ANNUAL REPORT 2008 CONSOLIDATED FINANCIAL STATEMENTS

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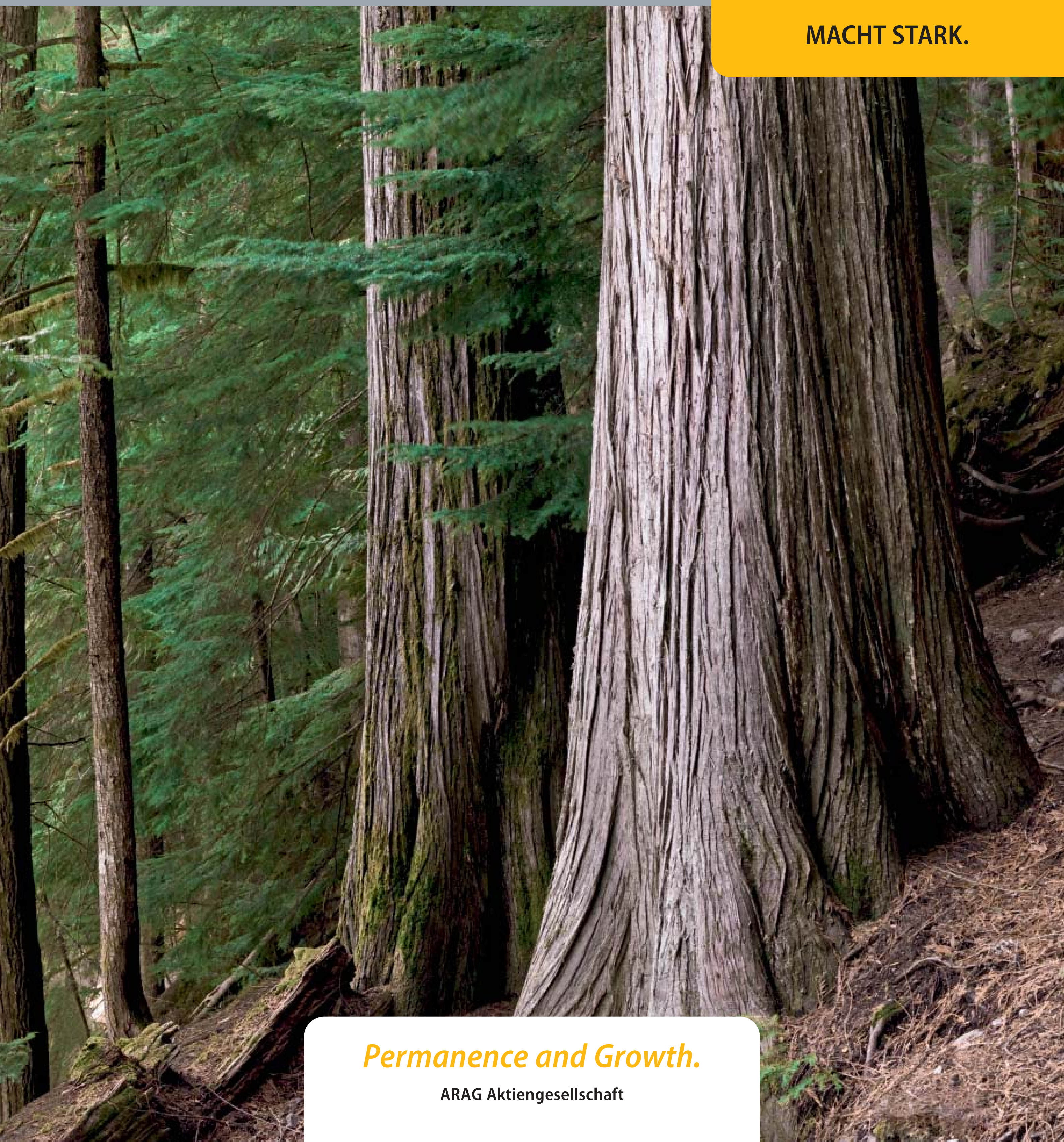


Permanence and Growth.

ARAG Aktiengesellschaft

Permanence and Growth.

Dependability is the bedrock of every partnership – for ARAG and its customers as well. We have been the acknowledged experts in our field of insurance for close to 75 years, and have grown steadily over this entire period. As an internationally successful family company, effective coverage of each one of our customers is one of our core values – in legal matters, in health and retirement coverage and as Europe's largest sport insurer. The roots that we have put down the market make us sound and strong. Our products provide dependable coverage in legal matters and protection that extends beyond the immediate need.

Overview

Key figures

ARAG AG – Consolidated Financial Statements

(in million euros)	2008	Change	2007	2006
Sales				
Gross premiums written	1,361.0	1.4%	1,342.2	1,312.0
Earned premiums for own account	1,339.8	2.0%	1,313.7	1,284.2
Sales revenues of non-insurance companies	40.9	-9.9%	45.4	36.1
Costs				
Cost of claims for own account	860.1	-0.9%	867.8	840.6
Claims ratio (basis: earned premiums)	64.2%	-1.9% pts.	66.1%	65.5%
Cost of insurance business for own account	441.3	2.5%	430.7	423.3
Cost ratio (basis: earned premiums)	32.9%	0.1% pts.	32.8%	33.0%
Overview of profit and loss				
Underwriting result for own account	63.1	30.1%	48.5	42.1
Income from capital investments	103.6	-46.2%	192.4	188.7
portion included in underwriting result	102.4	-22.1%	131.5	125.3
Other income/expenses	-42.3	-13.1%	-49.2	-38.1
Income from normal business activity	22.0	-63.5%	60.2	67.4
Extraordinary operating result	0.0	0.0%	0.0	-20.1
Net income before external components	3.8	-82.0%	21.1	60.3
Underwriting reserves/earned premiums (net)	342.6%	-1.3% pts.	343.9%	341.2%

Contents

ARAG companies in Germany and their products and services

ARAG Allgemeine Rechtsschutz-Versicherungs-AG
- Legal insurance for motorists, employment, personal and home-related issues, for businesses, trades, self-employed professionals and associations

ARAG Allgemeine Versicherungs-AG
- Liability insurance
- Home effects insurance
- Accident insurance
- Accident disability pension
- Motor vehicle insurance
- TOP special service package
- Building insurance
- Business insurance
- Sport insurance

ARAG Lebensversicherungs-AG
- Endowment insurance
- Term life insurance
- Private pension insurance
- Mutual fund-linked pension insurance (incl. Riester/Rürup plans)
- Disability, survivors' and accidental-death insurance
- Company pension plans

ARAG Krankenversicherungs-AG
- Private full-cost health insurance
- Supplementary health insurance
- Statutory long-term care insurance
- Supplementary long-term care insurance
- Foreign travel health insurance

International Subsidiaries

ARAG Group
Headquarters
ARAG Platz 1
40472 Düsseldorf
www.ARAG.de

ARAG Austria
ARAG Allgemeine Rechtsschutz-
Versicherungs-AG
Favoritenstraße 36
1041 Vienna
www.ARAG.at

ARAG Belgium
ARAG S.A.
Assurance en Protection Juridique
Place du Champ de Mars 5
1050 Brussels
www.ARAG.be

ARAG UK (Great Britain)
ARAG plc
Suite A, 12th Floor
Froomsgate House
Rupert Street
Bristol BS1 2QJ
www.ARAG.co.uk

ARAG Greece
ARAG-Hellas
Allgemeine Rechtsschutz-
Versicherungs-AG
Fidippidou 2
11526 Athens
www.ARAG.gr

ARAG Italy
ARAG Assicurazioni Rischi
Automobilistici e Generali S.p.A.
Viale delle Nazioni 9
37135 Verona
www.ARAG.it

FOYER-ARAG (Luxembourg)
FOYER-ARAG S.A.
Protection Juridique/Rechtsschutz
12, rue Léon Laval
3372 Leudelange
www.assurancesfoyer.lu

ARAG Netherlands
ARAG Nederland
Algemene Rechtsbijstand
Verzekeringmaatschappij N.V.
Kastanjelaan 2
3833 AN Leusden
www.ARAG.nl

HELP Forsikring AS (Norway)
Nedre Vollgate 4
0124 Oslo
www.help.no

ARAG Portugal
ARAG S.A. – Sucursal em Portugal
Rua Julieta Ferrão 10
Planta 13, Oficina A
1600-131 Lisbon
www.ARAG.pt

ARAG Slovenia
ARAG Zavarovanje Pravne
Zaščite d.d.
Železna Cesta 14
1000 Ljubljana
www.ARAG.si

ARAG Spain
ARAG Compañía Internacional de
Seguros y Reaseguros S.A.
Roger de Flor 16
08018 Barcelona
www.ARAG.es

Winterthur-ARAG (Switzerland)
Rechtsschutzversicherungs-
Gesellschaft
Birmensdorferstraße 108
8003 Zurich
www.winterthur-ARAG.ch

ARAG® North America Inc.
400 Locust Street, Suite 480
Des Moines, Iowa 50309
www.ARAGGroup.com

Structure of the ARAG Group

Asset and Shareholding Management
- **ARAG Aktiengesellschaft**

Operative Group Holding
- **ARAG Allgemeine Rechtsschutz-Versicherungs-AG**
  - **Central Group Functions**
  - **Group Finances**
  - **Group Risk Management/ Controlling**
  - **Group Sales National**
  - **Legal Insurance Underwriting/ Services**
  - **Group IT/ Business Organization**
  - **Group International**

Operative Insurance Companies
- **ARAG Allgemeine Versicherungs-AG** – Composite Insurance
- **ARAG Lebens-versicherungs-AG** – Life Insurance
- **ARAG Kranken-versicherungs-AG** – Health Insurance
- **Interlloyd Versicherungs-AG** – Brokerage Specialist
- **International Companies** – Legal Insurance/ Legal Services

Service Companies
- **ARAG IT GmbH** – IT Services for the ARAG Group
- **Cura GmbH & Co. KG** – Insurance Agency Firm
- **ARAG Service Center GmbH** – Emergency Telephone Service
- **Interiura International AG** – International Claims Settlement

Profile of the ARAG Group

An overview ARAG is the internationally recognized, independent partner for legal matters and protection. From its first day onward ARAG, the legal insurance pioneer, has always seen itself as a partner of its customers. Today, we apply this understanding of our mission to all insurance services which the Group offers. As the largest family enterprise in the German insurance industry, ARAG is committed to its entrepreneurial independence and continuity. This assures the Group's stability, opens up long-term development perspectives and grants it greater entrepreneurial freedom.

ARAG offers its customers orientation and security. With its new brand strategy, this insurance enterprise will work even more intensively with its customers to help them secure their risks. As the risk navigator, ARAG offers enhanced coverage and security in critical life situations across all insurance segments with a flexible service portfolio consisting of prevention, consultation and cost reimbursement.

In the most recent reporting period, ARAG's over 3,300 employees generated a sales and premium volume of € 1.4 billion. ARAG Allgemeine Rechtsschutz-Versicherungs-AG is responsible for the strategic management of the Group and oversees the operational legal insurance business both domestically and internationally. All other insurance companies and the ARAG service companies are grouped below this holding level, and each bears responsibility for the operative management of its respective line of business. As the asset-managing holding company, ARAG AG represents the formal legal umbrella of the ARAG Group with its direct and indirect subsidiaries.

Legal insurance The ARAG Group is among the world's leading legal insurance specialists. ARAG Rechtsschutz actively shapes the markets in this segment both domestically and abroad. By repositioning itself as the legal navigator, the Company has set a new milestone in the German market. The Group is successfully exploiting the know-how gained through decades of experience in the home legal insurance market, in twelve other European countries and in the USA. More than half of the premium revenues of the legal insurance companies is earned in the international arena.

Composite insurance ARAG Allgemeine is the Group's composite insurer. In its highly competitive market, this company has carved out a position as a strong provider of property, liability, accident and motor vehicle insurance; it is also Europe's largest sport insurer, providing coverage for around 21 million insured leisure and competitive athletes. The ARAG Allgemeine subsidiary Interlloyd rounds out the Group's portfolio as a brokerage specialist in the private customer segment.

Personal insurance ARAG Kranken und ARAG Leben complete the Group's offerings with new ideas in the market for private health insurance and private retirement saving. ARAG Kranken is one of the Group's fastest growing segments, and at the same time is tightly focused on profitability. Its attractive, high-performance offerings are convincing more and more consumers, and consistently score in the top bracket in product and company ratings. With its family of mutual fund-linked pension insurance products, ARAG Leben has established a customer-oriented retirement savings offering on the market. The mutual fund-linked policies, which can be flexibly adapted in response to individual life circumstances, also achieve top scores in the respective rankings.

Foreword

Dr. Paul-Otto Faßbender

ARAG has been active in the insurance business for close to 75 years. And in that time, the owners have never before experienced events on global financial markets comparable to those of recent months. However, the financial crisis is not a threat to our enterprise, but rather a challenge. Thanks to the strong and dependable backing of its owners, the Company can go about the business of looking after its customer's interests in a calm and deliberate fashion. This has been true throughout our past decades and will remain just as true in future.

Naturally, we too had to take losses in our capital investments in the last fiscal year. However, the Group is ultimately profiting from its conservative investment policy. We are constantly aware that our assets could contain isolated negative risks on account of the world-wide diversification. This makes the fact that ARAG has always built up sufficient safety buffers in the good times more important than ever. We can thus face this downturn with confidence.

As a family company, ARAG always acts in full awareness of its responsibility. It is we ourselves – and not the taxpayers – who must bear the consequences of our actions. This principle exercises a sound and disciplining effect on all decisions. Thus, we only assume risks that do not endanger our enterprise. Due to our conservative fundamental attitude, the Group did not grow as rapidly as many of our competitors in the years of excessively cutthroat competition. Today, the correctness of our cautious business policy has been validated by events. Our restrained organic growth of past years is not a disadvantage but a sign of dependable, sustainable business.

However, we must not allow the financial crisis to blind us to the extremely successful development in the last fiscal year. Underwriting earnings increased by a substantial 30.1 percent. That is also in line with our long term business policy. We place a high priority on seeing ARAG obtain an excellent position in its insurance market and on good earnings. Our operative business is thus strengthening the Company in this downturn. Within the context of the extraordinary burdens that the markets are placing on us, the earnings situation of the Group is acceptable to the owners overall.

We will continue to invest in ARAG's strengths – law, health and sport – to the benefit of our German customers on a sound entrepreneurial basis. Internationally, the Group remains on course for growth and will utilize good opportunities for moving into new markets.

Dr. Paul-Otto Faßbender

A unique combination: a strong family enterprise with high innovation standards.

Ginkgo

Genus/species	*Ginkgo biloba*
Site	*Sittichenbach, SAXONY-ANHALT*
Age	*approx. 210 years*

The leaves of the ginkgo tree are unique. They consist of two complementary halves. At ARAG as well, two fundamental attributes are inseparably linked: as a strong family enterprise, we place the needs of our customers in the focal point of our actions. Ongoing product innovations help us to meet their evolving demands.

Firmly rooted: trust-worthiness, dependability and soundness are the pillars of our business.

Red beech

Genus/species	*Fagus sylvatica*
Site	*Sacro Monte, PIEMONT*
Age	*approx. 100 years*

Beeches are sturdy, long-living trees. They possess a particularly strong and ramified root network. And just like a strong and nourishing root network, ARAG's owners and the Company's long-term capital foundation guarantee stability. This enables us to ensure the sustainability of our business policy – in the interest of our customers.

Time to grow: our tradition promotes competence and know-how.

Suentel beech

Genus/species	*Fagus sylvatica var. suentelensis*
Site	*Lauenau, LOWER SAXONY*
Age	*approx. 200 years*

For generations, this suentel beech has been flourishing at the verge of Lauenau's "Volkspark". As an independent family enterprise, ARAG has also been expanding its expertise and experience every day for close to 75 years. This accumulated know-how is the basis for innovative products and excellent service, enabling us to serve our customers as a powerful partner.

Recognizing opportunities: international expansion on a sound basis.

Black willow

Genus/species	*Salix nigra*
Site	*Calgary, ALBERTA*
Age	*approx. 75 years*

Willows grow quickly. Our international activities are also growth-oriented, and are proceeding on the basis of stable earnings. We are successfully serving customers in 14 countries. We hold a leadership role in the US market. And we are the undisputed market leader in Spain and Italy.

Superb performance: top ratings for our products.

American beech

Genus/species *Fagus grandifolia*
Site *Blandford, DORSET*
Age *approx. 135 years*

A (beech) forest is divided into multiple canopy levels. The best conditions for growth are found at the very top. ARAG's products and services also regularly place at the top in rankings and ratings. Whether German or international ratings agencies, assessments of independent brokers or certification by accredited testing agencies: our success is driven by top performance.

Management Report

Development of premium income and sales

(in million euros)	2008	2007	2006
Legal insurance	**684.6**	674.6	654.7
share domestic	317.3	327.0	331.4
share international	367.2	347.6	323.3
Composite	**236.5**	237.1	239.5
share domestic	199.2	203.6	211.2
share international	37.3	33.5	28.3
Life	**206.0**	212.5	217.9
Health	**233.9**	218.0	200.0
Service companies	**41.0**	45.4	36.1

- Group growing in spite of global downturn
- International business and health insurance achieve sustained above-average growth
- Operational insurance business with excellent earning power
- Significant cost reductions in domestic legal insurance

ARAG Group Management Report for Fiscal Year 2008

I. Business and Market Conditions

The situation of the insurance industry in fiscal 2008, like the economy as a whole, was dominated by the effects of the global banking and financial crisis.

The economic outlook for 2009 is negative. The German Council of Economic Experts anticipates that the lively foreign and investment demand experienced in the past years will decline noticeably. Stagnating domestic demand and the expansion of government investments will not be able to compensate for this decline. The highly satisfactory job-market trend of the last three years will reverse, so that an increase in the rate of unemployment must be expected.

As major institutional investors, the insurers are affected by the developments on the capital markets. In fiscal 2008, the stock markets were characterized by massive drops in share prices. The German stock-market index DAX closed the year at 4,810 points, for a decline of 40 percent. The European stock market index DJ Euro Stoxx 50 suffered a decline of 44 percent, ending up at 2,448 points.

The bond markets were scenes of significant turbulence. Systemic risks of the financial crisis, uncertainty with regard to the creditworthiness of issuers of debt instruments, the announcement of fiscal actions funded by deficit spending and adjustments in the base interest rate by central banks resulted in a skittish market environment and high risk premiums for bonds. Bond fungibility was extremely limited at times. The end of the year was characterized by sometimes drastic cuts in the base interest rate. The US Federal Reserve Bank reduced the base rate to the current level of between 0.00 to 0.25 percent in multiple steps. The European Central Bank cut its main refinancing rate last year from 4.25 to 2.50 percent.

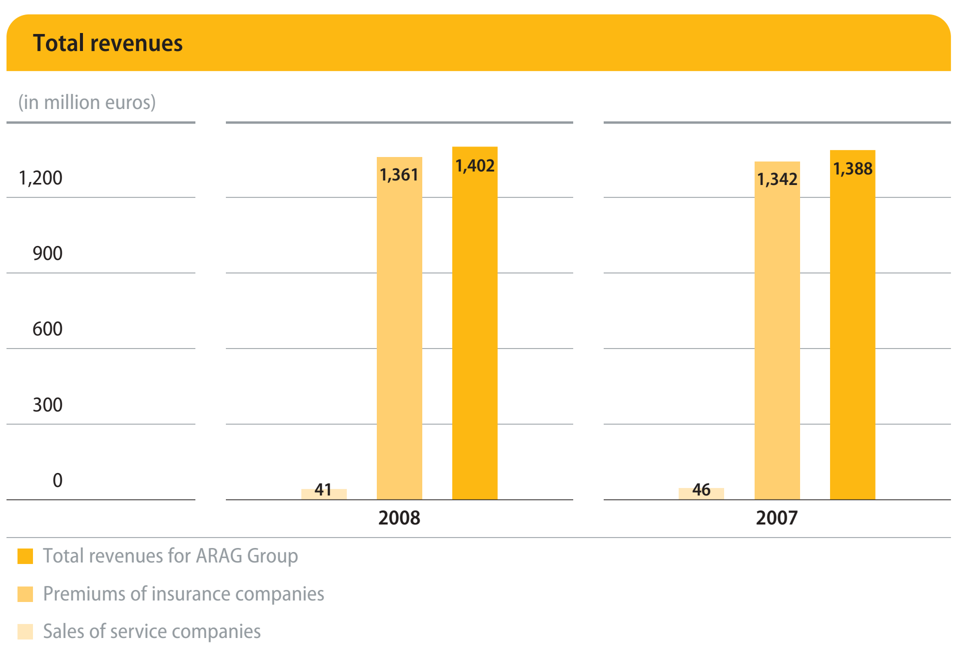
The ARAG Group continued to demonstrate stable positive development in spite of the turbulent market environment. The sustained international growth was a decisive factor here. The legal insurance business outside of Germany – including the special service package business of ARAG Spain – continued to expand, with premiums growing by 6.2 percent. ARAG is now actively serving customers in 13 European countries including Germany, and the US.

The difficult economic parameters of the global financial crisis also impacted the profits of the ARAG Group. The resulting decline in profits was largely offset by the excellent underwriting earnings. The good operational earnings situation in the insurance business is due to the thorough optimization of business processes carried out in past years. Particularly at ARAG Rechtsschutz in Germany, these efforts produced a further significant reduction in the cost ratio of from 38.1 to 36.8 percent. This follows on a decrease of 2.9 percentage points in this indicator in the previous year. The underwriting earnings of ARAG Rechtsschutz were thus boosted solidly into the black. For the Group overall, the cost ratio was 32.9 percent, virtually unchanged from the previous year's satisfactory level of 32.8 percent. The Group's underwriting earnings grew by 30.1 percent to € 63.1 million. The good earnings situation in the operational insurance business is complemented by the Group's conservative capital investment strategy. The portfolios contain no structured securities. Additionally, direct capital investments are broadly diversified. Furthermore, the portion attributable to stocks was considerably reduced, to 1.94 percent (net ratio). In spite of this, however, the effects of the crisis on the financial markets also impacted the ARAG Group's income from capital investments. In the year under review, securities were written down by € 90.8 million.

Overall, the ARAG Group withstood the hundred-year scenario of the fiscal year under review with its challenging overall conditions without undue stress. The Company grew in 2008 and remains as solvent as ever. This is particularly true for the individual solvability of the Group subsidiaries. ARAG's excellent performance in the operational insurance business is the basis for its financial soundness.

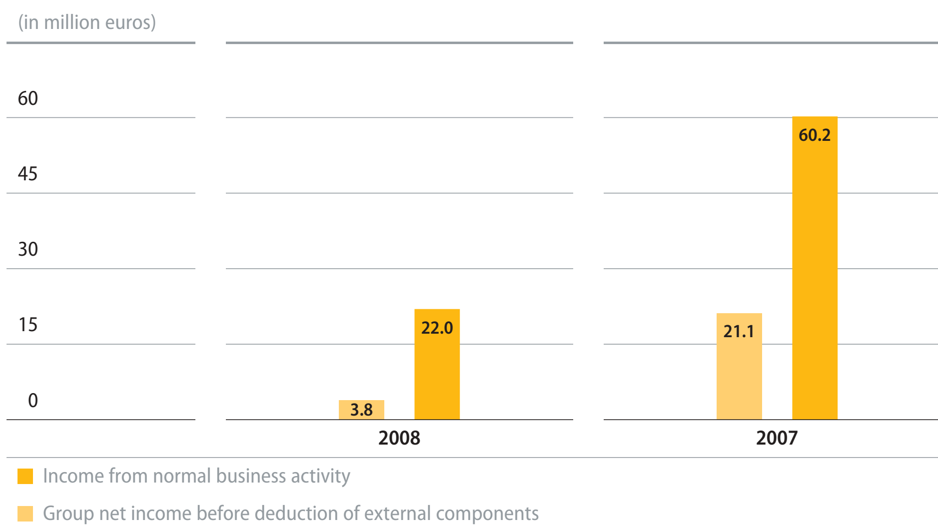
II. Earnings Situation

Premiums/sales In spite of the worldwide recession, the premium revenues of the insurance subsidiaries of the ARAG Group increased by 1.4 percent, or from € 1.34 billion to € 1.36 billion. Once again, the international legal insurance business and the health insurance business generated the greatest growth. The total revenues of the Group, including sales of the service companies, amounted to € 1.40 billion, following € 1.39 billion in the previous year.



In all, the Group's portfolios comprise some 6.0 million policies. Our international business accounts for 2.4 million of these. The domestic sport business (composite segment) comprises a further 20.8 million insured risks, which enjoy the benefits of ARAG group insurance cover through 15 state sport associations.

Group performance



Earnings situation The earnings situation of the German and international insurance subsidiaries in the fiscal year under review was shaped to a large extent by the global financial crisis. In this situation, the ARAG Group profited from the sustained success of its extensive optimization efforts in past years. Underwriting earnings once more improved by a substantial 30.1 percent over the previous year, from € 48.5 million to € 63.1 million. The positive effects of the enhanced efficiency of the subsidiaries made a decisive contribution toward cushioning the impact of the write-downs necessitated on capital investments. Due to the drastic decline in income from capital investments, earnings from normal business activities fell from € 60.2 million in the previous year to € 22.0 million.

The cost of insurance claims fell from € 867.8 million to € 860.1 million. This decline is essentially attributable to the effects of the introduction of the initial telephone consultation and the efficient claims management in German legal insurance. The Group's claims ratio fell correspondingly, from 66.1 percent to 64.2 percent. At 32.9 percent, the cost ratio for 2008 once more remained practically unchanged from the previous year's level (32.8 percent). Due to the lower cost of claims, the Group's combined ratio once more declined compared to the previous year's level, improving to 97.1 percent (previous year: 98.9 percent).

In the year under review the return on capital investments dropped by a considerable 46.2 percent to € 103.6 million, following € 192.4 million in the previous year. This decline was mainly the result of write-downs totaling € 98.9 million. Additionally, the previous year's earnings included one-time gains from the sale of Group real estate as part of the realignment of the investment strategy.

One-time expenses for realization of optimization measures were the reason for the net cost in other earnings and expenses of € 42.3 million (previous year: € 49.2 million).

In the fiscal year under review, taxes including latent tax effects totaling € 18.2 million were incurred. The high proportion for taxes reflects the tax burden of the high-earning Group subsidiaries coupled with the lack of a trans-national profit equalization for tax purposes. The non-recognition of stock price losses in calculating corporate income taxes also had a negative effect. After deduction of tax expenses, the Group net income before deduction of external components came to € 3.8 million, following € 21.1 million in the previous year.

III. Financial Situation

The aim of the financial and capital resources management of the Group is to ensure that the obligations arising from our insurance activities can be fulfilled at any time, and that the regulatory requirements respecting solvability set forth in Art. 53c of the German insurance oversight statute VAG and the regulations issued appurtenant to this respecting the capital requirements for insurance groups are not only met, but that a significant surplus in reserves is assured as well. Furthermore, the Group constantly strives to provide for risk capital that is adequate to comply with the expected requirements of Solvency II at all times.

The conservative reserves policy of the ARAG Group was consistently pursued throughout the year under review. The underwriting reserves were increased by an additional 1.6 percent, from € 4.52 billion to € 4.59 billion. The ratio of underwriting reserves to earned premiums consequently remained virtually unchanged over the previous year in spite of the increase in revenues: this figure declined slightly from 343.9 percent to 342.6 percent.

In comparison with the previous year, the Group's own funds and guarantee funds developed as follows:

Development of own funds

(in million euros)	2008	2007
Subscribed capital – paid in	200.0	200.0
Reserves	35.8	26.3
Capital shares of minority shareholders	32.2	32.3
Group net profit after external components	1.3	20.0
Total equity	**269.3**	**278.6**
Lower-ranking bond	50.0	50.0
Own funds	319.3	328.6
Underwriting reserves	4,590.5	4,517.2
Guarantee funds	**4,909.8**	**4,845.8**

The guarantee funds are covered by capital investments in the amount of € 5,002.2 million (previous year: € 4,932.2 million). To ensure that the Group can meet all payment obligations from its insurance policies at any time, the Group has at its disposal, in addition to current account balances at financial institutions amounting to € 54.5 million (previous year: € 75.1 million), in particular capital investments that can be liquidated on the capital and financial markets on short notice.

For details respecting the scope of capital investment and investment in intangible assets undertaken in the fiscal year and the development of the Group's liquidity in the fiscal year under review, please refer to the Statement of Cash Flow on page 73.

IV. Asset Situation

The capital investment portfolio of the Group increased in fiscal 2008 by 1.4 percent, from € 4,932.2 million to 5,002.2 million. The current values of these capital investments amounted to € 5,089.3 million as of the day of accounting.

The capital investment structure in comparison to the previous year is as follows:

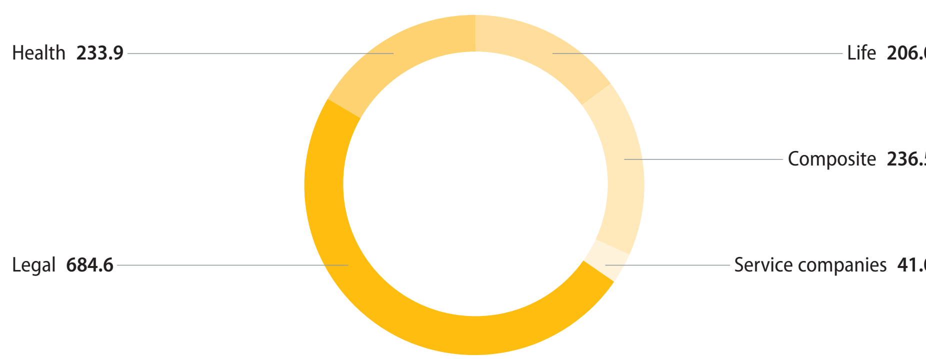
Type of capital investment

(in million euros)		2008		2007
I. Real estate and buildings	170.5	3.4%	175.1	3.5%
II. Shares in affiliated companies and holdings	88.0	1.8%	81.5	1.7%
III. Lending to affiliated companies and holdings	3.8	0.1%	3.8	0.1%
IV. Stocks and investment fund shares	1,900.1	38.0%	1,965.1	39.8%
V. Bearer bonds	374.3	7.5%	419.6	8.5%
VI. Mortgages receivable and other similar rights	237.9	4.7%	250.9	5.1%
VII. Registered debentures, promissory notes	1,836.6	36.7%	1,666.0	33.8%
VIII. Bank deposits	236.6	4.7%	190.9	3.9%
IX. Other lending	66.9	1.3%	88.6	1.8%
X. Other capital investments	82.6	1.7%	85.9	1.7%
XI. Portfolio assets	4.9	0.1%	4.8	0.1%
	5,002.2	**100.0%**	**4,932.2**	**100.0%**

V. Segment Reporting

Premiums and revenues by segment 2008

(in million euros)



The Group comprises the operational segments
- Legal insurance business
- Composite insurance business
- Life insurance business
- Health insurance business
- Services and asset management

Gross premium revenues

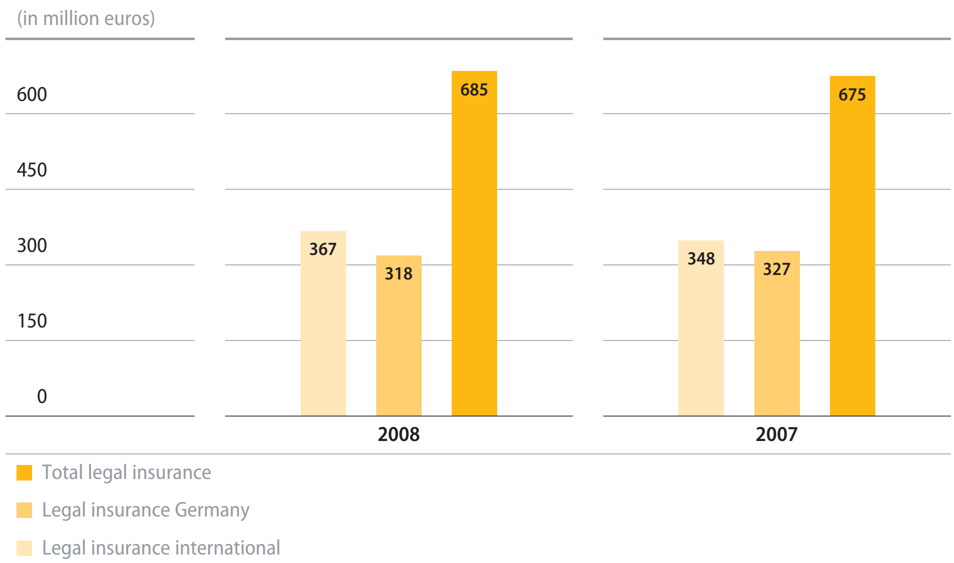
(in million euros)	2008	2007
Legal insurance	685	675

Legal insurance business The legal insurance segment remained on course for growth in the fiscal year under review. Gross premiums written grew by 1.5 percent, from € 674.6 million to € 684.6 million. The international legal insurance business increased its share of premiums with respect to the German legal insurance business, cementing its role as the largest business segment within the Group. This underscores the successful internationalization course that ARAG has been consistently pursuing for many years.

In the legal insurance segment overall, the costs of insurance claims fell considerably, from € 392.2 million to € 364.4 million. This was due to the decrease in the cost of claims on account of the intensive utilization of the initial attorney telephone consultation as a claims control instrument and the expansion of the attorney network in Germany. The claims ratio decreased correspondingly, from 59.0 percent to 53.9 percent. Following on a loss of € 2.5 million in the previous year, underwriting earnings in the legal insurance business posted a substantial increase, to € 29.5 million.

The income from capital investments for the entire legal insurance segment fell from € 38.1 million to a loss of € 6.0 million. Income from normal business activity in legal insurance thus declined overall for a loss of € 8.9 million, as opposed to a profit of € 7.2 million for the previous year.

Uninterrupted growth in international legal insurance business



The international legal insurance business underscored its role as the Group's growth engine with a further significant increase in premiums. The gross premium revenues written in this segment, today the Group's largest line of business, rose by 5.7 percent from € 347.6 million in the previous year to € 367.2 million. Thus, 53.7 percent of legal insurance premium revenues were generated outside of Germany. An additional € 37.3 million in premium revenues are attributable to the comparable special service package business of ARAG Spain, which was booked under the composite insurance segment. Including this figure, total revenues achieved in the international legal insurance companies amounted to € 404.5 million. The largest single subsidiaries are active on behalf of ARAG in Spain, the Netherlands and Italy. The greatest premium growth was generated in ARAG North America with 15.5 percent, and ARAG Spain with 6.2 percent. The combined ratio of the international legal insurance segment showed a clear improvement, from 101.1 percent to 95.6 percent.

In the fiscal year under review, ARAG increased its ownership stake in HELP Forsikring in Oslo, Scandinavia's only legal insurance provider, from 33.4 percent to 42.0 percent. With the acquisition of its initial stake in 2007, the Group opened up a strategically important development perspective for the entire Scandinavian market. With Norway, ARAG is active in 13 countries outside of Germany.

The general conditions remain challenging for the German legal insurance business of the ARAG Group. Premiums declined by 3.0 percent in the fiscal year under review. Gross premium revenues dropped from € 327.0 million to € 317.3 million. This decline is primarily the result of premium adjustments not carried out, the continued selective underwriting policy of ARAG Rechtsschutz and effects from the structural and process-related changes in ARAG's sales organization. Sales management was made considerably leaner, so as to tie the core sales organization more closely to the Company. The original 24 territorial directorates have been reorganized into 15 regional directorates. As part of this change, one hierarchic level was eliminated and the administrative tasks transferred to the main office. In the course of these changes, the ARAG partners received more scope and incentives for exercising initiative in their selling activities. The implementation of this project is largely completed and Sales is now fully capable of working in its new structure.

Brokerage sales showed excellent development in the fiscal year under review, exceeding targets by 30 percent in the legal insurance business.

The ARAG Group is deriving an enormous sustained benefit from the comprehensive optimization actions executed in German legal insurance in past years. Thanks to the efficiency enhancements, which developed their full effect for the first time in 2008, the net cost ratio was significantly reduced once more from 38.1 percent to 36.8 in the fiscal year under review. The German technical inspection and certification agency TÜV affirmed the high service quality of the initial attorney telephone consultation of ARAG Rechtsschutz: ARAG was the first German insurer to receive the mark “very good”, establishing itself as the benchmark leader for telephone consultation services.

Composite insurance business The Group’s composite segment succeeded in maintaining its premium volume in the highly competitive property insurance market at the previous year’s level. Premium revenues in this segment totaled € 236.5 million (previous year: € 237.1 million). Among other occurrences, many customers in the important accident insurance segment were migrated in the fiscal year under review from older rate generations to the modern, high-performance ARAG Unfall-Schutz 2007 product in cooperation with the ARAG sales partners.

Gross premium revenues

(in million euros)	2008	2007
Composite insurance	237	237

The brokerage specialist Interlloyd Versicherungs-AG, a wholly owned subsidiary of ARAG Allgemeine, also turned in a good showing in a highly competitive line of business and further increased its premium revenues.

The special service package business of ARAG Spain, which is booked in the composite segment, once more grew over the previous year, by 11.4 percent from € 33.5 million to 37.3 million.

In the special sport insurance segment, the continuing expansion of the policy terms with some of the state sport associations and organizations and an increase in supplementary insurance for sport associations and clubs drove further premium growth. This was reinforced by a significant expansion of business with cultural associations, which is very similar to the sport concept.

The underwriting account of the composite segment showed a significant increase in profit to € 28.9 million, following € 17.5 million in the previous year. At € 33.7 million, earnings from normal business activity also exceeded the previous year’s value of € 31.1 million.

Gross premium revenues

(in million euros)	2008	2007
Health insurance	234	218

Health insurance business The health insurance business of the ARAG Group underscored its role as the fastest-growing segment in Germany in the fiscal year under review. Gross premium revenues increased from € 218.0 million in the previous year to € 233.9 million. This 7.3 percent gain in premiums once again significantly exceeds the average for the private health insurance industry. Full coverage insurance profited especially from the new rates introduced in 2007: new business in terms of monthly premiums more than doubled. The unchanged strict conservative underwriting policy ensures the high profitability of the health insurance business. An excellent underwriting result ratio of 10.7 percent was again achieved, even though insurance benefits rose by 12.6 percent over the previous year. The managed capital investments increased by € 74.7 million to € 810.3 million, and income from capital investments amounted to € 22.7 million, compared to € 29.0 million in the previous year. At 2.56 percent, the administrative cost rate remained at the previous year's level (2.53 percent), and consequently significantly below the industry average. Underwriting earnings totaled € 6.6 million, as opposed to € 11.3 million in the previous year. Earnings from normal business activity came to € 5.0 million (previous year: € 10.2 million). The satisfactory earnings situation enabled transfer of an additional € 15.4 million (previous year: € 19.2 million) to the provision for profit-linked premium rebates.

The excellent economic condition of ARAG Krankenversicherung is also reflected in the assessment of the insurance-industry rating agency Assekurata. This agency reaffirmed its assessment of "A" (good) in its 2008 follow-on company rating and made particular mention of the high customer satisfaction and the company's "excellent security situation".

Gross premium revenues

(in million euros)	2008	2007
Life insurance	206	212

Life insurance business The written premium revenues in the life insurance segment declined by 3.1 percent, totaling € 206.0 million following € 212.5 million in the previous year. This decline is due mainly to the extremely high level of the regular maturity values. To strengthen new business, the successful family of ARAG mutual fund-linked products, introduced in 2005, was developed further in the fiscal year under review. The new fund-linked policy generation ARAG FoRte 3D meets customer preferences in times of financial crisis by convincingly linking flexibility and return with high security. The high quality of the new mutual fund-linked products was also affirmed by ratings agencies. For example, Franke & Bornberg awarded these products their top mark of "FFF" (excellent). And in a rating of rates conducted by Morgen & Morgen at the start of 2009, ARAG FoRte 3D took first place for all three levels of private retirement savings.

Capital investments in the life insurance segment totaled € 2.6 billion, and generated a net yield of € 79.1 million as compared to € 100.5 million in the previous year. In the course of the financial crisis, underwriting earnings deteriorated for a loss of € 1.9 million following a profit of € 22.1 in the previous year. Earnings from normal business activity in this segment correspondingly fell from a profit of € 21.0 million to a loss of € 3.2 million. ARAG Lebensversicherung generated a gross profit of € 18.5 million in the year under review. Of this, € 17.5 million or 94.6 percent was transferred to the provision for profit-linked premium rebates for customers of ARAG Leben.

Gross premium revenues

(in million euros)	2008	2007
Service companies	41	45

Services and asset management The ARAG Group bundles all non-insurance activities under this heading. In addition to the holding companies, of which ARAG AG is one, this segment comprises asset management and housing development companies, as well as wholly owned IT consulting firms. The Group's insurance agency subsidiary Cura GmbH & Co. KG, as well as ARAG plc in Great Britain, which is also active as an insurance intermediary, are also included in this segment. The sales revenues of these non-insurance units with external customers and the other Group segments dropped by € 0.5 million to € 122.9 million, following € 123.4 million in the previous year. After adjusting for intra-group revenues of the service companies, consolidated sales amounted to € 41.0 million as opposed to € 45.4 million in 2007.

The result from normal business activity improved significantly, from the previous year's loss of € 10.0 million to a loss of € 2.2 million in the year under review. This is due to reorganization actions undertaken in the property development business in the previous year. This segment closes with a loss, as further start-up losses were incurred in the British agency and service company.

VI. Product Development, Employees and Other Performance Factors

Product development The targeted enhancement and expansion of its insurance offerings through customer-oriented products remained a focus of the ARAG Group, the internationally recognized, independent partner for legal matters and protection, in the fiscal year under review.

In its core legal insurance business, ARAG once again launched a major initiative in its home German market: with the new legal insurance product for self-employed persons, a unique product concept was released on 1 December 2008. The comprehensive spectrum of prevention services offers self-employed professionals valuable assistance and support particularly in this difficult economy. For example, ARAG is the first insurance provider to expand receivables management to include the judicial dunning process. Additionally, the new legal insurance offering includes business mediation at no additional premium. The initial attorney telephone consultation and the ARAG Online Legal Service optimally complete the spectrum of prevention offerings. Additionally, the new product profile, the ability to select individual legal insurance modules and the extremely attractive price-performance relationship add even more value.

As of the fiscal year under review, all German ARAG Rechtsschutz customers benefit from the successful initial attorney telephone consultation: the legal telephone hotline ARAG JuraTel is now an integral part of all legal insurance products. At the same time, the high call volume of JuraTel enjoys first-class service. According to a comprehensive analysis by the technical inspection and certification agency TÜV Saarland, ARAG is the benchmark leader in telephone consultation services in the German insurance industry, and is the first insurer to earn the rating “very good”.

A further innovative target-group product, Expat Legal, was introduced in 2008. This is the first comprehensive legal insurance package specially designed for Germans employed abroad. It was developed in concert with the German Expatriates Association BDAE as the cooperation partner. This legal insurance product offers coverage and security not only for expatriates but also for family members who remain behind in Germany.

In the composite segment, the accident product ARAG Unfall-Schutz 2007 introduced in the previous year has achieved broad acceptance in the market on account of its innovative product concept and advantageous price-performance relationship. The sales partners were also successful in migrating customers from older rate years to the new product and significantly increasing its share of the overall portfolio. The excellent quality of ARAG Unfall-Schutz for seniors is also attested to by its placement among the top offerings as ranked by the German consumer finance magazine Finanztest, issue 2/2009. Only nine companies met the editors’ strict performance criteria. The new building insurance product ARAG Wohngebäude-Schutz 2008 is a further modernization of the range of offerings in the area of combined building insurance.

In the health insurance segment, 2008 was dominated by changes to the German statute to promote competition in the statutory health insurance sector (GKV-WSG), which affected the full health coverage area. In this environment, the three-level needs-oriented care concept of ARAG Krankenversicherung showed itself to be optimally matched to the requirements of the market. Particularly the KomfortKlasse rate introduced in 2007 is proving to be extremely attractive in this market environment thanks to its up-to-date concept with diverse prevention and premium rebate components. This is additionally underscored by the rating awarded in the November 2008 issue of the German business magazine Cash. In this ranking, the K-rate placed among the top ten: third place for women and seventh place for men. Concurrently, the excellent orientation toward customer needs in the area of supplementary health insurance has been reaffirmed by excellent product ratings such as the consumer magazine ÖKO-TEST (issue 5/2009) and another first place in the AssCompact Awards (2008) as the most popular supplementary health insurer. Additionally, the insurance rating agency Assekurata reiterated its rating of A (good) in its 2008 enterprise rating. The key reasons for this rating were the high customer satisfaction and ARAG's excellent security situation.

In the life insurance business, a new generation of ARAG mutual fund-linked policies – ARAG FoRte 3D – was introduced in October 2008. The optional ARAG RenditeTresor is a special feature that secures gains achieved in the free fund investment component against loss. As a hybrid product, ARAG FoRte 3D optimally combines flexibility and opportunity for gains with complete capital security. This mutual fund-linked policy thus fulfills the strong customer desire to completely secure retirement savings contributions in times of unstable financial markets. In a ranking of rates at the beginning of 2009, the highly respected analyst firm Morgen & Morgen affirmed the top ranking of ARAG FoRte 3D in all three layers of retirement saving. The rating agency Franke & Bornberg certifies the new ARAG mutual fund-linked policy generation with the mark "FFF" (excellent). Outside of the mutual fund-linked pension insurance, the demand for the well-established ARAG death benefit rate continues to develop positively. In the year under review, the death benefit rate was further optimized once more.

Further performance factors In the fiscal year under review, the ARAG Group derived a sustained benefit from the comprehensive optimization actions carried out in prior years. The Triathlon efficiency enhancement program, which was launched in 2007 and developed its full effect for the first time in 2008, had a particularly strong impact on the net cost ratio in the German legal insurance business. This figure was reduced further, to 36.8 percent in the fiscal year under review following 38.1 percent in the previous year. Due to the effective optimization work within the Group, the decline in earnings from normal business activity, although perceptible, was less than the decline in income from capital-market investments.

The VIP Sales Intensification Program was kicked off in the fiscal year under review to heighten the effectiveness of the ARAG core sales organization. This program aims to make both the structure and the management of ARAG core sales leaner. The local management level now comprises 15 regional directors, who report directly to the Board member for Sales. As a further VIP action, a central recruiting unit was created to provide targeted assistance and support in recruiting new sales partners.

The German website of the ARAG Group was completely redesigned and modernized in the fiscal year under review in terms of both layout and content. The new website went live in the first quarter of 2009, after only eight months. It affords visitors optimum usability. Customers and prospects can find information on all ARAG products, on numerous service offerings like the ARAG Legal Navigator and on the ARAG Group even more quickly and easily. Prospects who wish to purchase an ARAG product can either request a quote electronically, find the telephone hotline number or search for their personal ARAG partner nearest to them, just as they prefer. Selected insurance policies can also be concluded directly online. The success of this new website could be seen directly in the figures for the first two months: net new business for insurance purchased online grew by 40 percent over the same period in the previous year.

As from 2008, the sales partners also have at their disposal an innovative tool for professional customer contact, the ARAG Action Portal. This dedicated Internet-based application enables all ARAG partners to order product mailings in a simple, rapid and needs-appropriate manner, which are then automatically printed, personalized and sent to the salesperson's own customers.

The ARAG Service Concept, concluded in 2008, also aims at more intensive customer relationship management. The aim of the action is to work with and inform ARAG policyholders outside of and beyond the claims situation. To this end, twelve individual actions were launched within two years. These include sending new customers a service coupon booklet, the regular "ARAG Recht&Schutz" newsletter as well as qualified personal contacts between the ARAG partners and customers.

The continuation of the animal-motif advertising campaign "Denken Sie gerade an …" ("Does this remind you of …") ensured a high media presence for the ARAG brand. In September 2008, ARAG launched another broad-range campaign on television and numerous websites with both proven and new animal motifs.

As a result of the revision of the insurance contract statute VVG, the German insurance companies were required to inform all portfolio customers in the fiscal year under review of the provisions that apply as of 1 January 2009. ARAG Rechtsschutz implemented the new legal requirements on time through comprehensive actions and modifications in the form of a Group-wide project.

To reorganize and further flatten the Group structure, ARAG Allgemeine Rechtsschutz-Versicherungs-AG acquired 25.1 percent of the share capital of ARAG Krankenversicherungs-AG from ARAG Lebensversicherungs-AG in the fiscal year under review. The intention is to increase this shareholding to 100 percent.

The highly focused international expansion – one of the decisive factors for the Group's entrepreneurial success – continued in fiscal 2008: in addition to exploring and preparing further cooperation projects and shareholdings, ARAG also increased its stake in HELP Forsikring AS, Scandinavia's only legal insurer, from 33.4 percent to 42.0 percent. With this commitment, ARAG opened up an exciting development perspective in the entire Scandinavian market in 2007.

One example for the high quality of the performance and services of the international ARAG subsidiaries is the customer management of ARAG North America. For the second year in a row, the American industry website BenchmarkPortal certified it as a "Center of Excellence". Due to the extremely demanding selection process, only around seven percent of all participating companies succeed in earning this honor.

To increase profitability and efficiency in a targeted manner, the international subsidiaries uniformly reorganized their strategic planning process in the fiscal year under review, integrating the actions identified 2007 in the best-practices project Growth – Acumen – Profit (GAP) in the respective national strategies.

Additionally, ARAG Spain revised the business model of its Portuguese subsidiary and successfully expanded its own product line to add consultative legal services via an online platform: analogous to its German "role model", the ARAG Legal Navigator, the Navegador Legal offers hundreds of example contracts and letters in conformance with Spanish law for downloading. The platform also enables generation of individual contracts and interactive research on legal issues.

Employees The number of employees in the ARAG Group declined according to plan in the year under review as part of our cost saving actions. As of 31 December 2008, a total of 3,290 persons were employed in the consolidated companies on a permanent basis (previous year: 3,332). Including companies outside the scope of consolidation, 3,384 persons were employed as of 31 December 2008 (previous year: 3,427). This corresponds to a decline of 1.3 percent. During the period under review, 43.4 percent of the employees of the ARAG Group worked outside of Germany.

Employees

(permanent staff)	2008	2007
Consolidated companies	3,290	3,332
Entire Group	3,384	3,427

In view of the challenging economic environment, it is vital for the Group to be able to depend on a highly competent staff. Our employees are characterized by a high level of loyalty to and identification with the enterprise. As most of our employees have served with us for many years, they possess a profound knowledge of their areas in both the domestic and international insurance business. ARAG offers its employees exceptional opportunities for personal development and continuing education. The employees appreciate our excellent corporate culture and the forthright atmosphere in this family company. In return, ARAG is considered a challenging employer with a high performance standard and a corresponding workload. At the same time, our enterprise invests in the quality of its employees e.g. in the form of extensive audits, which in future will be extended beyond the executive levels.

In the 2008 fiscal year, mandatory leadership principles were implemented for ARAG Rechtsschutz and for the entire ARAG Group. The ARAG Leadership Standards realize the mandates of the Group's vision, the ARAG Essentials, in the form of obligatory leadership action. The Leadership Standards formulate the expectations for exemplary leadership within the Group. They set high standards for the leadership behavior of management.

ARAG's understanding of its role as an internationally recognized, independent partner for legal matters and protection also demands that all employees maintain their knowledge and skills at the leading edge of best practice. To further this aim, a comprehensive online qualification program, ARAG IQ, was launched for all ARAG employees around the world. The subjects of the qualification program cover a full range including executive programs, office courses, project management training and foreign languages.

VII. Supplementary Report

No events of particular importance occurred following the end of the fiscal year under review. Overall, the business development of the 2009 fiscal year is proceeding as expected to date.

VIII. Risk Report

The assumption of risk lies at the core of the business model of an insurance company. This means that the task of risk management is to identify, assess and control risks in a timely manner. This is performed decentrally in the operational units of the ARAG Group, and is the responsibility of the respective executives. Since the Group additionally began assessing the overall risk situation of the individual subsidiaries in its central Group Risk Management unit in 2005 ahead of the anticipated solvability requirements of Solvency II, this has become a standard process. In particular, the Group's international subsidiaries and the Group as a whole are now components of a unified quarterly risk reporting. The assessments contained therein are performed on the basis of an internal model developed by Group Risk Management and the standard approach developed by the German Insurance Association GDV. The necessary risk capital – the solvency capital requirement – is determined in internal models as the value at risk of the result of the economic profit and loss accounting and is measured against the available solvency margin, quantified as equity at market value.

In 2009, the ARAG Group will undertake the necessary expansions and supplements to the internal model required by the German regulation governing the minimum requirements for risk management in insurance companies (MaRisk).

In accordance with German Accounting Standard (DRS) No. 5 – 20, which regulates risk reporting of insurance companies, the risk situation of the ARAG Group is as follows:

Underwriting risks in property and accident insurance: Due to the product and client structure, the Group's insurance portfolio holds only a few extraordinary risks regarding possible major claims that would endanger the Company's continued existence. Suitable reinsurance has been taken out to minimize the risks of large claims in the property, liability and accident business. The claims situation is actually influenced more by the effects of changing legal, economic and social parameters. Furthermore, our claims expenditures can increase as a result of changes to laws and statutory instruments or legal charges and fees – even for claims that have already been reported. We counter these risks by constantly monitoring legal and social developments and analyzing their impact on our insurance portfolio. Insurance rates and terms are adapted where necessary and the claims reserves provide for sufficient safety margins. The variable premium rates clause of our domestic legal insurance also allows insurance premiums to be adjusted in line with claims development.

The steady nature of the Group's insurance business as well as the continually appropriate apportionment of claims provisions may be seen in the data given below for the gross claims trends for self-contracted business for our legal insurance subsidiaries as well as the property and accident insurance subsidiaries over the last ten years.

Development of claims

Fiscal year		Gross claim ratio, total	Settlement result
	Ratio for fy	Balance	in % of initial reserves
2008	63.9	55.4	6.5
2007	65.9	62.6	2.7
2006	64.9	59.2	4.5
2005	63.7	59.9	3.1
2004	58.7	60.1	1.1
2003	64.4	54.3	8.3
2002	68.2	60.8	6.8
2001	64.0	59.7	4.2
2000	64.5	56.6	7.5
1999	66.1	59.8	6.3

Underwriting risks for life insurance and health insurance: The underwriting risk comprises the danger that the premiums collected are no longer sufficient to finance the actual insurance benefits (premium/insurance benefit risk), that the net earnings on capital investments are not sufficient to fulfill the interest guarantees (interest guarantee risk) and that the underwriting reserves formed are not sufficient to finance future insurance benefits (reserve risk). Among other strategies, these risks are countered by calculating the premiums and insurance benefits and the corresponding provisions to be made in accordance with recognized actuarial principles under observance of all statutory requirements. The risk that an interest rate appropriate for the policyholders, respectively the guaranteed interest rate, cannot be earned on account of the current low capital-market interest rates is met by allocating the capital investment portfolios in a differentiated manner according to the term and debtor structure. The portfolio of fixed-interest capital investments generates a return that exceeds the current interest rate level; new investments are made solely in securities with a rating of at least "BBB", for terms that correspond to the expectations with respect to the development of capital-market interest rates.

With regard to the biometric basis for calculation (death probabilities, disability probabilities, etc.), ARAG only uses the recognized decrement tables provided by the German actuarial association DAV and BaFin (German Federal Financial Supervisory Authority) as these are considered sufficiently reliable.

In addition, the anticipated values arrived at using the decrement tables are regularly compared with actual claims in order to validate the appropriateness of the biometric calculation basis. In the case of pension insurance, the assessment of the longevity risk is particularly important. The effects of increasing life spans correlates with a reduction of the safety margins in the pension tables used to date in calculating the actuarial reserves.

Cancellation probabilities are not considered in calculating the actuarial reserves. In addition, the provisions of the German directive regulating the accounting of German insurance companies, RechVersV, require that reserves must at least equal the surrender value. For life insurance policies in which the claims against the policyholders are capitalized, the risk of cancellation is provided for by means of appropriate valuation allowances.

In health insurance, the underwriting risks are minimized through a comparison (by rate) conducted at least annually of the necessary insurance benefits and death probabilities and those calculated using the technical calculation basis. If the actual values deviate from expectations within certain limits, the calculation basis (claims requirement, actuarial interest rate, mortality, cancellation) is reviewed. Where required, the premiums are matched to current developments with the approval of an independent mathematic trustee. The current mortality tables of the German Private Health Insurance Association are used in calculating the probability of death.

Risk from default on debts in the insurance business: Losses due to default on debts in the insurance business are minimized by an efficient and persistent dunning system. The residual default risk is anticipated by setting aside general provisions for bad debt against receivables in the financial statements.

As of 31 December 2008, receivables in insurance business more than 90 days past due amounted to € 20.5 million. The average default rate for receivables in 2005 through 2008 amounted to 0.3 percent with reference to written premiums.

Risks from capital investments: As an insurance enterprise, the assumption of risks and their professional monitoring and handling are an important element of capital investment controlling. Specifically, the risks of capital investments comprise the market risk, the credit risk and the liquidity risk. A broad diversification of the portfolio limits the individual risks by broadly spreading the capital investments on the basis of investment types, debtors and regions.

The **market risk** is countered by a risk-based controlling concept that enables a capital investment early warning system in conjunction with continuing market monitoring and timely reporting. Additionally, a security concept is implemented that safeguards the stock portfolios against further exchange losses when certain price indices are reached. Furthermore, the risk situation and the financial stability are reviewed on a regular quarterly basis in the form of internal tests based on the same criteria as the official stress tests of German financial regulators. The stress tests examine whether the Company would be able to meet its obligations to its policyholders in spite of extreme crisis situations on the capital markets without recourse to extraordinary measures. In the stress tests, which comprise four scenarios, the following simultaneously occurring losses in value are assumed:

Scenario	R10	A16	RA17	AI22
Bonds	-10%	–	-5%	–
Stocks	–	-16%	-12%	-12%
Real estate	–	–	–	-10%

As a result of these analyses it may be stated that as of the accounting date, all domestic insurance subsidiaries of the Group have passed all stress tests mandated by regulatory authorities without restriction.

The **credit risk** is as follows: Of the fixed-interest securities held by the German insurance subsidiaries – including those held indirectly through investment funds – approximately 62.8 percent are attributable to banks with investment-grade quality, 28.8 percent to sovereign bonds and 7.2 percent to corporate bonds. Around 98.8 percent of the individual risks show a minimum rating of "A" according to Standard & Poor's or a comparable rating. The Company regards the **default risk** as a form of the credit risk as slight in view of the credit rating of the securities portfolio, the cover assets of the pfandbriefe and the government stabilization actions for the banking sector in response to the financial crisis.

The **liquidity risk** is limited by revolving financial planning which identifies the payment flows in good time and allows them to be matched through asset-liability management. In addition, the high fungibility of our capital investments ensures that these can be liquidated on short notice.

The use of derivative instruments is regulated by our general principles and internal guidelines and is restricted exclusively to hedging purposes.

The Group counters the risks from shareholdings by constant monitoring of and reporting by the holding companies. Management of operative risks is sufficiently provided for by the holding companies themselves.

Operational risks: The operational risks include all risks that pertain to staff, processes, organization, IT, natural disasters, technology and external circumstances. The portfolio of operational risks was determined and updated on a quarterly basis. Risks are controlled through the implementation of actions for the purpose of risk protection, risk avoidance or risk reduction.

One significant risk is that of partial or total failure of the information systems. To guard against this risk the Group has implemented numerous technical and organizational safeguards (strict access control, off-site custodianship of programs and data, firewalls, etc.); these are reviewed on a regular basis and upgraded as developments warrant.

The Group guards against the risk of administrative failures through rules and audits in the various departments. Internal controlling measures and the continuing deployment of internal auditing minimize the risk of serious working errors and acts of embezzlement.

A professional software tool is used world-wide for managing the operational risks (identification, administration and controlling).

Other risks: No risks exist from the statutory regulation of inheritance and gift taxes (Art. 13b (2) No. 2 and No. 4, Erbschafts- und Schenkungssteuergesetz ErbStG). This law contains a provision in favor of insurance companies subject to regulation according to Art. 1 (1) No. 1 VAG. Aside from this there are no particular concrete risks. At present, the overall risk situation does not indicate any trends that could endanger the existence of individual subsidiaries of the Group or severely impair the Group's asset, financial or earnings situation.

Quantification of overall risk situation/solvability: The Group had at its disposal sufficient own funds of the regulatory solvability requirements as set forth in the applicable statute (Art. 104g VAG). The calculation of Group solvability as of 31 December 2008 shows sufficient level of the own funds of around 125 percent of requirements, in spite of the difficult overall parameters.

IX. Outlook

Following the drastic slide on the financial markets in the last quarter of 2008 and the subsequent rapid economic downturn, a significant contraction of gross domestic product is forecast for the German home market of the ARAG Group in 2009. While private consumption has remained strong through the first half of 2009, an increase in unemployment later in the year is likely to curtail the spending behavior of private households. It is to be expected that the insurance industry will feel this constraint in consumers' willingness to take out new policies. The growth outlook for the industry is thus likely to be constrained.

The ARAG Group will continue to prevail in this difficult environment and continue its conservative business policy.

In this crisis, ARAG also sees opportunities particularly for insurance companies. In these times, consumers are seeking security and dependability – which is exactly what the ARAG Group can offer them. The Group possesses first-class products that assist customers in difficult times, and experienced employees whom customers appreciate on account of their competence.

ARAG also possesses one very special characteristic: as a family enterprise, it stands for dependability, soundness and continuity. These values will acquire greater weight in the financial services industry in future. The economic downturn is driving a fundamental shift toward conservative values on the part of consumers which will shape the parameters of the insurance markets more strongly in future. Consumer surveys show that ARAG, as the largest family enterprise in the German insurance industry, can profit from this development. Consumers interpret ARAG's enlightened, cautious corporate growth and its strong international position as evidence of soundness and stability. The analyses indicate that consumers would prefer insurance services from a large family company. Encouraged by these favorable attitudes, ARAG intends to emphasize its character as a family company more strongly in future. The Group is aided in this by the fact that it has already positioned itself as a quality insurer for its customers: the survey further showed that consumers consider high-quality products and services as an important indicator for the performance capability of a family enterprise.

To make it easier for consumers to find their way to ARAG the family enterprise, the Group has intensively analyzed its areas of strength with high future potential. Like the precepts of the enterprise vision ARAG Essentials, the performance principle "legal matters and protection" has been developed into a concrete performance promise. As one of the world's leading legal insurers, as a high-quality health insurer and Europe's largest sport insurer, ARAG has defined the competence fields "law, health and sport" as the investment focuses of the enterprise. The aim is to provide ARAG customers with services that create utility in these areas. For example, ARAG as one of Germany's leading sport accident researchers can provide expert support to its customers in living an active and healthy lifestyle. Starting in the current fiscal year, the Company will successively realize this new concept in its product development.

ARAG has analyzed the effects of the global economic downturn and is examining new business opportunities. At the same time, the enterprise remains committed to its conservative, earnings-oriented business policy. Thanks to the strong international diversification of its core business, the Group will be able to insulate itself from the negative revenue expectations of the industry in Germany (-1 percent) and remain on a growth course in 2009 and 2010. In this regard, the expectations vary according to the respective Group segment.

In the legal insurance segment, the international business will continue to expand on its role as the largest segment and growth engine of the Group in the form of continued increases in premium revenues. In accordance with the international expansion strategy, opening up new markets, and consistently utilizing good development opportunities, will remain a priority. For example, in 2009 ARAG has acquired a competitor in Great Britain and assumed the legal insurance business of a further competitor, thus expanding its position in that market.

In the German legal insurance business, the focus is on further improving the cost development. This acquires special significance as the leveling-off of production with simultaneous higher commission expenses is likely to produce declining underwriting earnings. Overall, no significant premium growth is anticipated in German legal insurance in 2009 and 2010.

The composite segment, operated by ARAG Allgemeine, is intensifying its investments in its product portfolio. All relevant product groups will benefit from this. The high service quality in this line is extremely satisfying. The technical inspection and certification agency TÜV Saarland attested the claims service of ARAG Allgemeine its top mark of "very good" (1.40) in the first half of 2009. The examiners recognized the rapid, customer-friendly claims settlement in ARAG's composite segment.

ARAG's health insurance business is poised to continue the decidedly successful business trend of past years. In the difficult area of health policy, ARAG Krankenversicherung will use its significantly expanded product range to broaden its solid basis in the full health insurance area. ARAG Krankenversicherung is also excellently positioned in the supplementary health insurance market, which continues to gain in importance. It is able to satisfy practically any customer need. The high quality of the available products is underscored by the many excellent placements in a variety of performance comparisons.

In the coming years, the life insurance segment is set to benefit from the success of its mutual fund-linked pension insurance products, which are a close fit to the difficult situation on the financial markets. These products place great priority on securing the customers' paid-in contributions. In the area of traditional endowment insurance, ARAG Leben will continue to maintain the surplus participation of its customers at 4.0 percent excluding final surplus components through the current year. Over the course of 2009, both ARAG Leben and ARAG Kranken will relocate their headquarters within Munich to a newly constructed office building.

The earnings expectations of the ARAG Group for the coming years are cautious. The Company is benefiting from its extensive optimization efforts since 2003 through the continuous improvement of its underwriting profit. The high-earning operational insurance business will be a source of strength for ARAG in the coming years as well. Accordingly, the Company is continuing its conservative business policy – while further strengthening its good underwriting earnings. For the owners, good to excellent internal financing capability remains a top ARAG priority. Consequently, the Group is operating with a consistent earnings orientation and not growth-oriented. With respect to the ARAG Group's organic expansion of business, the focus is on high-earning growth opportunities, which ARAG sees primarily in international business and in health insurance. The Group will examine external growth opportunities for their strategic potential and utilize them where conditions are right. This applies to the legal insurance segment in particular.

Under consideration of all opportunities and risks, the ARAG Group expects improved business earnings in fiscal 2009 and 2010.

Consolidated Financial Statements

ARAG Aktiengesellschaft

Consolidated Financial Statements

Consolidated Balance Sheet as of 31 December 2008

Assets

(in euros)
A. Intangible assets
1. Costs for start-up and expansion of business activity according to Art. 269 (1) sen. 1 HGB
2. Goodwill
3. Other intangible assets
B. Capital investments
I. Real estate, comparable rights and buildings including those on third-party property
II. Capital investments in affiliated companies and shareholdings
1. Shares in affiliated companies
2. Lending to affiliated companies
3. Holdings in associated companies
4. Other holdings
5. Lending to companies with which a shareholding relationship exists
III. Other capital investments
1. Stocks, investment fund shares and other non-fixed interest securities
2. Bearer bonds and other fixed-interest securities
3. Mortgages receivable, other similar rights and fixed-interest debts
4. Other lending
a) Registered debentures
b) Promissory notes and loans
c) Loans and advance disbursements on insurance policies
d) Remaining lending
5. Bank deposits
6. Other capital investments
IV. Portfolio assets from assumed reinsurance business
C. Capital investments for the account and risk of life insurance policyholders
D. Accounts receivable
I. Accounts receivable for self-contracted insurance business:
1. from policyholders
a) Claims due
b) Claims not yet due
2. from insurance agents portion from affiliated companies: € 0.00 (previous year: € 8,423.65)
II. Settlement receivables from reinsurance business
III. Other accounts receivable portion from affiliated companies: € 3,217,516.12 (previous year: € 3,092,745.71) portion from companies with which a shareholding relationship exists: € 336,956.47 (previous year: € 521,711.05)
E. Other assets
I. Real estate intended for sale and other assets of non-insurance companies
II. Tangible assets and supplies
III. Current bank balances, checks and cash in hand
IV. Other assets
F. Accrued and deferred items
I. Deferred interest and rents
II. Other accrued and deferred items
G. Tax deferment item in accordance with Art. 306 in conjunction with Art. 274 (2) HGB
Total assets

Appendix				2008	2007
31 p.66					
			0.00		0.00
1 p.59			33,900,321.28		36,303,655.66
2 p.59			13,452,763.28		8,631,018.15
				47,353,084.56	**44,934,673.81**
31 p.66					
3 p.59			170,480,995.88		175,104,837.27
4 p.59					
		3,816,076.33			4,283,558.51
		3,392,102.59			3,668,123.44
		13,231,593.85			12,716,116.40
		70,930,865.29			64,533,630.01
		425,636.60			115,661.90
			91,796,274.66		85,317,090.26
5 p.60		1,900,084,178.08			1,965,052,942.72
5 p.60		374,287,555.26			419,602,841.69
7 p.60		237,900,944.24			250,920,334.28
7 p.60					
	881,071,331.97				849,640,480.00
	955,557,953.50				816,349,065.69
	82,190,638.04				85,563,462.29
6 p.60	66,922,158.92				88,575,883.02
		1,985,742,082.43			1,840,128,891.00
9 p.60		236,596,490.50			190,929,758.40
7 p.60		388,180.09			361,180.09
			4,734,999,430.60		4,666,995,948.18
			4,932,620.93		4,796,091.34
				5,002,209,322.07	**4,932,213,967.05**
8 p.60				**30,453,157.09**	**39,039,994.77**
10 p.60					
	51,791,469.32				52,895,050.95
	15,900,382.41				15,654,978.47
		67,691,851.73			68,550,029.42
		29,470,093.56			28,884,430.37
			97,161,945.29		97,434,459.79
			19,521,242.28		14,959,190.73
			35,706,088.45		29,902,600.33
				152,389,276.02	**142,296,250.85**
			24,354,847.77		44,834,043.04
11 p.60 12 p.60			20,241,981.44		21,714,974.55
			54,510,822.34		75,127,460.70
13 p.61			71,293,010.76		83,634,780.07
				170,400,662.31	**225,311,258.36**
14 p.61					
			55,283,486.52		53,420,193.61
			6,214,550.64		2,003,749.32
				61,498,037.16	**55,423,942.93**
15 p.61 28 p.64				**10,261,676.11**	**2,622,432.43**
				5,474,565,215.32	**5,441,842,520.20**

Consolidated Balance Sheet as of 31 December 2008

Liabilities

(in euros)
A. Equity
I. Subscribed capital
Outstanding contributions not yet called in
II. Revenue reserves
1. Statutory reserves
2. Other revenue reserves
3. Currency exchange rate reserves
4. Difference according to Art. 309 (1) HGB
III. Group profit/loss
1. Group net profit
IV. Balancing item for shares of other shareholders
B. Difference from consolidation of capital
C. Lower-ranking liabilities
D. Special reserve item
E. Underwriting reserves
I. Unearned premiums
1. Gross amount
2. less: portion for reinsured business
II. Actuarial reserves
1. Gross amount
2. less: portion for reinsured business
III. Provision for outstanding claims
1. Gross amount
2. less: portion for reinsured business
IV. Provision for profit-linked and non-profit-linked premium rebates
V. Fluctuation reserve and similar provisions
VI. Other underwriting reserves
1. Gross amount
2. less: portion for reinsured business
F. Underwriting reserves in the life insurance segment, insofar as the investment risk is borne by the policyholders
I. Actuarial reserves
II. Other underwriting reserves
Carryover:

Appendix			2008	2007
29 p. 65 36 p. 74				
	200,000,000.00			200,000,000.00
	0.00			0.00
		200,000,000.00		200,000,000.00
	4,559,315.00			3,941,258.00
	68,738,977.92			60,560,736.02
	-1,476,112.65			-2,194,807.94
	-35,999,890.81			-35,998,458.11
		35,822,289.46		26,308,727.97
	1,294,353.45			19,975,495.57
		1,294,353.45		19,975,495.57
		32,243,847.76		32,303,304.85
			269,360,490.67	**278,587,528.39**
			0.00	**0.00**
16 p. 61			**50,000,000.00**	**50,000,000.00**
17 p. 61			**4,957.87**	**4,957.87**
18 p. 61				
	219,777,411.22			220,788,414.93
	-3,381,652.60			-10,211,755.32
		216,395,758.62		210,576,659.61
19 p. 62				
	3,012,915,654.10			2,944,649,591.12
	-70,560,210.00			-69,614,833.00
		2,942,355,444.10		2,875,034,758.12
20 p. 63				
	1,187,841,037.80			1,202,705,397.46
	-43,587,942.35			-77,176,130.09
		1,144,253,095.45		1,125,529,267.37
		223,783,564.06		236,113,820.40
21 p. 63		58,207,905.00		65,528,021.00
22 p. 64				
	5,550,495.13			4,688,817.34
	0.00			-274,417.50
		5,550,495.13		4,414,399.84
			4,590,546,262.36	**4,517,196,926.34**
		12,428,911.81		10,285,183.88
		18,024,245.28		28,754,810.89
			30,453,157.09	**39,039,994.77**
			4,940,364,867.99	**4,884,829,407.37**

Consolidated Balance Sheet as of 31 December 2008

Liabilities
(in euros)
Carryover:
G. Other provisions
I. Reserve for pensions and similar obligations
II. Reserve for taxes
III. Reserve for anticipated tax liability for subsequent fiscal years according to Art. 274 (1) HGB
IV. Other reserves
H. Portfolio liabilities for reinsured insurance business
I. Other liabilities
I. Liabilities for self-contracted insurance business:
1. toward policyholders
2. toward insurance agents portion to affiliated companies: € 3,856.67 (previous year: € 851.67)
II. Settlement liabilities from reinsurance business
III. Debts to banks
IV. Other liabilities portion attributable to taxes: € 13,679,224.94 (previous year: € 20,893,353.79) portion attributable to social security: € 556,149.63 (previous year: € 556,484.01) portion to affiliated companies: € 1,356,086.37 (previous year: € 668,787.70) portion to companies with which a shareholding relationship exists: € 1,012,839.90 (previous year: € 1,404,503.84)
J. Accrued and deferred items
Total liabilities

Appendix			2008	2007
			4,940,364,867.99	**4,884,829,407.37**
23 p. 64		188,128,785.72		184,202,259.15
		25,608,993.99		22,869,818.81
		230,647.00		1,376,258.00
24 p. 64		72,912,627.17		72,327,851.29
			286,881,053.88	**280,776,187.25**
25 p. 64			**79,027,510.76**	**78,165,468.62**
25 p. 64				
26 p. 64				
	60,818,875.79			63,383,614.03
	26,063,486.51			27,146,771.95
		86,882,362.30		90,530,385.98
26 p. 64		1,163,531.82		2,008,688.63
		15,944,753.67		29,929,570.51
		62,162,597.74		72,533,124.17
			166,153,245.53	**195,001,769.29**
27 p. 64			**2,138,537.16**	**3,069,687.67**
			5,474,565,215.32	**5,441,842,520.20**

Consolidated Statement of Profit and Loss for the Period 1 January to 31 December 2008

Item
(in euros)
I. Underwriting account for property and accident insurance business
1. Earned premiums for own account
a) Gross premiums written
b) Premiums for reinsured business
c) Change in gross unearned premiums
d) Change in reinsurers' portion of gross unearned premiums
2. Technical interest earned for own account
3. Other underwriting earnings for own account
4. Cost of claims for own account
a) Payments for claims
aa) Gross amount
bb) Reinsurers' portion
b) Change in provision for outstanding claims
aa) Gross amount
bb) Reinsurers' portion
5. Change in other net underwriting reserves
a) Net actuarial reserves
b) Other underwriting reserves
6. Cost of profit-linked and non-profit-linked premium rebates for own account
7. Cost of insurance business for own account
a) Gross cost of insurance business
b) less: commissions and profit-sharing received from reinsured insurance business
8. Other underwriting costs for own account
9. Subtotal
10. Change in fluctuation reserve and similar provisions
11. Underwriting result for own account in property and accident insurance business

Appendix			2008	2007
30 p. 65	921,088,808.86			911,712,009.67
	-11,990,719.88			-15,185,967.60
		909,098,088.98		896,526,042.07
	-7,465,188.28			-7,907,865.80
	-95,088.54			-543,638.72
		-7,560,276.82		-8,451,504.52
			901,537,812.16	**888,074,537.55**
			609,171.39	**572,007.67**
			2,649,265.92	**2,682,165.71**
	481,112,853.15			474,799,466.16
	-6,500,881.58			-13,002,617.24
		474,611,971.57		461,796,848.92
	6,801,023.71			58,757,241.19
	5,953,663.44			-416,156.30
		12,754,687.15		58,341,084.89
			487,366,658.72	**520,137,933.81**
		0.00		0.00
		-1,127,731.54		849,201.02
			-1,127,731.54	**849,201.02**
35 p. 71			**-5,130.08**	**6,504.57**
34 p. 71				
		370,167,219.01		367,788,658.76
		-6,002,125.12		-4,894,621.75
			364,165,093.89	**362,894,037.01**
			1,037,838.08	**1,452,663.32**
			51,104,057.32	**7,686,773.24**
			7,320,116.00	**7,315,398.00**
			58,424,173.32	**15,002,171.24**

Consolidated Statement of Profit and Loss for the Period 1 January to 31 December 2008

Item
(in euros)
II. Underwriting account for life and health insurance business
1. Earned premiums for own account
a) Gross premiums written
b) Premiums for reinsured business
c) Change in gross unearned premiums
d) Change in reinsurers' portion of gross unearned premiums
2. Premiums from gross reserve for premium rebates
3. Income from capital investments
a) Earnings from shareholdings
b) Earnings from associated companies
c) Income from other capital investments portion from affiliated companies: € 0.00 (previous year: € 604,609.94)
aa) Income from real estate, comparable rights and buildings including those on third-party property
bb) Income from other capital investments
d) Gains from write-ups
e) Gains from sale of capital investments
f) Gains from dissolution of special reserve item
4. Unrealized profits from capital investments
5. Other underwriting earnings for own account
6. Cost of claims for own account
a) Payments for claims
aa) Gross amount
bb) Reinsurers' portion
b) Change in provision for outstanding claims
aa) Gross amount
bb) Reinsurers' portion
7. Change in other net underwriting reserves
a) Net actuarial reserves
aa) Gross amount
bb) Reinsurers' portion
b) Other underwriting reserves
8. Cost of profit-linked and non-profit-linked premium rebates for own account
9. Cost of insurance business for own account
a) Cost of sales
b) Administrative costs
c) less: commissions and profit-sharing received from reinsured insurance business
10. Costs of capital investments
a) Costs for administration of capital investments, interest costs and other costs for capital investments
b) Write-downs on capital investments portion for extraordinary write-downs according to Art. 253 (2) sen. 3 HGB: € 39,307,152.10 (previous year: € 28,353,690.52)
c) Losses from sale of capital investments
11. Unrealized losses from capital investments
12. Other underwriting costs for own account
13. Underwriting result for own account in life and health insurance business

Appendix			2008	2007
30 p. 65	439,929,971.82			430,505,988.59
	-2,283,497.44			-6,068,847.13
		437,646,474.38		424,437,141.46
	867,803.85			1,393,069.78
	-176,551.22			-239,950.16
		691,252.63		1,153,119.62
			438,337,727.01	**425,590,261.08**
			27,271,744.64	**22,900,419.95**
		2,169,761.39		3,148,992.42
		0.00		0.00
	4,854,711.59			8,776,573.42
	134,927,753.05			130,603,725.50
		139,782,464.64		139,380,298.92
		2,582,275.92		834,522.61
		6,154,512.79		36,258,505.19
		0.00		0.00
			150,689,014.74	**179,622,319.14**
33 p. 70			235,579.37	**179,580.03**
			1,858,563.33	**868,712.79**
	372,491,491.86			353,351,826.03
	-5,131,716.35			-4,442,527.40
		367,359,775.51		348,909,298.63
	-5,476,480.46			1,193,783.52
	63,579.00			-3,246.75
		-5,412,901.46		1,190,536.77
			372,772,676.97	**347,718,761.86**
	-70,411,376.91			-88,730,176.34
	945,377.00			253,723.00
		-69,465,999.91		-88,476,453.34
		12,084,399.20		44,343.00
			-57,381,600.71	**-88,432,110.34**
35 p. 71			35,461,217.62	**37,900,975.50**
34 p. 71				
	61,745,808.17			56,773,617.05
	15,315,666.82			14,600,060.64
		77,061,474.99		71,373,677.69
		40,159.86		-3,541,084.14
			77,101,634.85	**67,832,593.55**
		7,453,525.48		6,060,721.52
		40,048,076.76		30,352,347.18
		1,399,108.75		12,257,289.51
			48,900,710.99	**48,670,358.21**
			17,627,498.84	**1,387,834.13**
			4,464,019.51	**3,747,956.48**
			4,683,269.60	**33,470,702.92**

Consolidated Statement of Profit and Loss for the Period 1 January to 31 December 2008

Item
(in euros)
III. Non-underwriting account
1. Underwriting result for own account
a) in property and accident insurance business
b) in life and health insurance business
2. Income from capital investments, where not stated under II. 3.
a) Earnings from shareholdings portion from affiliated companies: € 538,000.00 (previous year: € 713,500.00)
b) Earnings from associated companies
c) Income from other capital investments portion from affiliated companies: € 306,881.66 (previous year: € 367,382.81)
aa) Income from real estate, comparable rights and buildings including those on third-party property
bb) Income from other capital investments
d) Gains from write-ups
e) Gains from sale of capital investments
f) Gains from dissolution of special reserve item
3. Costs of capital investments, where not stated under II. 10.
a) Costs for administration of capital investments, interest costs and other costs for capital investments
b) Write-downs on capital investments portion for extraordinary write-downs according to Art. 253 (2) sen. 3 HGB: € 53,802,312.17 (previous year: € 14,704,579.54)
c) Losses from sale of capital investments
d) Costs from assumption of losses
e) Transfers to special reserve item
4. Technical interest earnings
5. Sales revenues from non-insurance companies
6. Production costs of performing the services for achieving the sales revenues of non-insurance companies
7. Other earnings
8. Other costs portion for write-downs on company values from consolidation of capital: € 4,380,500.92 (previous year: € 4,765,529.86)
9. Non-underwriting result
10. Income from normal business activity
11. Extraordinary earnings
12. Extraordinary expenses
13. Taxes on income and earnings
14. Other taxes
15. Profit/loss for year before external components
16. Profit attributable to other shareholders
17. Loss attributable to other shareholders
18. Net income

Appendix				2008	2007
			58,424,173.32		15,002,171.24
			4,683,269.60		33,470,702.92
				63,107,442.92	**48,472,874.16**
		1,268,793.14			1,012,483.13
		578,208.79			979,478.75
	14,828,966.32				19,420,405.13
	56,709,487.55				69,220,056.68
		71,538,453.87			88,640,461.81
		1,650,642.75			758,460.35
		2,753,947.09			10,425,234.68
		0.00			0.00
			77,790,045.64		101,816,118.72
		13,409,106.69			13,505,963.65
		58,818,954.84			24,801,546.05
		3,754,825.17			1,973,045.17
		0.00			0.00
		0.00			0.00
			75,982,886.70		40,280,554.87
				1,807,158.94	**61,535,563.85**
				-607,956.00	**-571,013.00**
				40,957,759.92	**45,434,148.56**
				41,761,152.66	**52,952,112.57**
			31,885,327.78		30,482,345.08
			73,371,617.82		72,204,543.41
				-41,486,290.04	**-41,722,198.33**
				-41,090,479.84	**11,724,388.51**
				22,016,963.08	**60,197,262.67**
			0.00		0.00
			0.00		0.00
				0.00	**0.00**
32 p. 68			17,866,815.20		36,860,041.33
			371,960.88		2,237,609.31
				18,238,776.08	**39,097,650.64**
				3,778,187.00	**21,099,612.03**
			-4,306,412.93		-7,660,888.40
			1,822,579.38		6,536,771.94
				-2,483,833.55	**-1,124,116.46**
				1,294,353.45	**19,975,495.57**

I. Notes on Scope of Consolidation as well as Accounting, Valuation and Consolidation Methods

Legal basis for preparation of the Consolidated Financial Statements The year-end Consolidated Financial Statements of ARAG Aktiengesellschaft for fiscal 2008 and the Group Management Report were prepared according to the provisions of the German Commercial Code (HGB) for large corporations, under observance of the supplementary requirements for insurance companies promulgated 8 November 1994 (RechVersV) under particular consideration of the accounting regulations for conglomerates as set forth in Art. 341i, 341j HGB and Art. 58 to 60 RechVersV as well as the German accounting standards (DRS). The latter were applied only insofar as they do not impair the continuity of valuation, insofar as the exercise of legal alternatives is significant for reporting the asset, financial and earnings situation of the Group.
In accordance with Art. 58 (1) RechVersV, forms 1 and 4 were used for the structure of the Consolidated Financial Statements. The forms were expanded to reflect special features of the Group as well as items for non-insurance business.

Scope of consolidation The Consolidated Financial Statements report on 41 subsidiaries in accordance with Art. 301 (1) HGB as of 31 December 2008. Four companies within the scope of consolidation were included as associated companies within the meaning of Art. 311 HGB. In the fourth quarter, further shares in a Norwegian insurance company numbered among the associated Group subsidiaries were acquired.
As of 31 December 2008, the scope of consolidation including associated companies comprises 16 insurance companies (previous year: 16), two service providers in the area of electronic information processing and business organization (previous year: two), nine real estate management companies (previous year: nine), 14 other service companies (previous year: 14) and six holding and asset management companies (including the top-level company) (previous year: six).
The Consolidated Financial Statements omit 36 Group subsidiaries, as on account of the minor significance of these companies their omission from the scope of consolidation in no way impairs the asset, financial or earnings situation of the Group.

The following companies were included in the Consolidated Financial Statements:

	Name of company	Group share
		in percent
1	Advisory Communications System Inc., Des Moines, Iowa, USA	94.93
2	AFI Verwaltungs-Gesellschaft mbH, Düsseldorf, Germany	89.86
3	ALV Vermögens- und Beteiligungs-Verwaltungs AG, Munich, Germany	79.32
4	ARAG 2000 Beteiligungs-Gesellschaft mbH & Co. KG, Munich, Germany	79.32
5	ARAG 2000 Grundstücksgesellschaft bR, Düsseldorf, Germany	91.96
6	ARAG Aktiengesellschaft, Düsseldorf, Germany, **parent company of the Group**	100.00
7	ARAG Allgemeine Rechtsschutz-Versicherungs-AG, Düsseldorf, Germany	94.93
8	ARAG Allgemeine Versicherungs-AG, Düsseldorf, Germany	94.93
9	ARAG Assicurazioni Rischi Automobilistici e Generali S.p.A., Verona, Italy	94.93
10	ARAG Association LLC, Des Moines, Iowa, USA	94.93
11	ARAG Compañía Internacional de Seguros y Reaseguros S.A., Barcelona, Spain	94.93

The following companies were included in the Consolidated Financial Statements:

	Name of company	Group share
		in percent
12	ARAG Insurance Company Inc., Des Moines, Iowa, USA	91.23
13	ARAG International Holding GmbH, Düsseldorf, Germany	94.93
14	ARAG IT GmbH, Düsseldorf, Germany	94.93
15	ARAG Krankenversicherungs-AG, Munich, Germany	83.24
16	ARAG Lebensversicherungs-AG, Munich, Germany	79.32
17	ARAG Liegenschaftsverwaltungs- und Beratungs-Gesellschaft mbH, Düsseldorf, Germany	94.93
18	ARAG Liegenschaftsverwaltungs- und Beratungs-GmbH & Co. Immobilien KG, Düsseldorf, Germany	94.93
19	ARAG LLC, Des Moines, Iowa, USA	91.23
20	ARAG North America Inc., Des Moines, Iowa, USA	94.93
21	ARAG Österreich Allgemeine Rechtsschutz-Versicherungs-AG, Vienna, Austria	94.93
22	ARAG Plc., Bristol, England	94.93
23	ARAG S.A. Assurance en Protection Juridique, Brussels, Belgium	94.90
24	ARAG Service Center GmbH, Düsseldorf, Germany	94.93
25	ARAG Services LLC, Des Moines, Iowa, USA	94.93
26	ARAG zavarovanje pravne zascite d. d., Ljubljana, Slovenia	94.93
27	ARAG-Nederland Algemene Rechtsbijstand Verzekeringmaatschappij N.V., Leusden, Netherlands	94.74
28	COLUMBUS CAPITAL Service GmbH, Munich, Germany	79.32
29	Cur Versicherungsmakler GmbH, Düsseldorf, Germany	66.67
30	Cura Gesellschaft für Vermögensverwaltung und für Vermittlung mbH, Düsseldorf, Germany	58.86
31	Cura GmbH & Co. KG, Düsseldorf, Germany	66.67
32	GWV-AVUS Beteiligungsmanagement GmbH, Munich, Germany	79.32
33	IGD Immobilien GmbH & Co. Dresden KG, Düsseldorf, Germany	90.09
34	IGD Immobilien GmbH, Düsseldorf, Germany	94.93
35	Interiura International AG, Düsseldorf, Germany	94.93
36	Interlloyd Versicherungs-AG, Düsseldorf, Germany	94.93
37	ITS-Haus GmbH Wohn- und Gewerbebau, Munich, Germany	79.32
38	Prinzregent Immobilien-Management GmbH, Munich, Germany	79.32
39	Rechtswijzer B.V., Leusden, Netherlands	94.55
40	SolFin GmbH, Düsseldorf, Germany	71.29
41	Summus LLC, Des Moines, Iowa, USA	94.93
42	TERRA Gesellschaft für Finanzdienstleistungen und Beratung mbH, Düsseldorf, Germany	94.93
43	WOWOBAU Wohnungsbaugesellschaft mbH, Munich, Germany	79.32

The following companies were included as associated companies:

	Name of company	Share held
		in percent
1	Allrecht Rechtsschutzversicherung AG, Düsseldorf, Germany	26.00
2	Janolaw AG, Sulzbach, Germany	25.10
3	Winterthur-ARAG Rechtsschutzversicherungsgesellschaft, Zurich, Switzerland	29.17
4	HELP Forsikring AS, Oslo, Norway	41.96

The following companies were not included in the Consolidated Financial Statements in accordance with Art. 296 (2) HGB:

	Name of company	Group share	Equity	Net profit/loss
		in percent	in euros	in euros
1	ABRAL Beteiligungsverwaltung GmbH, Munich, Germany	79.32	151,938.99	-24,136.88
2	Agencia de Seguros Cap. ARAG S.A., Barcelona, Spain	94.93	128,326.73	18,592.88
3	ALVA Aktiengesellschaft, Munich, Germany	79.32	269,415.45	-60,584.55
4	ARAG International BV, Leusden, Netherlands	94.74	22,201.48	0.29
5	ARAG Legal Service S.L., Barcelona, Spain	94.93	278,263.18	-33,438.99
6	ARAG Service S.R.L., Verona, Italy*	93.98	253,916.00	78,597.00
7	ARAG-France S.A.R.L. Assistance et Règlement de Sinistres Automobiles et Généraux, Rueil-Malmaison, France	94.93	12,982.00	-2,901.21
8	ARCA-A GmbH, Munich, Germany	79.32	25,979.26	447.56
9	ARCA-B GmbH, Munich, Germany	79.32	26,017.41	407.53
10	ARCA-C GmbH, Munich, Germany	79.32	26,020.52	430.40
11	ARCA-D GmbH, Munich, Germany	79.32	26,086.60	429.88
12	ARCA-E GmbH, Munich, Germany	79.32	16,307.50	702.59
13	ARCA-F GmbH, Munich, Germany	79.32	26,083.25	424.96
14	ARCA-G GmbH, Munich, Germany	79.32	26,091.02	431.55
15	ARCA-H GmbH, Munich, Germany	79.32	26,088.87	424.09
16	ARCA-I GmbH, Munich, Germany	79.32	26,212.90	444.34
17	ARCA-J GmbH, Munich, Germany	79.32	25,791.02	358.28
18	ARCANSA Beteiligungsverwaltung GmbH, Munich, Germany	79.32	-465,753.99	61,753.99
19	BuZ Vermittlungsgesellschaft mbH, Münster, Germany	79.32	-774,369.02	51,372.50
20	INTERIURA Deutschland GmbH, Düsseldorf, Germany	94.93	432,168.11	19,018.44
21	INTERIURA-Italy s. r. l., Verona, Italy	94.94	354,131.00	-44,903.00
22	INTERIURA Polska Spólka z organiczona odpowiedzialnoscia, Wroclaw, Poland	94.93	47,315.65	-17,591.94
23	INTERIURA Magyarország Nemzetközi Kárrendezési Kft., Budapest, Hungary	91.76	99,335.00	14,652.30
24	INTERIURA Schadenregulierungs-AG, Basel, Switzerland*	94.93	63,547.00	34,677.00
25	INTERIURA Schadenregulierungsges. mbH, Vienna, Austria	94.93	955,434.87	40,814.92

* Figures from the previous year's financial statements of 31 December 2007

The following companies were not included in the Consolidated Financial Statements in accordance with Art. 296 (2) HGB:

Name of company	Group share	Equity	Net profit/loss
	in percent	in euros	in euros
26 INTERIURA Sociedade Internacional Reguladore de Sinistros Lda., Lisbon, Portugal	94.93	133,708.81	30,978.43
27 INTERIURA United Kingdom Limited, Manchester, England	94.93	378,689.50	54,240.15
28 INTERIURA-Belgium s.p.r.l., Brussels, Belgium	94.81	488,942.42	-93,840.92
29 INTERIURA-FRANCE S.A.R.L. Assistance et Règlement de Sinestres Automobiles et Généraux, Rueil-Malmaison, France	94.93	408,734.00	494,528.00
30 INTERIURA-INTERRECHT S.A., Barcelona, Spain	94.93	1,665,163.31	554,216.57
31 INTERIURA-Nederland Schadenregelingsbureau B.V., Leusden, Netherlands	94.93	160,264.00	1,647.00
32 INTERJURA Internationale Schadenregulierungsgesellschaft mbH, Athens, Greece	94.84	60,090.00	16,963.00
33 Prinzregent Vermögensverwaltung-GmbH, Munich, Germany	79.32	31,924.45	729.50
34 Stella Gesellschaft mbH Werbeagentur, Düsseldorf, Germany	54.61	162,051.74	1,397.56
35 VIA Beratungsgesellschaft mbH, Düsseldorf, Germany	92.61	419,665.32	29,219.11
36 VIF Gesellschaft für Versicherungsvermittlung mit beschränkter Haftung, Düsseldorf, Germany	94.93	76,428.59	46,296.17

Consolidation principles The Consolidated Financial Statements were prepared on the basis of the individual financial statements of the respective subsidiaries. The fiscal year comprises the period from 1 January to 31 December 2008 and is identical to all fiscal years of the subsidiaries involved.

The consolidation of capital was undertaken using the book-value method through offsetting of the acquisition costs of the shareholdings of the subsidiaries involved with their proportional equity as of the date they were first included in consolidation. Any resulting asset side differences were allocated to the valuations of the assets of the respective subsidiary, insofar as valuation scope existed. The asset-side difference that exceeds the permissible attribution was in all cases stated as goodwill and depreciated over the anticipated period of use (Art. 309 (1) sen. 2 HGB).

Insofar as subsidiaries were included in the 1989 Consolidated Financial Statements under application of Art. 27 of the implementation law of the German Commercial Code (EGHGB), or the asset-side difference represents a loss that was reflected in previous years' financial statements of the parent company, or a charge against future revenues appeared unjustified, an open offsetting against the revenue reserves was performed in past years as per Art. 309 (1) sen. 3 HGB. The offsetting of differences and revenue reserves is now no longer performed for first-time consolidations, as this is no longer recognized under DRS 4.28 as a general principle. In the fiscal year under review, 0.01 percent of an affiliated company already included in consolidation was acquired from external shareholders. The resulting difference of € 1,432.70 was offset against the revenue reserves for reasons of practicality, in variance to DRS 4. As offsetting in accordance with Art. 309 (1) sen. 3 HGB remains permissible, the offsets previously performed were retained.

Liabilities-side differences from capital consolidation are stated as profit-relevant in the year in which the expected losses occur. In the event that differences are not based on expected losses, these are accounted for in an income-relevant manner by means of the weighted average residual lifespan of the acquired depreciable assets. In special cases, offsetting against revenue reserves was performed in an income-neutral manner in past years.

The final consolidation of the subsidiaries eliminated from the consolidation scope is always performed so as to be income-relevant by setting off the assets and liabilities of the subsidiary sold as a proportion of consolidated values against the sale proceeds. No final consolidations were required in the fiscal year under review.

The holdings in associated companies were stated as the proportional equity or the Group's acquisition costs, respectively, in accordance with Art. 312 HGB Art. 312 (2) through (4) HGB was taken into account. The values as of the time of acquisition, respectively the date of the first financial statement following acquisition, were used for the first-time application of the equity method, insofar as no interim financial statements were available.

Intra-group profits subject to elimination were deducted from the valuations of the respective assets in an income-relevant manner, insofar as they are of more than minor significance for obtaining an accurate understanding of the asset, financial and earnings situation when taken as a whole. In the fiscal year under review, the discretionary right pursuant to Art. 341j (2) HGB was exercised and the elimination of intra-group profits totaling € 3,189,391.22 was waived, as this was justified by the legal claims of holders of life insurance policies.

Accounts receivable and payable between Group subsidiaries were set off against each other.

Earnings from services between companies included in the Consolidated Financial Statements were set off against their respective shares of the costs of the service providers.

Mutual agency services for companies included in the Consolidated Financial Statements are performed by a company included in the Consolidated Financial Statements at standard, externally comparable market conditions. The consolidation of commissions arising from agency services was performed in the Consolidated Financial Statements on the level of the respective company by setting these off against the associated costs.

Currency conversion The financial statements prepared in foreign currencies were converted into euros using the reporting-date principle on the basis of the mean exchange rate as of the date of accounting. The difference between the historical exchange rate and the equity converted at the date of accounting exchange rate that is attributable to the Group was transferred to revenue reserves in an income-neutral manner in the amount of € 718,695.29.

Accounting and valuation methods Preparation of these financial statements conformed to the accounting and valuation regulations contained in Art. 341ff. HGB.

To the greatest extent possible, the financial statements of the companies included in the Consolidated Financial Statements were prepared in a uniform manner using the accounting and valuation principles of the ARAG Group. Financial statements of subsidiaries that were not prepared according to HGB and RechVersV regulations have been adapted to German accounting principles with respect to inclusion, presentation and valuation.

The accounting and valuation methods of the German associated companies correspond to those of the Group subsidiaries. A Norway-based holding prepared its annual financial statement according to the Norwegian accounting statute, the Kredittilsynet. Adaptation of the financial statement was waived on account of the largely identical Norwegian accounting methodology with respect to HGB.

The financial statements of the significant associated companies present the following picture:

1. Allrecht Rechtsschutzversicherung AG

(in thousand euros)	
A. Outstanding contributions	3,642
B. Intangible assets	1,167
C. Capital investments	90,095
D. Accounts receivable	1,754
E. Other assets	777
F. Accrued and deferred items	1,013
Balance sheet assets	**98,448**
A. Equity	17,024
B. Underwriting reserves	74,727
C. Other provisions	4,403
D. Liabilities	2,283
E. Accrued and deferred items	11
Balance sheet liabilities	**98,448**
I. Underwriting earnings	3,934
II. Income from capital investments	3,070
III. Other income/expenses	-253
IV. Tax expenditure	-2,192
V. Net income	**4,559**

2. HELP Forsikring AS

(in thousand NOK)	
A. Capital investments	52,481
B. Accounts receivable	2,593
C. Other assets	26,191
D. Accrued and deferred items	213
Balance sheet assets	**81,478**
A. Equity	41,841
B. Underwriting reserves	32,827
C. Liabilities	3,600
D. Accrued and deferred items	3,210
Balance sheet liabilities	**81,478**
I. Underwriting earnings	-34,957
II. Income from capital investments	2,955
III. Tax expenditure	0
IV. Net loss	**-32,002**

3. Winterthur-ARAG Rechtsschutzversicherung

(in thousand CHF)	
A. Capital investments	135,106
B. Accounts receivable	10,273
C. Other assets	2,149
D. Accrued and deferred items	3,986
Balance sheet assets	**151,514**
A. Equity	19,085
B. Underwriting reserves	119,743
C. Other provisions	3,762
D. Liabilities	4,558
E. Accrued and deferred items	4,366
Balance sheet liabilities	**151,514**
I. Underwriting earnings	6,356
II. Income from capital investments	-1,059
III. Other income/expenses	-110
IV. Tax expenditure	-1,176
V. Net income	**4,011**

The Consolidated Balance Sheet and the Consolidated Statement of Profit and Loss were organized in virtually all respects using the forms specified in the RechVersV. As the Group is active in multiple lines of business, the balance sheet structure had to be expanded to include the line item "Real estate intended for sale and other assets of non-insurance companies", while the line items "Sales revenues of non-insurance companies" and "Production costs of performing the services for achieving the sales revenues of non-insurance companies" were added to the statement of profit and loss.

1 The goodwill results from capital consolidation as well as from enterprise acquisitions. The depreciation period was determined as the anticipated useful life in accordance with DRS 4 item 31. This is assumed to be 15 years (portfolio value) for insurance companies and four years for other companies.

2 Other intangible assets are stated at their acquisition costs, depreciated linearly. The book value of € 13,452,763.28 breaks down as € 1,610,716.93 for IT software under development (capital investment administration system), € 10,876,161.95 for IT software, € 846,651.85 attributable to goodwill from the acquisition of a company in the US, € 69,232.55 for tenant improvements to business premises in Italy and € 50,000.00 for an industrial property right. IT software is primarily depreciated linearly over three years. The goodwill resulting from the acquisition has a residual period of use of eight years. Tenant improvements are linearly depreciated over the remaining term of the lease. No depreciation was taken against the industrial property right. No unplanned write-downs were taken in the fiscal year under review.

3 Real estate is valued at its acquisition or production cost reduced by scheduled depreciation and write-downs according to the strict lower of cost or market principle. No unplanned write-downs on real property on account of anticipated permanent impairment were taken in the fiscal year under review. Real estate with a book value of € 2,980,791.97 (previous year: € 11,513,117.61) is encumbered with land charges as security for bank liabilities.

4 Shares of affiliated companies not included in the Consolidated Financial Statements and the other holdings are valued at their acquisition costs in accordance with Art. 253 (2) HGB, reduced by extraordinary write-downs on account of permanent impairment. In the year under review, write-downs amounting to € 52,482.18 were taken on affiliated companies not included in the scope of consolidation. Holdings in associated companies were valued at the book value at the time of acquisition of the shares or their initial inclusion in the Consolidated Financial Statements, respectively, increased or decreased by the proportional amount of equity changes in subsequent years. In the fiscal year under review, an additional 8.6 percent of the shares of a Norwegian company were acquired for € 2,737,071.12. This corresponds to a proportional equity of € 1,754,487.73. The additional goodwill resulting from the application of the equity method amounts to € 982,583.39 and is to be linearly depreciated over the remaining useful life of the existing goodwill of three years and three months as of 1 October 2008.

Lending to affiliated companies is always stated at par value. An unplanned write-down of € 523,886.00 was taken on a loan to one affiliated company not included in the scope of consolidation on account of difficulties relating to creditworthiness. Another loan that had to be corrected in the previous year was written up in the amount of € 50,000.00.

5 **Stocks, investment fund shares, bearer bonds and other fixed-interest securities** are always valued in accordance with Art. 341b (2) HGB in connection with Art. 253 (1) and (3) HGB at their acquisition cost or at the lower value at the day of accounting respectively. For investment fund shares and directly held securities attributed to capital investments in fiscal 2002 and 2008, an assessment of the value to be reported was undertaken in accordance with the modified lower of cost or market principle as provided for under Art. 253 (2) sen. 3 HGB in connection with Art. 279 (1) HGB, in variance to the previous year's valuation. Write-downs were only taken to the extent that the underlying decline in value is considered to be permanent. In the fiscal year under review, write-downs in the amount of € 90,816,619.15 were required on account of the anticipated long-term loss of value.

Write-downs totaling € 106,098,908.50 were avoided through assignment to permanent use in business operations.

In accordance with Art. 8a of the law governing senior part-time employment, investment-fund shares in the amount of € 4,014,810.73 have been pledged to employees as security for performance arrears in accordance with the block model. Additionally, bearer bonds totaling € 1,925,000.00 are pledged as security for bank sureties.

6 The **remaining lending** consists of registered participation certificates, other loans and prepayments against insurance certificates. These are valued at the nominal value minus redemption payments.

7 **Other lending, mortgages receivable, other similar rights, fixed-interest debts and other capital investments** are stated at their par or redemption values, respectively. Depreciation on real estate according to Art. 253 (2) sen. 3 HGB was not taken. Discounts are distributed straight-line using the accrual method of income recognition. Premiums are carried as assets and released as scheduled over the duration.

8 **Capital investments for the account and risk of life insurance policyholders** is stated at current value. This valuation corresponds to the gross reserves stated on the liability side under item F.

9 **Bank deposits** are stated at par value.

10 **Accounts receivable** were always stated at par value. In the case of receivables against policyholders and for supply and performance, a general charge is made for the potential risk of non-payment; receivables against agents are adjusted using individual bad debt charges plus a general charge equivalent to the expected bad debts.

11 According to Art. 253 (1) sen. 1 HGB **tangible assets** are capitalized at the acquisition cost decreased by straight-line depreciation over their normal period of use.

12 **Supplies** are determined by taking a physical inventory. These are valued at their procurement costs. The supplies of the non-insurance companies were valued at their cost of production, to which appropriate portions of general administrative costs and precisely calculable portions of financing costs attributable to the period of production have been added. Supplies with a book value of € 24,354,847.77 of the Group's property development companies are encumbered with land charges in favor of the financing banks.

13 **Other assets** are stated at par value. Tax credits in accordance with Art. 37 (5) of the German Corporate Income Tax Act (KstG) are valued at their cash value based on a discount rate of 4.5 percent.

14 **Accrued income** mainly include deferred interest not yet payable in the period of income up to the day of accounting as well as disbursements that are payable as expenses after the date of accounting. This item also contains € 139,495.27 from the difference determined according to Art. 341c (2) sen. 2 HGB.

15 The **tax deferment item in accordance with Art. 306 in conjunction with Art. 274 (2) HGB** reflects the anticipated tax relief in subsequent fiscal years in the amount of the current or future income tax rates, respectively, insofar as their valuation is sufficiently reliable, on account of temporary differences between the commercial and the fiscal balance sheets in the individual financial statements, value adjustments to realize a uniform valuation in the Consolidated Financial Statements as well as consolidation measures. Deferment amounts arising from valuation differences between the commercial and the fiscal balance sheets in the individual financial statements were taken into account only to the extent that these existed in the individual financial statements themselves. Insofar as tax deferments are attributable to domestic subsidiaries, a tax rate of 30 percent was applied, as previously. All tax deferment items are attributable to chronological differences that are eligible for consideration for tax purposes. Tax liability for the revaluation of assets and liabilities to achieve a uniform Group valuation were taken into account as income in the amount of € 236,100.00. The specific national income tax rates were used in calculation. The tax expenditure includes a positive balance of € 684,000.00 for tax liabilities caused by consolidation actions. For this purpose a uniform income tax rate of 30 percent was assumed. The capitalized amount of tax liabilities from revaluation and consolidation as of 31 December 2008 amounts to € 1,530,300.00 and is stated together with the capitalized tax liabilities from the individual financial statements totaling € 8,731,376.11.

16 **Lower-ranking liabilities** were issued by means of a private placement in order to strengthen the own funds with respect to Group solvability. The lower-ranking bearer debentures were stated as liabilities at the repayment amount. These securities are not tradable on an organized market in Germany pursuant to Art. 2 (5) of the applicable securities statute.

17 **Special reserve item** The special reserve item was formed entirely from advances on investment which will be set off against acquisitions in future. Changes in special reserve items in the individual financial statements formed on account of tax regulations were eliminated from the Consolidated Financial Statements in an income-relevant manner.

18 **Gross unearned premiums** for the self-contracted insurance business are calculated on the basis of written premiums and cancellations using the pro rata temporis method and reduced by the charges for installments contained therein. The unearned premiums of the domestic insurance subsidiaries are reduced by the portion ineligible for carrying forward in accordance with the memorandum of the German Finance Ministry (BMF) of 30 April 1974. 85 percent of agent commissions and other compensation is classified as non-transferable parts of the revenues. In accordance with the German Insurance Association GDV, we are assuming that this rule has not been rescinded by the Finance Ministry memorandum IV C 9 – O 1000 – 86/5 of 7 June 2005 respecting the reduction of bureaucracy.

Reinsurers' portions of unearned premiums were assessed according to the contractual arrangements.

19 Calculation of actuarial reserves of the existing portfolio – for insured amounts and bonuses – according to §341f HGB was performed according to actuarial principles that are established in the form of business plans submitted to the German Federal Financial Supervisory Authority. These reserves were calculated using the prospective method with implicit consideration of future costs on an individual-policy basis. In this process, the following calculation basis was used for the settlement groups for individual term insurance policies and "capital-forming life insurance policies" of the existing portfolio: actuarial interest rates of 3.0 percent and 3.5 percent, maximum zillmerization 35 per mil of insured amount (exception: rates with higher death benefit) as well as mortality rates according to the mortality tables ADSt 24/26 M, ADSt 60/62 mod. M and ADSt 1986, separately for men and women.

The actuarial reserves for new insurance policies subject to premium payment were calculated on a contract-by-contract basis according to the prospective method with implicit consideration of future administrative costs. Starting with the 2008 rate structure, a distribution over five years was taken into account in the calculation of surrender values and the balance-sheet cover provision in accordance with the provisions of the German insurance contract statute VVG.

For non-contributory policies – particularly bonus insured amounts and insurance policies with an abbreviated contribution period – an explicit provision was formed for administrative costs in the non-contributory periods. The German Federal Financial Supervisory Authority has been informed of the calculation principles used in this calculation in compliance with Art. 13d No. 6 VAG.

The actuarial reserves for individual endowment insurance policies were calculated with an actuarial interest rate of 4.0 percent, 3.25 percent, 2.75 percent and 2.25 percent with a zillmerization rate of 33 and 40 per mil of the insured amount (depending on the rate structure) and mortality rates in accordance with mortality table DAV 1994 R, separately for men and women.

The following calculation principles were applied through 2004 for individual pension insurance policies: actuarial interest rate of 4.0 percent, 3.25 percent and 2.75 percent, zillmerization rate of 33 per mil of the capital settlement respectively 40 of the premium amount and mortality rates in accordance with mortality table DAV 1994 R, separately for men and women.

Studies of the German association of actuaries (DAV) with respect to longevity trends reveal that the mortality table DAV 1994 R is no longer appropriate for determining pension insurance reserves. In a guideline published on 21 June 2004, the DAV released new mortality tables for both new business and existing pension insurance portfolios.

Under consideration of the individual company cancellation and capital settlement probabilities, the actuarial reserves for the entire portfolio of deferred and current pension insurance policies were thus also calculated according to the new tables as of 31 December 2008 and a positive difference of € 7.54 million between the old and new actuarial reserves was additionally allocated to the actuarial reserves.

Effective 1 January 2005, the rate structure for pension insurance according to the previous calculation basis was closed for new policies. Since then, new pension insurance policies have been concluded solely using rates according to the latest calculation base with an actuarial interest rate of 2.75 percent (rate structure 2004) and 2.25 percent (rate structures 2007 and 2008), respectively.

Premium components from the expected non-contributory child accident insurance policies are transferred to the actuarial reserves for children's accidents. Calculation is performed according to mathematic principles as per the underwriting business plan.

20 Provisions for outstanding claims for the self-contracted property and accident insurance business are organized by year of occurrence, separated into those claims reported during the respective fiscal year and those reported after the day of accounting as well as those to be expected. In addition, reserves for claim settlement costs were calculated according to Art. 341g (1) HGB (for domestic subsidiaries according to the Coordinated Regulations of the Federal States from 2 February 1973). The provision for outstanding claims of the German property insurers was reduced by claim reimbursement receivables of € 3,750,073.71 expected to be realized in future.

In light of the incompatibility with the imparity principle, the provisions of Art. 20 (2) German corporate income-tax law (KStG) in connection with Art. 6 (1), no. 3a, letter a German income-tax law (EStG) (so-called realistic valuation) were ignored for the domestic insurance subsidiaries.

The first-time application of the discounting principle within the meaning of Art. 6 (1) no. 3a letter e EStG to the domestic property insurance subsidiaries in 1999 resulted in an increase of the income tax assessment basis of € 19.8 million (of which € 5.3 million is attributable to liability/motorist liability). In assessing the income taxes for the fiscal year under review, one tenth (liability/motorist liability sector) of the initial amount was taken into consideration outside the balance in accordance with the distribution provisions of Art. 52 (16) sen. 6 EStG.

Provisions for outstanding claims for the assumed reinsurance business are stated according to the information provided by the direct insurer.

The portion of reinsured business was determined in accordance with the provisions of the reinsurance policies.

The provisions for life insurance claims and surrenders reported but not yet settled as of the day of accounting were formed on the basis of the expected benefits to be paid. Additional provision was made for claims from the fiscal year under review not yet reported as of the date of accounting on the basis of experience. The expenses for settling these insurance benefits expected to be incurred after the date of accounting were also provided for in accordance with tax regulations.

In accordance with the ruling of the German Federal Court (BGH) respecting fiduciary proceedings issued on 12 October 2005 an additional lump-sum increase in the actuarial reserves was made for the affected non-contributory policies and for life insurance policies terminated through surrender a lump-sum increase in provisions was made for insurance claims not yet settled under consideration of the probable claim.

In the health insurance segment, this provision was determined on the basis of claim figures in the year under review for prior years under consideration of the increase in volume. A comparable method was applied for long-term care insurance.

21 The fluctuation reserve for domestic subsidiaries was formed in compliance with the provisions of Art. 341h HGB in conjunction with Art. 29 RechVersV.

22 The cancellation reserve for discontinuation or reduction of the underwriting risk stated under the other underwriting reserves as well as the reserve for unused premiums in dormant motorist legal insurance and the reserve for premium exemptions are calculated on the basis of anticipated requirements.

23 Pension reserves for the domestic subsidiaries are calculated on the basis of Art. 6a EStG. Dr. Klaus Heubeck's table 2005G with an actuarial interest rate of 5.25 percent is used as a reference base for the calculation of the partial value. The discretionary right of Art. 28 (1) EGHGB to waive the establishment of pension reserves for prior commitments was not exercised.

The reserves for pensions in favor of employees and Board members of foreign subsidiaries were formed and valued according to the respective national regulations.

24 The reserves for early retirement obligations were formed solely to cover those persons having entitlements under the collective early retirement agreement that expired on 31 December 1997, as well as persons with analogous individual contractual guarantees. Calculation was performed according to actuarial principles. In the fiscal year under review, a provision was formed in accordance with the old-age part-time agreement for the private insurance industry, adopted on 11 June 1997, based on the IDW's (Institute of Auditors) publication dated 18 November 1998, with an actuarial interest rate of 5.5 percent. The reserve concept takes into account the natural staff turnover and the probability that those candidates with whom no specific agreement has yet been made will make use of the early retirement provisions.

The other reserves are set at the level which is deemed necessary according to sound business judgment. A reserve for employee anniversary bonuses was formed in the year under review for special payments on the occasion of employee service anniversaries pursuant to Art. 6a EStG in accordance with the partial value, whereby a discount factor of 5.5 percent was assumed. The anticipated employee fluctuation was taken into account in the form of a general deduction on the cash value. Allowance was not made for the limitation for the tax calculation for German subsidiaries in keeping with Art. 52 (6) EStG in the consolidated balance sheet.

25 The portfolio liabilities for reinsured insurance business and the other liabilities are stated at their repayment values.

26 Liabilities from the self-contracted insurance business and from reinsurance settlements are stated at par value.

27 Accrued and deferred items contain differences in accordance with Art. 341c (2) sen. 1 HGB in the amount of € 719,245.96.

28 **Tax deferment** Due to the elimination of intra-group profits and income-effective debt consolidations, a differing (lesser) tax liability was determined as of 31 December 2008 arising from temporary differences with respect to the total of the individual financial statements; this amounted to € 920,100.00 for subsequent fiscal years. This figure is stated as the tax deferment item in accordance with Art. 274, 306 HGB in the amount of € 1,530,300.00 together with the capitalized anticipated tax relief for subsequent fiscal years pursuant to Art. 274 (2) HGB.

29 **Group equity** A detailed representation of the Group's equity is presented on pages 74 and 75. This representation was compiled in compliance with DRS 7. The self-generated Group equity is stated as that portion of the Group's equity that was formed from the Group's net profit for the fiscal year under review and/or previous fiscal years. It comprises revenue reserves, profit carried forward and the net profit and is differentiated for the majorities and the minorities that directly or indirectly hold shares in the subsidiaries included in the Consolidated Financial Statements.
The remaining Group profit includes changes in the Group equity in the fiscal year under review which cannot be stated in the Statement of Profit and Loss due to commercial accounting principles and regulations of the German Accounting Standards Committee (DRSC) and which are not due to received payments or disbursements on the shareholder level.
The equity of the top-level company is divided into 200,000,000 shares of no-par stock (common stock). The shares are registered in the respective names. All shares are fully paid in.

Associated companies The total of all goodwill from inclusion of associated companies under application of the equity method amounts to € 4,018,071.85. Through the acquisition of a share in a Norwegian insurance company in the fiscal year under review, the total goodwill increased to € 982,583.40. In the fiscal year under review, a total of € 1,472,785.60 of the goodwill of associated companies was depreciated in an income-relevant manner.

30 II. Source of Insurance Business by Premiums Written

				Self-contracted business		Assumed reinsurance business
Country/origin (in euros)	**Legal insurance**	**Property and accident**	**Life insurance**	**Health insurance**	**Legal insurance**	**Property and accident**
Germany	314,210,017.10	199,209,183.18	205,985,836.60	233,944,135.22	2,747,611.66	9,462.69
Spain	57,300,370.61	31,122,931.00			16,748,866.13	6,191,279.43
Netherlands	74,498,175.00				30,910,112.00	
USA	45,529,772.58				2,831,288.07	
Austria	42,720,129.71				728,050.89	
Italy	31,332,942.81				38,135,653.79	
Belgium	19,681,817.65				266,782.84	
Greece	2,390,514.22				2,618,379.18	
Slovenia	1,539,469.20					
England					365,999.12	
Total	**589,203,208.88**	**230,332,114.18**	**205,985,836.60**	**233,944,135.22**	**95,352,743.68**	**6,200,742.12**

31 III. Development of Assets B., C. I. through IV. in Fiscal 2008

Development of assets

(in euros)	Balance sheet values 2007	Purchases
B. Intangible assets		
1. Costs for start-up and expansion of business activity	0.00	0.00
2. Purchased goodwill	36,303,655.66	3,189,391.22
3. Other intangible assets	8,631,018.15	8,302,557.85
Total B.	**44,934,673.81**	**11,491,949.07**
C. I. Real estate, comparable rights and buildings including those on third-party property	**175,104,837.27**	**13,813.44**
C. II. Capital investments in affiliated companies and shareholdings		
1. Shares in affiliated companies	4,283,558.51	0.00
2. Lending to affiliated companies	3,668,123.44	515,000.00
3. Shareholdings	77,249,746.41	14,065,121.31
4. Lending to companies with which a shareholding relationship exists	115,661.90	311,143.00
5. Total C. II.	**85,317,090.26**	**14,891,264.31**
C. III. Other capital investments		
1. Stocks, investment fund shares and other non-fixed interest securities	1,965,052,942.72	120,647,491.80
2. Bearer bonds and other fixed-interest securities	419,602,841.69	229,478,762.42
3. Mortgages receivable, other similar rights and fixed-interest debts	250,920,334.28	9,189,092.60
4. Other lending		
a) Registered debentures	849,640,480.00	105,515,894.99
b) Promissory notes and loans	816,349,065.69	205,001,106.95
c) Loans and advance disbursements on insurance policies	85,563,462.29	9,456,062.54
d) Other lending	88,575,883.02	8,435,207.88
5. Bank deposits	190,929,758.40	45,666,732.10
6. Other capital investments	361,180.09	27,000.00
7. Total C. III.	**4,666,995,948.18**	**733,417,351.28**
Total C. I. through C. III.	**4,927,417,875.71**	**748,322,429.03**
C. IV. Portfolio assets from assumed reinsurance business	**4,796,091.34**	**136,529.59**
Total capital investments	**4,932,213,967.05**	**748,458,958.62**

Real estate, comparable rights and buildings including those on third-party property with a balance-sheet value of € 114,606,729.13 (previous year: € 119,062,052.00) were used by the Group's insurance companies for their own operations.

Sales	Currency rate adjustments	Write-ups	Write-downs	Balance sheet values 2008	Current values according to German statutory provisions (Art. 54 RechVersV)	Hidden reserves
0.00	0.00	0.00	0.00	0.00		
1,212,224.68	0.00	0.00	4,380,500.92	33,900,321.28		
5,953.00	41,148.21	0.00	3,516,007.93	13,452,763.28		
1,218,177.68	**41,148.21**	**0.00**	**7,896,508.85**	**47,353,084.56**		
352,873.30	**0.00**	**0.00**	**4,284,781.53**	**170,480,995.88**	**265,351,607.15**	**94,870,611.27**
415,000.00	0.00	0.00	52,482.18	3,816,076.33	12,793,603.43	8,977,527.10
317,134.85	0.00	50,000.00	523,886.00	3,392,102.59	3,392,102.59	0.00
3,963,145.84	0.00	0.00	3,189,262.74	84,162,459.14	108,420,610.95	24,258,151.81
1,168.30	0.00	0.00	0.00	425,636.60	425,636.60	0.00
4,696,448.99	**0.00**	**50,000.00**	**3,765,630.92**	**91,796,274.66**	**125,031,953.57**	**33,235,678.91**
107,764,895.05	123,990.82	2,591,141.09	80,566,493.30	1,900,084,178.08	1,808,201,529.76	-91,882,648.32
267,605,273.32	1,235,817.03	1,561,741.36	9,986,333.92	374,287,555.26	370,891,078.69	-3,396,476.57
21,974,536.93	0.00	29,846.22	263,791.93	237,900,944.24	242,538,106.55	4,637,162.31
74,085,043.02	0.00	0.00	0.00	881,071,331.97	911,660,658.53	30,589,326.56
65,792,409.14	0.00	190.00	0.00	955,557,953.50	974,570,186.01	19,012,232.51
12,828,886.79	0.00	0.00	0.00	82,190,638.04	82,190,638.04	0.00
30,088,931.98	0.00	0.00	0.00	66,922,158.92	66,922,158.92	0.00
0.00	0.00	0.00	0.00	236,596,490.50	236,596,490.50	0.00
0.00	0.00	0.00	0.00	388,180.09	388,180.09	0.00
580,139,976.23	**1,359,807.85**	**4,182,918.67**	**90,816,619.15**	**4,734,999,430.60**	**4,693,959,027.09**	**-41,040,403.51**
585,189,298.52	**1,359,807.85**	**4,232,918.67**	**98,867,031.60**	**4,997,276,701.14**	**5,084,342,587.81**	**87,065,886.67**
0.00	**0.00**	**0.00**	**0.00**	**4,932,620.93**	**4,932,620.93**	**0.00**
585,189,298.52	**1,359,807.85**	**4,232,918.67**	**98,867,031.60**	**5,002,209,322.07**	**5,089,275,208.74**	**87,065,886.67**

IV. Additional Information

Write-ups Write-ups in accordance with Art. 280 (1) HGB were carried out in the fiscal year under review in the amount of € 4,232,918.67 (previous year: € 1,592,982.96).

Notes on liabilities Liabilities with a remaining term of more than five years from premium deposits for life insurance exist in the amount of € 3,138,792.64 (previous year: € 3,673,182.21). Debts to financial institutions in the property development business in the amount of € 14,746,713.25 (previous year: € 32,962,030.00) are secured by property liens.

32 **Tax expenditure** The taxes on income and earnings for the previous year contained tax gains from the claim for reimbursement of the offsettable corporate income tax of the previous years within the meaning of Art. 37 (5) KStG in the amount of € 38,718,213.79 for the German subsidiaries. In the fiscal year under review, the tax expenditure is relieved in the amount of € 7,593,497.79 by deferred taxes. Of this, € 6,673,397.79 is attributable to anticipated tax relief in the individual financial statements in subsequent years, capitalized in accordance with Art. 274 (2) HGB (previous year: charge of € 3,475,475.78).

Other financial obligations within the meaning of Art. 285 (3) HGB In the property development sector, the financial obligations for completed building contracts of current business operations, for buildings under construction as well as for real estate purchase contracts amount to € 12,662,000.00. Yearly rental payment obligations in the amount of approx. € 2.9 million exist for the rental of a property in Düsseldorf.
On the basis of a loan granted to an insurance broker, an obligation to disburse a further loan installment in the amount of € 4,500,000.00 exists as of 1 January 2012. Rental contracts and leases with varying terms for premises, vehicles, office equipment as well as hardware and software of a computer center which were not contracted within the context of insurance business give rise to total annual obligations within the normal scope for our industry.
The Group is liable for the following outstanding capital contributions that have not been called in:

Outstanding contributions

Name of company	in euros
Allrecht Rechtsschutzversicherung AG	947,000.00
High Tech Beteiligungen GmbH & Co. KG	100,000.00
INVESCO Beteiligungsverwaltungs GmbH & Co. KG	1,120,879.04
RREEF Pan European Infrastructure Feeder GmbH & Co. KG	3,813,955.90
VV Immobilien Verwaltungs GmbH & Co. Zentraleuropa KG	239,592.41

Liability relationships Pursuant to Art. 124 ff. VAG, ARAG Lebensversicherungs-AG is a member of the guarantee fund for life insurers. On the basis of the relevant official regulation, the guarantee fund charges annual contributions of no more than 0.2 per mil of the total of net underwriting provisions until a security fund of one per mil of the total net underwriting provisions has been formed. The future obligations from this for the Group amount to € 847,526.04. The security fund can also levy extraordinary contributions in the amount of a further per mil of the total net underwriting provisions; this is equivalent to an additional obligation of € 3,305,554.69. Additionally, ARAG Lebensversicherungs-AG has undertaken to provide the security fund or alternatively Protektor Lebensversicherungs-AG with funds should the resources of the security fund prove inadequate. This obligation amounts to one percent of the total net underwriting provisions under offsetting of the contributions already paid into the security fund at this time. When the above contribution obligations from premium payments to the security fund are included, the total obligation as of the day of accounting is € 30,578,956.68.

The member companies of the German Insurance Association GDV are participating in the actions of the Federal Republic of Germany to stabilize the financial market which the government took in the fiscal year under review in response to the financial crisis. In this connection, the member companies assume several (but not joint), unconditional and irrevocable liability for a guarantee of € 1.4 billion extended by the Federal Republic of Germany to Hypo Real Estate Bank AG. The Group's share of the guarantee of the insurance companies is € 7,347,000.00. The liability extends to guarantees granted by the Federal Republic of Germany through 31 December 2009.

33 **Unrealized gains from capital investments** The figure stated here represents the difference between the current value of capital investments at the beginning and end of the fiscal year for the account and risk of life insurance policyholders. A corresponding cost is included in the line item “Change in other net underwriting reserves”.

Write-downs on capital investments Special tax write-offs on capital investments were not taken in the fiscal year under review. Extraordinary write-downs in the amount of € 52,481.18 were taken on shares in associated companies not included in the scope of consolidation and € 523,886.00 on loans to affiliated companies not included in the scope of consolidation. Shareholdings totaling € 1,716,476.94 were subjected to unplanned write-down. Additionally, unplanned write-downs were taken on other capital investments in the amount of € 90,816,619.15.

34 The gross costs of insurance business comprise

(in euros)	2008	2007
Sale of insurance policies	223,456,746.23	218,246,085.62
Administration of insurance policies	223,771,947.77	220,916,250.83
Total costs	**447,228,694.00**	**439,162,336.45**

35 Costs of premium rebates for own account

(in euros)	2008	2007
Costs of profit-linked premium rebates	32,880,043.25	34,259,233.89
Costs of non-profit-linked premium rebates	2,586,304.45	3,648,246.18
Total costs	**35,466,347.70**	**37,907,480.07**

Commissions and other compensation for insurance representatives, employee costs

(in euros)	2008	2007
1. Commissions of all types for insurance representatives within the meaning of Art. 92 HGB for self-contracted insurance business	196,256,576.97	197,871,205.45
2. Other compensation for insurance representatives within the meaning of Art. 92 HGB	7,846,077.63	7,242,375.01
3. Wages and salaries	163,528,870.70	164,043,796.11
4. Social security and support expenses	30,695,930.83	31,424,057.50
5. Expenses for pension plans	17,153,059.35	15,548,520.63
6. Total costs	**415,480,515.48**	**416,129,954.70**

The previous year's figures with respect to allocation to commissions and other income of insurance representatives were adjusted to enable a comparison with the figures of the fiscal year under review.

Average employment for year On average over the entire year, the companies completely included in the Consolidated Financial Statements employed 3,306 (previous year: 3,406) persons. As of 31 December 2008, the ARAG Group employed a total of 3,384 persons (31 December 2007: 3,427 persons).

The insurance companies employed 2,941 (previous year: 3,035) persons on average.

On average, 365 persons (previous year: 371) were employed in the management and service companies. The German Group subsidiaries additionally employed some 21 (previous year: 24) vocational trainees.

Compensation of the Supervisory Board and the Board of Management of ARAG AG The cost of compensation for the Supervisory Board amounted to € 167,254.00.

The compensation for Board members of all Group subsidiaries amounted to € 1,367,753.04. There are no current pensions or vested pension rights for former Board members or their survivors.

Düsseldorf, 14 May 2009

Board of Management

Dr. Paul-Otto Faßbender Dr. Karl-Heinz Strohe

Statement of Consolidated Cash Flow for Fiscal Year 2008

Consolidated cash flow statement

(in euros)	2008	2007
I. Cash flow from current business		
Net income	3,778,187	21,099,612
Change in net underwriting reserves	73,349,336	135,705,523
Change in portfolio assets and liabilities and settlement assets and liabilities	-4,681,696	1,599,366
Change in other assets and liabilities	-33,534,341	-10,971,988
Profit/loss from sale of capital investments	-3,754,526	-32,453,405
Changes in other assets and liabilities	13,443,578	26,687,619
Depreciation on intangible assets	7,896,508	8,570,385
Write-downs on capital investments	116,494,531	56,541,727
Write-ups on capital investments	-4,468,498	-1,772,563
Effects of currency exchange rates	-682,261	583,859
Cash flow from current business	**167,840,818**	**205,590,135**
II. Cash flow from investment activities		
Payments received from sale and maturity of other capital investments	588,943,825	853,537,762
Disbursements for the purchase of other capital investments	-748,322,429	-1,009,291,185
Payments received from the sale of capital investments of mutual fund-linked life insurance	25,195,500	8,018,755
Disbursements for the sale of capital investments of mutual fund-linked life insurance	-34,000,582	-14,511,592
Other payments received	1,218,178	104,885
Other disbursements	-11,491,949	-5,043,179
Cash flow from investment activities	**-178,457,457**	**-167,184,554**
III. Cash flow from financing activities		
Shareholder contributions	0	0
Dividend payments	-10,000,000	-9,000,000
Payments and disbursements from other financing activities	0	0
Cash flow from financing activities	**-10,000,000**	**-9,000,000**
Effective changes in cash reserves	**-20,616,639**	**29,405,581**
Cash reserves at start of fiscal year	75,127,461	45,721,880
Cash reserves at end of fiscal year	54,510,822	75,127,461
Change in cash reserves in fiscal year	**-20,616,639**	**29,405,581**

36 Statement of Equity

Development over the course of the fiscal year

(in euros)	Subscribed capital	Outstanding contributions not yet called in	Self-generated Group equity	Balancing item for currency conversion	Equity according to consolidated balance sheet
I. Parent company					
Status as of 31 December 2007	200,000,000.00	0.00	48,479,031.48	-2,194,807.94	246,284,223.54
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			-10,000,000.00		-10,000,000.00
Changes in the scope of consolidation			-1,432.70		-1,432.70
Other changes			-1,179,196.67	718,695.29	-460,501.38
Group profit/loss for year			1,294,353.45		1,294,353.45
Other Group/profit loss					0.00
Overall Group profit/loss for year			1,294,353.45	0.00	1,294,353.45
Status as of 31 December 2008	**200,000,000.00**	**0.00**	**38,592,755.56**	**-1,476,112.65**	**237,116,642.91**
II. Minority shareholders					
Status as of 31 December 2007	0.00	0.00	32,413,312.31	-110,007.46	32,303,304.85
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			-3,487,162.70		-3,487,162.70
Changes in the scope of consolidation			-1,212,224.68		-1,212,224.68
Other changes			2,108,578.89	47,517.85	2,156,096.74
Group profit/loss for year			2,483,833.55		2,483,833.55
Other Group/profit loss					0.00
Overall Group profit/loss for year			2,483,833.55	0.00	2,483,833.55
Status as of 31 December 2008	**0.00**	**0.00**	**32,306,337.37**	**-62,489.61**	**32,243,847.76**
III. Group equity					
Status as of 31 December 2007	200,000,000.00	0.00	80,892,343.79	-2,304,815.40	278,587,528.39
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			-13,487,162.70		-13,487,162.70
Changes in the scope of consolidation			-1,213,657.38		-1,213,657.38
Other changes			929,382.22	766,213.14	1,695,595.36
Group profit/loss for year			3,778,187.00		3,778,187.00
Other Group/profit loss					0.00
Overall Group profit/loss for year			3,778,187.00	0.00	3,778,187.00
Status as of 31 December 2008	**200,000,000.00**	**0.00**	**70,899,092.93**	**-1,538,602.26**	**269,360,490.67**

Development in previous year

(in euros)	Subscribed capital	Outstanding contributions not yet called in	Self-generated Group equity	Balancing item for currency conversion	Equity according to consolidated balance sheet
I. Parent company					
Status as of 31 December 2006	200,000,000.00	-141,610,000.00	183,575,430.21	168,712.09	242,134,142.30
Issue of shares	141,610,000.00		-141,610,000.00		0.00
Purchase/retirement of own shares	-141,610,000.00	141,610,000.00			0.00
Dividends paid			-9,000,000.00		-9,000,000.00
Changes in the scope of consolidation			0.00		0.00
Other changes			-4,461,894.30	-2,363,520.03	-6,825,414.33
Group profit/loss for year			19,975,495.57		19,975,495.57
Other Group/profit loss					0.00
Overall Group profit/loss for year			19,975,495.57	0.00	19,975,495.57
Status as of 31 December 2007	**200,000,000.00**	**0.00**	**48,479,031.48**	**-2,194,807.94**	**246,284,223.54**
II. Minority shareholders					
Status as of 31 December 2006	0.00	0.00	27,335,258.76	3,441.51	27,338,700.27
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			-1,314,485.62		-1,314,485.62
Changes in the scope of consolidation			0.00		0.00
Other changes			5,268,422.71	-113,448.97	5,154,973.74
Group profit/loss for year			1,124,116.46		1,124,116.46
Other Group/profit loss					0.00
Overall Group profit/loss for year			1,124,116.46	0.00	1,124,116.46
Status as of 31 December 2007	**0.00**	**0.00**	**32,413,312.31**	**-110,007.46**	**32,303,304.85**
III. Group equity					
Status as of 31 December 2006	200,000,000.00	-141,610,000.00	210,910,688.97	172,153.60	269,472,842.57
Issue of shares	141,610,000.00		-141,610,000.00		0.00
Purchase/retirement of own shares	-141,610,000.00	141,610,000.00			0.00
Dividends paid			-10,314,485.62		-10,314,485.62
Changes in the scope of consolidation					0.00
Other changes			806,528.41	-2,476,969.00	-1,670,440.59
Group profit/loss for year			21,099,612.03		21,099,612.03
Other Group/profit loss					0.00
Overall Group profit/loss for year			21,099,612.03	0.00	21,099,612.03
Status as of 31 December 2007	**200,000,000.00**	**0.00**	**80,892,343.79**	**-2,304,815.40**	**278,587,528.39**

Segment Reporting – Balance Sheet

	Legal insurance		Composite		Life insurance	
(in thousand euros)	2008	2007	2008	2007	2008	2007
A. Intangible assets	**12,222**	**6,693**	**0**	**0**	**264**	**387**
B. Capital investments	**1,574,986**	**1,551,030**	**504,019**	**489,640**	**2,605,586**	**2,639,798**
I. Real estate and buildings including those on third-party property	90,960	93,177	36,160	37,153	34,910	35,651
II. Capital investments in affiliated companies and shareholdings	369,189	349,769	80,962	80,537	162,419	159,096
III. Other capital investments	1,109,925	1,103,308	386,876	371,929	2,408,257	2,445,051
IV. Portfolio assets from assumed reinsurance business	4,912	4,776	21	20	0	0
C. Capital investments for the account and risk of life insurance policyholders	**0**	**0**	**0**	**0**	**30,453**	**39,040**
D. Other assets by segment	**208,715**	**203,316**	**28,362**	**8,849**	**102,238**	**93,088**
Total segment assets	**1,795,922**	**1,761,040**	**532,381**	**498,490**	**2,738,542**	**2,772,312**
A. Underwriting reserves	**1,028,782**	**1,011,590**	**337,110**	**340,681**	**2,438,454**	**2,458,050**
I. Unearned premiums	175,359	171,000	36,122	40,625	7,968	8,828
II. Actuarial reserves	0	0	3	5	2,323,014	2,327,440
III. Provisions for outstanding claims	848,250	854,968	286,014	299,636	17,513	16,805
IV. Provisions for premium rebates	19	24	0	0	163,902	178,101
V. Fluctuation provision	2,617	350	55,591	65,178	0	0
VI. Other underwriting reserves	2,678	1,723	2,749	2,853	75	63
VII. Reinsurers' share of underwriting reserves	-141	-16,475	-43,369	-67,615	-74,019	-73,187
B. Underwriting reserves in the life insurance segment, insofar as the investment risk is borne by the policyholders	**0**	**0**	**0**	**0**	**30,453**	**39,040**
C. Other liabilities by segment	**315,609**	**305,949**	**72,227**	**43,349**	**149,353**	**162,118**
Total segment liabilities	**1,344,391**	**1,317,539**	**409,336**	**384,031**	**2,618,260**	**2,659,209**
Equity*						
Total liabilities						

* Group equity including shares of other companies and difference from capital consolidation

This segment reporting has been largely adapted to conform with applicable German regulatory requirements and accounting standards of the German Standardization Council DRS 3-20.

The segment figures are presented after consolidation of internal transactions within the respective line of business. Reconciliation with the consolidated value is shown by the information in the column "Consolidation".

The definition of segment by strategic lines of business was undertaken according to the internal organization and management structure of the ARAG Group. The chosen segments reflect the risks and opportunities of the Group.

The strategic lines of business are:

– Legal insurance
– Composite insurance
– Life insurance
– Health insurance
– Services and asset management

Health insurance		Services and asset management		Total		Consolidation		Group total	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
49	81	4,354	1,744	16,889	8,905	30,464	36,030	47,353	44,935
810,281	735,648	350,572	300,037	5,845,443	5,716,153	-843,234	-783,939	5,002,209	4,932,214
0	0	9,528	10,201	171,559	176,182	-1,078	-1,078	170,481	175,105
19,940	18,806	301,443	259,971	933,953	868,179	-842,157	-782,861	91,796	85,317
790,341	716,842	39,601	29,865	4,734,999	4,666,996	0	0	4,734,999	4,666,996
0	0	0	0	4,933	4,796	0	0	4,933	4,796
0	0	0	0	30,453	39,040	0	0	30,453	39,040
23,373	14,766	36,437	110,210	399,126	430,230	-4,576	-4,576	394,550	425,654
833,704	750,496	391,363	411,990	6,291,911	6,194,328	-817,346	-752,485	5,474,565	5,441,843
786,201	706,875	0	0	4,590,546	4,517,197	0	0	4,590,546	4,517,197
328	336	0	0	219,777	220,788	0	0	219,777	220,788
689,899	617,205	0	0	3,012,916	2,944,650	0	0	3,012,916	2,944,650
36,064	31,296	0	0	1,187,841	1,202,705	0	0	1,187,841	1,202,705
59,863	57,989	0	0	223,784	236,114	0	0	223,784	236,114
0	0	0	0	58,208	65,528	0	0	58,208	65,528
48	50	0	0	5,550	4,689	0	0	5,550	4,689
0	0	0	0	-117,530	-157,277	0	0	-117,530	-157,277
0	0	0	0	30,453	39,040	0	0	30,453	39,040
16,562	14,733	31,615	80,868	585,366	607,018	-1,161	0	584,205	607,018
802,762	721,608	31,615	80,868	5,206,366	5,163,255	-1,161	0	5,205,205	5,163,255
								269,360	278,588
								5,474,565	5,441,843

In addition to the top-level parent company and the other asset-managing intermediate holding companies, the service and asset management companies include the residential real estate development companies, property management companies, IT enterprises and insurance support service companies.

The life insurance segment additionally comprises subsidiaries that are active as service providers in the life insurance field but are themselves not insurance companies. In the previous year a subsidiary in England active as a broker was transferred from the segment “Legal insurance” to the segment “Services and asset management” as registration as an insurance company is no longer being sought in the medium term.

The income tax charge from profit pooling relationships was attributed to the segment of the subsidiary in accordance with the economic situation.

Segment Reporting – Statement of Profit and Loss by Type of Insurance

	Legal insurance		Composite		Life insurance	
(in thousand euros)	2008	2007	2008	2007	2008	2007
Underwriting earnings						
Gross premiums written	**684,556**	**674,588**	**236,533**	**237,124**	**205,986**	**212,498**
Self-contracted business	589,203	584,056	230,332	231,981	205,986	212,498
Assumed business	95,353	90,532	6,201	5,143	0	0
Premiums for reinsured business	-865	-1,685	-11,125	-13,501	-2,279	-6,064
Change in net unearned premiums	-7,328	-7,681	-232	-770	683	1,137
Earned premiums for own account	**676,362**	**665,222**	**225,175**	**222,853**	**204,390**	**207,571**
Premiums from gross reserve for premium rebates	0	0	0	0	16,602	17,268
Assigned capital gains from underwriting account	0	0	609	572	118,026	148,847
Unrealized profits from capital investments	0	0	0	0	236	180
Other underwriting earnings for own account	1,278	2,318	1,372	364	1,669	711
Total underwriting earnings	**677,640**	**667,539**	**227,156**	**223,789**	**340,922**	**374,577**
Underwriting costs						
Cost of claims for own account	-364,443	-392,204	-122,924	-127,934	-241,392	-231,022
Change in other net underwriting reserves	-955	308	-173	541	15,310	-19,058
Costs for premium rebates	5	-7	0	0	-17,461	-15,046
profit-linked portion	5	-7	0	0	-17,461	-15,046
non-profit-linked portion	0	0	0	0	0	0
Unrealized losses from capital investments	0	0	0	0	-17,627	-1,388
Cost of insurance business	-280,449	-280,572	-83,716	-82,324	-38,731	-35,871
portion attributable to acquisition costs	-137,454	-138,324	-24,257	-23,149	-29,375	-30,322
portion attributable to administrative costs	-143,047	-142,932	-65,410	-63,387	-9,316	-9,090
reinsurance portion	52	683	5,951	4,212	-40	3,541
Assigned capital expenses from underwriting account	0	0	0	0	-38,926	-46,885
Other underwriting costs for own account	-35	-357	-1,003	-1,096	-4,011	-3,180
Total underwriting costs	**-645,878**	**-672,832**	**-207,815**	**-210,812**	**-342,839**	**-352,449**
Subtotal	**31,762**	**-5,293**	**19,342**	**12,977**	**-1,917**	**22,128**
Change in fluctuation reserve and similar provisions	-2,267	2,841	9,587	4,474	0	0
Underwriting result for own account	**29,496**	**-2,452**	**28,928**	**17,451**	**-1,917**	**22,128**
Income from capital investments	58,227	72,619	17,949	25,104	118,026	147,354
Costs of capital investments	-64,194	-34,471	-9,060	-3,851	-38,926	-46,885
Income from capital investments	**-5,967**	**38,149**	**8,890**	**21,253**	**79,099**	**100,468**
Capital investment income assigned to underwriting account	0	0	-609	-572	-79,099	-101,962
Revenues	0	0	0	0	0	0
Production costs	0	0	0	0	0	0
Gross operating result	**0**	**0**	**0**	**0**	**0**	**0**
Other earnings	20,926	19,197	2,518	1,317	2,833	4,717
Other costs	-53,379	-47,644	-5,999	-8,354	-4,132	-4,306
Other income/expenses	**-32,453**	**-28,447**	**-3,481**	**-7,037**	**-1,299**	**411**
Income from normal business activity	**-8,924**	**7,250**	**33,728**	**31,096**	**-3,217**	**21,045**
Extraordinary operating result	**0**	**0**	**0**	**0**	**0**	**0**
Operating result before taxes	**-8,924**	**7,250**	**33,728**	**31,096**	**-3,217**	**21,045**
Tax expenditure*	-6,765	-11,255	-10,106	-11,118	176	-4,813
Net income	**-15,689**	**-4,005**	**23,621**	**19,977**	**-3,040**	**16,233**
External components	0	0	0	0	0	0
Group profit/loss for year	**-15,689**	**-4,005**	**23,621**	**19,977**	**-3,040**	**16,233**

* The tax expenditure was allocated in accordance with the economic reason (in the previous year as well).

Health insurance		Services and asset management		Total		Consolidation		Group total	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
233,944	**218,008**	**0**	**0**	**1,361,019**	**1,342,218**	**0**	**0**	**1,361,019**	**1,342,218**
233,944	218,008	0	0	1,259,465	1,246,543	0	0	1,259,465	1,246,543
0	0	0	0	101,553	95,675	0	0	101,553	95,675
-5	-5	0	0	-14,274	-21,255	0	0	-14,274	-21,255
8	16	0	0	-6,869	-7,298	0	0	-6,869	-7,298
233,948	**218,019**	**0**	**0**	**1,339,876**	**1,313,665**	**0**	**0**	**1,339,876**	**1,313,665**
10,670	5,632	0	0	27,272	22,900	0	0	27,272	22,900
32,663	30,775	0	0	151,298	180,194	0	0	151,298	180,194
0	0	0	0	236	180	0	0	236	180
190	158	0	0	4,508	3,551	0	0	4,508	3,551
277,471	**254,584**	**0**	**0**	**1,523,189**	**1,520,490**	**0**	**0**	**1,523,189**	**1,520,490**
-131,381	-116,697	0	0	-860,139	-867,857	0	0	-860,139	-867,857
-72,692	-69,374	0	0	-58,509	-87,583	0	0	-58,509	-87,583
-18,000	-22,855	0	0	-35,456	-37,907	0	0	-35,456	-37,907
-15,414	-19,207	0	0	-32,870	-34,259	0	0	-32,870	-34,259
-2,586	-3,648	0	0	-2,586	-3,648	0	0	-2,586	-3,648
0	0	0	0	-17,627	-1,388	0	0	-17,627	-1,388
-38,370	-31,962	0	0	-441,267	-430,729	0	2	-441,267	-430,727
-32,370	-26,455	0	0	-223,457	-218,249	0	0	-223,457	-218,249
-6,000	-5,507	0	0	-223,772	-220,916	0	2	-223,772	-220,914
0	0	0	0	5,962	8,436	0	0	5,962	8,436
-9,974	-1,785	0	0	-48,901	-48,670	0	0	-48,901	-48,670
-453	-568	0	0	-5,502	-5,201		0	-5,502	-5,201
-270,870	**-243,241**	**0**	**0**	**-1,467,402**	**-1,479,335**	**0**	**2**	**-1,467,402**	**-1,479,333**
6,601	**11,342**	**0**	**0**	**55,787**	**41,155**	**0**	**2**	**55,787**	**41,157**
0	0	0	0	7,320	7,315	0	0	7,320	7,315
6,601	**11,342**	**0**	**0**	**63,107**	**48,470**	**0**	**2**	**63,107**	**48,473**
32,663	30,775	3,662	4,211	230,528	280,063	-2,048	1,375	228,479	281,438
-9,974	-1,785	-2,728	-1,957	-124,882	-88,950	0	0	-124,882	-88,950
22,689	**28,990**	**934**	**2,254**	**105,645**	**191,113**	**-2,048**	**1,375**	**103,597**	**192,489**
-22,689	-28,990	0	0	-102,396	-131,524	0	0	-102,397	-131,524
0	0	122,931	123,356	122,931	123,356	-81,974	-77,922	40,958	45,434
0	0	-123,735	-130,874	-123,735	-130,874	81,974	77,922	-41,761	-52,952
0	**0**	**-803**	**-7,518**	**-803**	**-7,518**	**0**	**0**	**-803**	**-7,518**
392	323	6,072	4,897	32,740	30,450	-855	33	31,885	30,482
-1,960	-1,514	-8,355	-9,607	-73,825	-71,424	454	-781	-73,372	-72,205
-1,568	**-1,191**	**-2,283**	**-4,710**	**-41,085**	**-40,974**	**-401**	**-748**	**-41,486**	**-41,722**
5,033	**10,151**	**-2,152**	**-9,974**	**24,467**	**59,568**	**-2,450**	**629**	**22,017**	**60,197**
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
5,033	**10,151**	**-2,152**	**-9,974**	**24,467**	**59,568**	**-2,450**	**629**	**22,017**	**60,197**
-858	-5,894	-685	-2,862	-18,239	-35,943	0	-3,155	-18,239	-39,098
4,174	**4,257**	**-2,838**	**-12,836**	**6,228**	**23,625**	**-2,450**	**-2,526**	**3,778**	**21,100**
0	0	0	0	0	0	-2,484	-1,124	-2,484	-1,124
4,174	**4,257**	**-2,838**	**-12,836**	**6,228**	**23,625**	**-4,934**	**-3,650**	**1,294**	**19,975**

Segment Reporting – Statement of Profit and Loss by Domestic and International Business

(in thousand euros)	Domestic 2008	Domestic 2007
Underwriting earnings		
Gross premiums written	**956,472**	**961,137**
Self-contracted business	953,349	961,074
Assumed business	3,123	63
Premiums for reinsured business	-13,524	-20,888
Change in net unearned premiums	1,329	2,583
Earned premiums for own account	**944,277**	**942,832**
Premiums from gross reserve for premium rebates	27,272	22,900
Assigned capital gains from underwriting account	151,298	180,193
Unrealized profits from capital investments	236	180
Other underwriting earnings for own account	4,245	3,171
Total underwriting earnings	**1,127,328**	**1,149,276**
Underwriting costs		
Cost of claims for own account	-660,868	-666,975
Change in other net underwriting reserves	-57,461	-87,594
Costs for premium rebates	-35,461	-37,901
profit-linked portion	-32,875	-34,253
non-profit-linked portion	-2,586	-3,648
Unrealized losses from capital investments	-17,627	-1,388
Cost of insurance business	-264,671	-263,872
portion attributable to acquisition costs	-112,189	-112,511
portion attributable to administrative costs	-158,330	-159,664
reinsurance portion	5,848	8,302
Assigned capital expenses from underwriting account	-48,901	-48,670
Other underwriting costs for own account	-5,467	-4,865
Total underwriting costs	**-1,090,456**	**-1,111,266**
Subtotal	**36,872**	**38,010**
Change in fluctuation reserve and similar provisions	9,587	4,474
Underwriting result for own account	**46,459**	**42,485**
Income from capital investments	207,148	256,661
Costs of capital investments	-106,616	-80,870
Income from capital investments	**100,532**	**175,791**
Capital investment income assigned to underwriting account	-102,397	-131,523
Revenues	122,931	123,356
Production costs	-123,735	-130,874
Gross operating result	**-803**	**-7,518**
Other earnings	30,887	29,558
Other costs	-65,027	-65,654
Other income/expenses	**-34,140**	**-36,097**
Income from normal business activity	**9,650**	**43,138**
Extraordinary operating result	**0**	**0**
Operating result before taxes	**9,650**	**43,138**
Tax expenditure*	-9,385	-23,198
Net income	**265**	**19,940**
External components	0	0
Group profit/loss for year	**265**	**19,940**

* The tax expenditure was allocated in accordance with the economic reason (in the previous year as well).

International		Consolidation		Group total	
2008	2007	2008	2007	2008	2007
404,547	**381,081**	**0**	**0**	**1,361,019**	**1,342,218**
306,116	285,469	0	0	1,259,465	1,246,543
98,430	95,612	0	0	101,553	95,675
-750	-367	0	0	-14,274	-21,255
-8,198	-9,881	0	0	-6,869	-7,298
395,598	**370,833**	**0**	**0**	**1,339,876**	**1,313,665**
0	0	0	0	27,272	22,900
0	1	0	0	151,298	180,194
0	0	0	0	236	180
262	380	0	0	4,508	3,551
395,861	**371,214**	**0**	**0**	**1,523,189**	**1,520,490**
-199,271	-200,882	0	0	-860,139	-867,857
-1,049	12	0	0	-58,509	-87,583
5	-7	0	0	-35,456	-37,907
5	-7	0	0	-32,870	-34,259
0	0	0	0	-2,586	-3,648
0	0	0	0	-17,627	-1,388
-176,596	-166,857	0	2	-441,267	-430,727
-111,267	-105,738	0	0	-223,457	-218,249
-65,442	-61,253	0	2	-223,772	-220,914
114	134	0	0	5,962	8,436
0	0	0	0	-48,901	-48,670
-35	-336	0	0	-5,502	-5,201
-376,946	**-368,069**	**0**	**2**	**-1,467,402**	**-1,479,333**
18,915	**3,145**	**0**	**2**	**55,787**	**41,157**
-2,267	2,841	0	0	7,320	7,315
16,648	**5,986**	**0**	**2**	**63,107**	**48,473**
23,380	23,402	-2,048	1,375	228,479	281,438
-18,266	-8,080	0	0	-124,882	-88,950
5,114	**15,322**	**-2,048**	**1,375**	**103,597**	**192,489**
0	-1	0	0	-102,397	-131,524
0	0	-81,974	-77,922	40,958	45,434
0	0	81,974	77,922	-41,761	-52,952
0	**0**	**0**	**0**	**-803**	**-7,518**
1,854	892	-855	33	31,885	30,482
-8,799	-5,769	454	-781	-73,372	-72,205
-6,945	**-4,877**	**-401**	**-748**	**-41,486**	**-41,722**
14,817	**16,430**	**-2,450**	**629**	**22,017**	**60,197**
0	**0**	**0**	**0**	**0**	**0**
14,817	**16,430**	**-2,450**	**629**	**22,017**	**60,197**
-8,854	-12,745	0	-3,155	-18,239	-39,098
5,963	**3,685**	**-2,450**	**-2,526**	**3,778**	**21,100**
0	0	-2,484	-1,124	-2,484	-1,124
5,963	**3,685**	**-4,934**	**-3,650**	**1,294**	**19,975**

Auditor's Report*

We have examined the Consolidated Financial Statements of ARAG Aktiengesellschaft, Düsseldorf – consisting of the balance sheet, statement of profit and loss, appendix, statement of cash flow and statement of equity as well as reporting by segments – and the Group Management Report for the fiscal year from 1 January to 31 December 2008. The Board of Management of the Company is responsible for preparation of the Consolidated Financial Statements and Group Management Report in compliance with German commercial regulations. Our task is to provide an assessment of the year-end Consolidated Financial Statements and the Group Management Report on the basis of our audit.

We carried out our audit of the year-end Consolidated Financial Statements in accordance with Art. 317 HGB (German Commercial Code) under consideration of the IDW's (Institute of Auditors) rules on proper auditing of year-end financial statements. These stipulate that the audit must be planned and conducted in such a manner that misstatements and violations that have a significant effect on the understanding of assets, finances and earnings as conveyed by the year-end Consolidated Financial Statements in accordance with the rules on proper accounting, and the Group Management Report, are identified with a sufficient level of certainty. In determining the specific procedure of the audit, knowledge of the nature of the business and the economic and legal background of the Group as well as possible errors to be expected are taken into consideration. The audit assesses the efficiency of the internal account auditing system and the documentation of the data given in the year-end Consolidated Financial Statements and the Group Management Report primarily on the basis of random checks. The audit comprises the evaluation of the year-end financial statements of the companies included in the Consolidated Financial Statements, the scope of consolidation, the applied accounting and consolidation methods and the key estimates of the Board, as well as an evaluation of the overall representation of the Consolidated Financial Statements and the Group Management Report. It is our opinion that our audit provides a sufficiently sound basis for our assessment.

Our audit has not resulted in any objections.

In our assessment on the basis of our understanding gained in the course of the audit, the Consolidated Financial Statements comply with the legal requirements and conveys an accurate impression of the assets, finances and earnings situation of the Group. The Group Management Report accords with the Consolidated Financial Statements and conveys an accurate picture of the condition of the Group overall, and accurately represents the opportunities and risks attendant on in its future development.

Düsseldorf, 25 May 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Alfons Koch	ppa. Christian Sack
Auditor	Auditor

* Voluntary translation. It should be noted that only the German Auditor's Report, which is based on the audit of the German version of the Company's annual financial statements, is authoritative.

Report of the Supervisory Board

Throughout the fiscal year under review, the Supervisory Board continually monitored and deliberated on the conduct of the Company's business. To this end, six meetings of the Supervisory Board were held, and the Supervisory Board took decisions through a written resolution process in two instances. Oversight was performed on the basis of the reports and oral information provided by the Board of Management, which informed the Supervisory Board in a timely and complete manner on all relevant issues of planning and business development of the Company and its holdings, the risk situation and risk management. The Supervisory Board was also kept extensively informed of projects and plans that were of particular importance for the Company or of an urgent nature between meetings. In the meetings, the Board of Management coordinated the strategic orientation of the Group with the Supervisory Board. The Supervisory Board was involved in decisions of fundamental importance to the Group. The progress of strategy implementation was regularly discussed in the meetings. Deliberations in the meetings of the Supervisory Board focused on such issues as: optimization of the equity structure, supervisory duties of the top-level company in its character as a pure asset holding company, the status of necessary organizational changes in response to changing legal parameters, the effects on the Group in conjunction with the reform of German inheritance law, the effects of the financial crisis on the Group and security actions as well as the appointment of Board members in the segments.

No special monitoring actions were necessary in the fiscal year under review. The Supervisory Board is of the opinion that the Board of Management conducts the business legally, properly and to appropriate ends. Specifically, the Board of Management is fulfilling its obligation to ensure the sustained existence of the Group and its long-term profitability.

The Supervisory Board has reviewed the Consolidated Financial Statements and the Group Management Report. As part of this review, this body exercised its authority pursuant to Art. 111 (2) of the German Stock Corporation Act (AktG), in particular through the inspection of the books and correspondence of the Company. The examination was conducted on the basis of the regular reports of the Board of Management, in which information respecting the business situation and all important events was disclosed both in writing and orally, as well as on the basis of the accounting requirements of commercial law.

The scope of the examination of the Consolidated Financial Statements extended to the discretionary reporting and valuation rights exercised by the Board of Management. This examination led to the following result:

1. The accounting of the Board of Management complies with the legal requirements and the regulations of the Company statute. The Group Management Report is in accord with the Consolidated Financial Statements.
2. Discretionary decisions with respect to accounting policy were taken to the benefit of the Group.

The auditing firm PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the financial statements as of 31 December 2008 under consideration of Group accounting, and the Group Management Report, as authorized by the Supervisory Board and has certified these reports without reservation. The audit report was submitted to the Supervisory Board on time. After reviewing the report on the basis of its own final examination, the Supervisory Board concurs with the opinion of the auditor of the Consolidated Financial Statements. There are no remarks to be made regarding the Auditor's Report.
In its final conclusion of its review of the Consolidated Financial Statements, the Group Management Report and the Auditor's Report, the Supervisory Board raises no objections.

Düsseldorf, 9 June 2009

Chairman, Supervisory Board

Gerd Peskes

Governing Bodies of the Company

Supervisory Board

The Supervisory Board is made up of the following persons:

Gerd Peskes	Auditor, Essen, Chairman
Prof. Dr. Dr. h.c. Rolf Dubs	Professor, St. Gallen, Switzerland, Vice-Chairman
Dr. Tobias Bürgers	Attorney, Munich

Board of Management

Dr. Paul-Otto Faßbender	Attorney, Düsseldorf
Dr. Karl-Heinz Strohe	Attorney, Cologne

Information

ARAG provides a broad range of information about the ARAG Group, its insurance products and services in the form of numerous publications as well as extensive web-based content. And as a legal specialist, ARAG's information offerings would be incomplete without a range of selected tips and guides on legal topics. If you have any questions, desire an insurance quote or are merely seeking sound, accurate information: get in touch with us, or visit us online.

Up-to-date information about the Group is available under the following address:

ARAG
Corporate Communications
ARAG Platz 1
40472 Düsseldorf

Telephone	**(+49) (0) 211.9 63 22 18**
Telefax	**(+49) (0) 211.9 63 20 25**
	(+49) (0) 211.9 63 22 20
Email	**medien@ARAG.de**

Would you like an individual quotation? You can reach us any time by telephone, fax or email:

Telephone	**(+49) (0) 211.98 700 700**
Telefax	**(+49) (0) 211.9 63 28 50**
Email	**service@ARAG.de**

You can find the latest information about the Group and our products on our website:

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ARAG Group

ARAG Aktiengesellschaft
ARAG Platz 1
40472 Düsseldorf
www.ARAG.de