 663,955,470 would be the proposed new authorized capital amount to be reflected in the Articles of Association.

#### **4 Renewal of share buy-back authorization**

The authorization granted to the Board of Directors under the Articles of Association (Article 12) to carry out share buy-backs, expired on September 23, 2006. Under Belgian corporate law, such authorization may only be given for a maximum of 18 months.

The Board of Directors has not used such authorization in the past.

The Board of Directors proposes to renew this authorization for another 18 months, under the same terms as those currently set forth in the Articles of Association (Article 12).

Such authorization would only be effectively used by the Board of Directors if and when deemed appropriate and no guarantee whatsoever is provided that the Board of Directors will use such authorization in the future.

It is also proposed that the text of the authorisation granted to the Board of Directors to approve any divestiture by the Company of any shares bought back be amended to clarify that such divestiture may be made in circumstances approved by the Board of Directors, including circumstances where a cash payment would not be required in exchange for the divested shares.

#### **5 Introducing shareholders' vote by correspondence (including electronic voting)**

RHJI encourages participation of its shareholders to Shareholders' Meetings.

RHJI has, in the past, provided the possibility for shareholders to grant a proxy to either a proxyholder of their choice or to a designated agent.

For further facilitation, it is proposed to modify the Articles of Association in order to provide the possibility for shareholders to vote by correspondence, i.e. by sending a simple form to RHJI expressing the direction of their vote.

This modification would also allow the Board of Directors, if it deems it appropriate or desirable, to implement, in addition to normal voting, an electronic voting facility (through a web-based solution).

#### **6 Power for restatement of the Articles of Association and other formalities**

Some of the proposed resolutions as described above require amendments to the Articles of Association and, as a result, there would be a need to restate the Articles of Association.

It is proposed to grant a power to the General Counsel (with right of substitution) for the purposes of proceeding to such restatement and to any other formality necessary or useful in connection with the amendments to the Articles of Association.

#### **Quorum and adjournment**

The Extraordinary Shareholders' Meeting will be convened on March 8, 2007, at 2 p.m., at Avenue Louise 326, 1050 Brussels (Belgium). As under the Belgian Companies Code, points 2 to 5 require, in order for the Shareholders' Meeting to validly proceed, that the shareholders attending

the meeting, physically or by proxy, represent at least 50% of the outstanding share capital, there is a possibility that the Extraordinary Shareholders' Meeting will not be able to proceed on March 8, 2007 (if the 50% threshold is not met). In such case, a new Extraordinary Shareholders' Meeting will be convened on March 27, 2007 at 4 p.m., at the same place and will deliberate on points 1 to 6 regardless of the percentage of share capital attending or being represented at the meeting.

For the formal text of the proposed resolutions (i.e. 9 resolutions contained in points 1 to 6 of the agenda), the attendance modalities and voting percentages required for the resolutions, please refer to the Notice for the Extraordinary Shareholders' Meeting.

\*