ANNUAL REPORT 2011 CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENCE IS A CONVICTION.

ARAG Holding SE

ARAG Holding SE _ Consolidated Financial Statements ANNUAL REPORT 2011

Independence is a conviction.

ARAG is a family company. So it's independent. This independence is what bonds us with our customers: they want to lead their lives autonomously and actively, and we support them in this effort with our over 75 years of experience. We want to understand what motivates our customers, so that we can offer them the insurance they need. We see people and their potential. In a world of opportunities, not risks.

Overview

Key Figures
ARAG Holding SE –
Consolidated Financial Statements

(in million euros)	2011	Change	2010	2009
Sales				
Gross premiums written	1,469.4	2.8%	1,429.9	1,369.8
Earned premiums for own account	1,450.0	2.3%	1,417.1	1,356.8
Sales revenues of non-insurance subsidiaries	41.8	-27.8%	57.9	43.0
Other expenses				
Cost of claims for own account	902.5	-2.7%	927.5	909.6
Claims ratio (basis: earned premiums)	62.2%	-3.3% pts.	65.5%	67.0%
Cost of insurance business for own account	519.0	6.1%	489.2	451.2
Cost ratio (basis: earned premiums)	35.8%	1.3% pts.	34.5%	33.3%
Overview of profit and loss				
Underwriting result for own account	40.3	144.2%	16.5	18.1
Income from capital investments	188.5	-17.0%	227.2	200.4
portion included in the underwriting result	145.3	-6.5%	155.4	136.0
Other income/expenses	-35.9	54.1%	-23.3	-35.2
Profit on ordinary business	49.9	-22.3%	64.2	46.4
Net income before external components	23.9	-52.3%	50.1	21.0
Underwriting reserves/earned premiums (net)	346.0%	1.4% pts.	344.6%	347.9%

Contents

Selected awards won by the ARAG Group

- **TÜV certificate "Service tested":** In 2011, the claims service of ARAG Allgemeine was once again rated "very good" by certification authority TÜV Saarland, assuming the role of industry leader; this rating surpasses even the "very good" earned by ARAG Legal Service, the previous number one in the industry.
- **AssCompact TRENDS IV 2011:** ARAG Krankenversicherung was once more voted the most popular supplementary health insurer in the regular broker survey of the brokers' magazine AssCompact.
- **„Best places to Work in Insurance":** The trade publication Business Insurance awarded ARAG North America this accolade for the third year in a row. And BenchmarkPortal recognized the customer service of ARAG North America as a Center of Excellence for the fourth year running.
- **ADECOSE:** In the 2011 insurers ranking of the Spanish brokers association, ARAG Spain placed first in the categories Legal Insurance and Special Travel Package. The company ranked among the top three of all insurers.

Insurance segments of the ARAG Group and its managing companies

Legal insurance
ARAG SE
- Legal insurance for motorists, employment, personal and home-related issues, for businesses, trades, self-employed professionals and associations

€ 714 million*

Composite insurance
ARAG Allgemeine Versicherungs-AG
- Liability insurance
- Home effects insurance
- Accident insurance
- Accident disability pension
- TOP Special service package
- Building insurance
- Business insurance
- Sport insurance

€ 228 million*

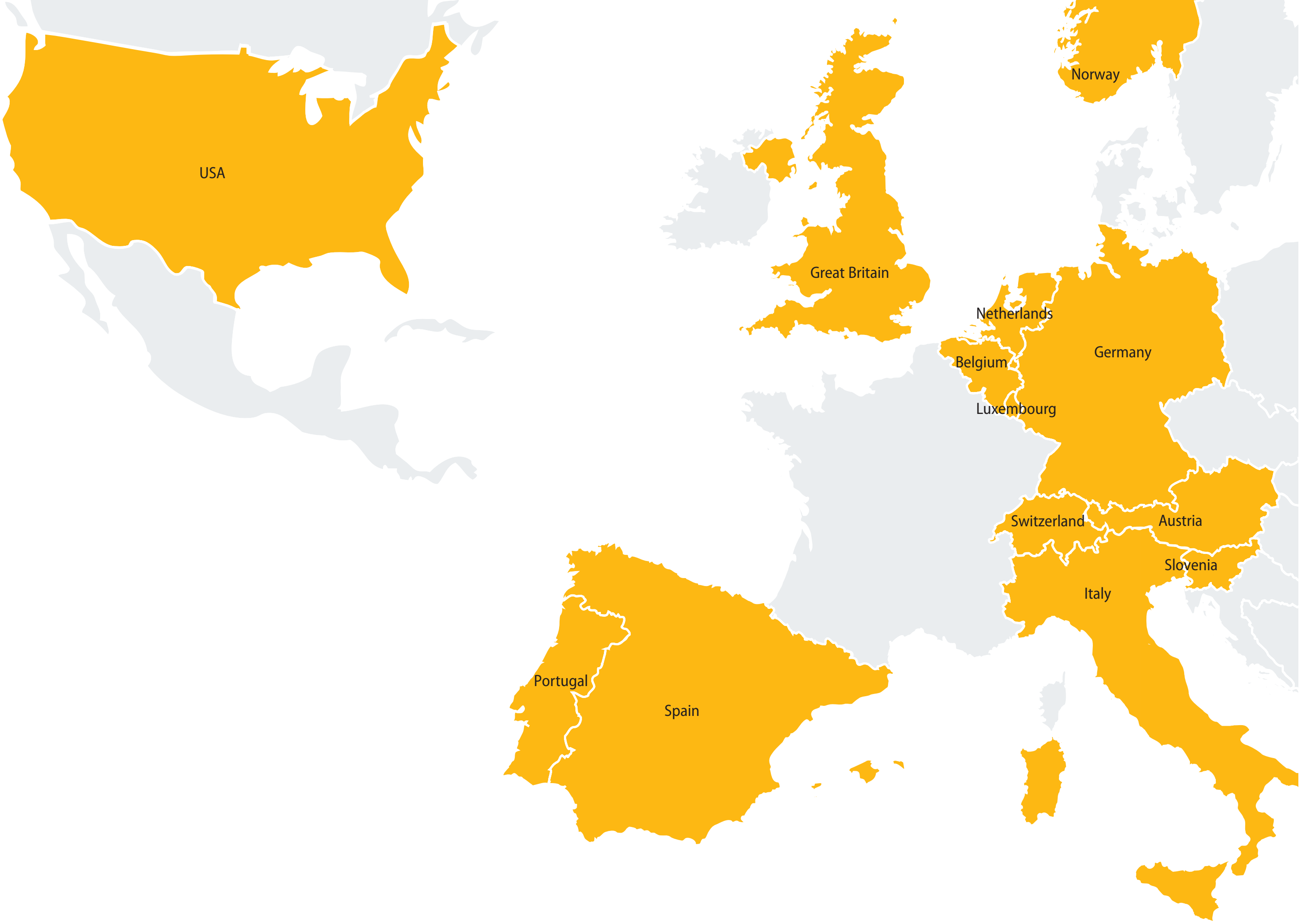
Health insurance
ARAG Krankenversicherungs-AG
- Private full-coverage health insurance
- Supplementary health insurance
- Long-term care insurance
- Supplementary care insurance
- Foreign-travel health insurance

€ 309 million*

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

€ 218 million*

* Gross premium revenues



Consolidated data of the ARAG Group

Premium revenues and sales (total):	Underwriting result for own account:	Profit on ordinary business:	Equity (tier 1):	Employees:
€ 1.5 billion	€ 40 million	€ 50 million	€ 335 million	3,506

The ARAG Group

Asset and Shareholding Management

- **ARAG Holding SE**
- **ARAG SE**

Operative Group Holding Company

- **Central Group Functions**
- **Group Sales**
- **Group IT/ Business Organization/ Operations**
- **Group Finance**
- **Products and Innovation**
- **Group Risk Management/ Controlling**

Operative Insurance Companies

- **ARAG Allgemeine Versicherungs-AG** (Composite Insurance)
- **ARAG Lebensversicherungs-AG** (Life Insurance)
- **ARAG Krankenversicherungs-AG** (Health Insurance)
- **Interlloyd Versicherungs-AG** (Specialized in Broker Sales)
- **International subsidiaries** (Legal Insurance/ Legal Services)

Service Companies

- **ARAG IT GmbH** (IT Services for the ARAG Group)
- **CURA GmbH & Co. KG** (Brokerage Firm)
- **ARAG Service Center GmbH** (Emergency Telephone Service)

Further information about ARAG,
its subsidiaries and products may be found at:

www.ARAG.com

Profile of the ARAG Group

Overview The ARAG Group is the largest family company in the German insurance industry, and is one of the leading providers of legal insurance world-wide. In its over 75-year history, ARAG has developed into a versatile quality insurer whose focus is on German and international legal insurance. It is successfully active in 14 countries – including the US – and plays a leading role in many international legal insurance markets. In Germany, the Group additionally offers a strong mix of products in the composite, health and life insurance segments through its high-performance subsidiaries that enable customers to obtain precisely the products and services they need from a single source. With its 3,500 employees, the Group generates sales and premiums totaling € 1.5 billion.

ARAG SE (formerly 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 Holding SE (formerly ARAG AG) represents the formal legal umbrella of the ARAG Group with its direct and indirect subsidiaries.

Legal insurance In its core legal insurance segment, ARAG is playing a major role in shaping its markets both in Germany and abroad with innovative products and services. The international legal insurance business has been the Group's largest single line of business for some years now. For this reason, ARAG Allgemeine Rechtsschutz-Versicherungs-AG, the operative Group holding company, was transformed into a European company in December 2011: ARAG SE. Among other advantages, the new legal form facilitates expansion in Europe's new markets and thus opens up additional options for the Group's development. Düsseldorf will remain the headquarters location. The ARAG brand presentation will also remain unchanged.

Composite insurance ARAG Allgemeine, the Group's composite insurer, is proving itself a strong provider of property, liability and accident insurance in its highly competitive market. Its products have often placed right at the top in numerous independent performance and benefit comparisons; in 2011, the German certification agency TÜV once again rated ARAG Allgemeine's claims service quality "very good". In addition, this subsidiary is Europe's largest sport insurer, covering around 21 million leisure and competitive athletes. The subsidiary Interlloyd supplements the Group's portfolio as a brokerage specialist in the trade and private customer segment.

Personal insurance ARAG Kranken and ARAG Leben round out the Group's offerings with new ideas in the market for private health insurance and private retirement saving. Health insurer ARAG Kranken is one of the Group's fastest growing segments, while remaining tightly focused on profitability. Its attractive, high-performance offerings regularly place at the forefront of product ratings. With its family of investment fund-linked pension insurance products, ARAG Leben has established a customer-oriented retirement savings offering on the market. The flexible ARAG fund-linked policy also places at the top of performance comparisons.

Foreword

Dr. Paul-Otto Faßbender

In 2011, the crisis returned to the financial markets in full fury. The ARAG Group was not caught unprepared. As a family company in the finance industry, we understand the risks of our business model, and we also know what advantages we can utilize. As entrepreneurs, the owners always act with the awareness of their clear responsibility for the Group. This attitude has a good and disciplining effect on our business policy.

This means nothing less than that our customers, partners and employees can depend on the solid insurance business as the core business of our enterprise. The key performance indicators for the 2011 fiscal year that we are presenting and explaining to you in our Consolidated Financial Statements impressively underscore this fact:

The Group continues on a solid growth trajectory – in Germany and internationally. This growth is entrepreneurially sustainable. It is accompanied by a significant increase in the underwriting result. ARAG's great operational capability strengthens the Group, particularly in times of turbulence on the financial markets. In short: the Group is growing and it is earning well. The owners are thus satisfied with the course of business in the fiscal year under review.

Comprehensive changes have been launched in the Group to ensure that ARAG's key performance indicators continue satisfactory going forward. It is essential for the Group's future performance that we orient ourselves toward ARAG's increasing international identity. ARAG's home markets are no longer merely Germany, but Europe and the US. A new enterprise structure for our European business will eliminate the expensive maintenance of multiple legal entities in the different jurisdictions; this will generate a new level of complexity in trans-national operations particularly in view of the new regulatory requirements. It is thus good for us that we utilize our scope for action to make the growing complexity manageable. This is being realized under the umbrella of the newly constituted ARAG SE – formerly ARAG Allgemeine Rechtsschutz-Versicherungs-AG. Also, ARAG Aktiengesellschaft has been renamed ARAG Holding SE. With these changes in the legal form, we are documenting the increasing internationalization of our business and positioning ourselves clearly in the Group's European home markets.

We have an extremely precise conception of the strategic and structural advantages of our independent family enterprise, which we will actualize to serve the interests of our customers in Europe and the US.

Dr. Paul-Otto Faßbender

You grab the chance each and every day*

Every day offers new opportunities and chances that are just waiting to be discovered. Spontaneity, curiosity and breaking out of routines are what make our day-to-day lives special. And what generate joy and enthusiasm. ARAG's customers should feel free and independent because they can take advantage of all the chances and opportunities – while we handle their risks. And not just for one day, but their whole life long.

* From the lyrics of "Dive into your life".
You can find the complete lyrics on page 95.

THE FUTURE IS FULL OF POSSIBILITIES. DISCOVERING THEM IS FUN.

ANYTHING IS POSSIBLE WITH THE NECESSARY CALM. AT ALL POINTS IN OUR LIVES.

You’re sheltered and you’re full of drive*

Life is full of unexpected turns, and at times even stormy weather. We understand what concerns our customers when they live their lives and want to shape them independently. We offer security at decisive turning points. And thus enable our customers to enjoy their lives undisturbed. For an independent life. And no clouds on the horizon.

* From the lyrics of “Dive into your life”. You can find the complete lyrics on page 95.

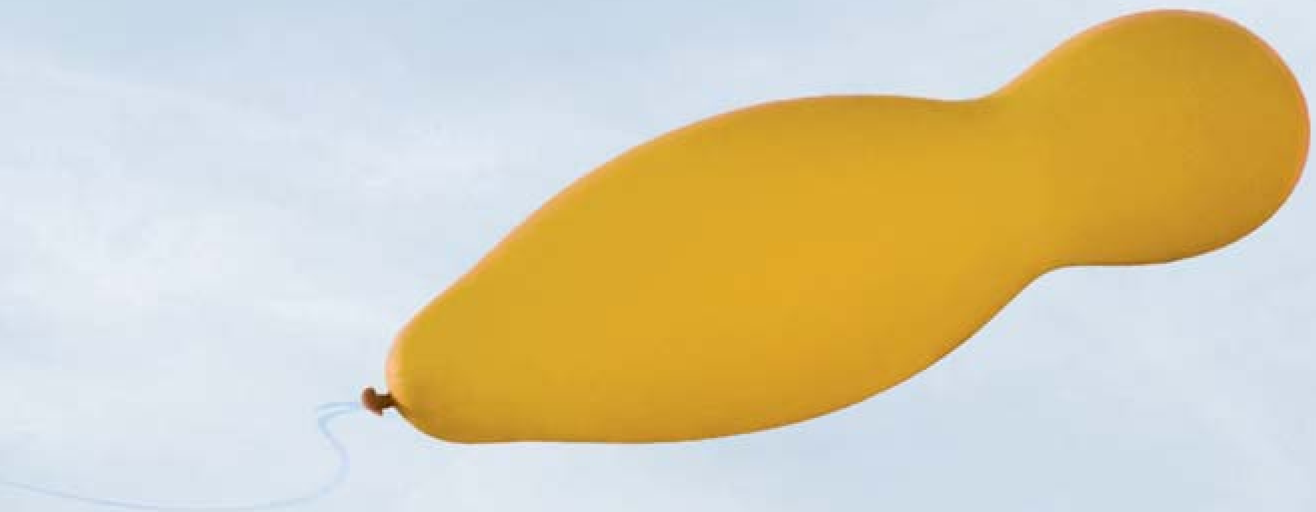
You gonna be what you wanna be*

Freedom is a feeling. It's invigorating and worth experiencing. It's about creating a space where you can do what needs to be done – for you. Even if it takes an effort sometimes. Our customers can discover what they really want, and realize this together with ARAG. Whether it's a trip around the world or a home together. With our coverage, it's more than a dream.

* From the lyrics of "Dive into your life".
You can find the complete lyrics on page 95.


THE BEST TIME IS THE TIME
WE TAKE FOR OURSELVES.

LIFE IS FULL OF GREAT MOMENTS. AND WE CREATE THE GREATEST ONES OURSELVES.



You'll get there, it's your life*

The great leaps are not the easy ones. But they are the most satisfying ones. We enable our customers to develop and grow, while knowing that their lives are built on a foundation they can depend on. This gives them the security to embark on the adventure of life, dare new experiences and shape their lives to please themselves. Just the way they want to. We've got them covered. So our customers can experience their great personal moments. However unusual these may be. Because life is full of possibilities.

* From the lyrics of "Dive into your life".
You can find the complete lyrics on page 95.

Management Report

Development of premium income and sales (in million euros)	2011	2010	2009
Legal insurance	**713.9**	706.5	685.6
share domestic	296.9	299.8	307.1
share international	417.0	406.7	378.5
Composite insurance	**228.0**	229.9	228.2
share domestic	181.1	184.5	190.4
share international	46.9	45.4	37.8
Life insurance	**218.1**	206.6	200.6
Health insurance	**309.4**	286.8	255.4
Service companies	**41.8**	57.9	43.0
Total	**1,511.2**	1,487.7	1,412.8

- ARAG on growth trajectory: revenues up by 2.8 percent
- Growth in Germany bucks market trend
- Underwriting result almost doubled
- Health insurance and mutual fund-linked pension insurance as growth drivers
- Composite insurance is the Group's profit engine

Management Report of the ARAG Group for Fiscal 2011

I. Business and Market Conditions

The economic parameters of the past fiscal year were characterized by the effects of the global banking and sovereign debt crisis. Unbalanced budgets and excessive debt burdens in individual countries in the eurozone led to considerable uncertainty on the capital markets. Such actions as the "euro rescue package" and the purchase of sovereign bonds had only a limited impact in counteracting these effects.

Still, the German economy has proved to be largely immune to these negative developments. The economic outlook in Germany – with a record high number of persons employed and rising consumer spending – remains optimistic, even though growth is expected to slow. By contrast, the development in the other European nations – particularly Spain, Italy and Greece – is difficult to forecast.

In 2011, the German insurance industry turned in satisfactory performance in this challenging business environment: according to the German umbrella insurance industry organization GDV, it posted a slight decline in premiums of 1.2 percent over the previous year. The private health insurance segment once again proved to be the growth driver for the entire industry. Property and accident insurance showed a slight gain in premiums over 2010. However, the intensive price competition characteristic of large portions of the composite business persists unabated. At the same time, growth is restricted by the high market saturation already attained in many segments.

Development of ARAG in the overall economic environment Effective as of the end of fiscal 2011, ARAG Aktiengesellschaft, the asset-managing holding company and umbrella organization of the ARAG Group, was transformed into a European stock company. It is now doing business under the name ARAG Holding SE. This change in the legal form was carried out concurrently with the transformation of the operative Group holding company ARAG Allgemeine Rechtsschutz-Versicherungs-AG, which is now doing business as ARAG SE. Both companies remain headquartered in Düsseldorf; the ARAG brand presentation also remains unchanged.

In fiscal 2011, the ARAG Group increased its revenues in spite of the difficult economic conditions in Europe, and additionally more than doubled its underwriting result over the previous year. On the German market, the Group bucked the industry trend. On account of the unrest on the financial markets, the previous year's profit on ordinary business could not be matched; still, at € 49.9 million, it attained a satisfactory level.

Premium revenues in the Group's insurance business grew by 2.8 percent overall (previous year: 4.4 percent) to € 1,469.4 million. The personal insurers formed the basis for this growth in the German market. The health insurance business underscored its role as the Group's growth engine, increasing its premium revenues by a further 7.9 percent in the fiscal year under review (previous year: 12.3 percent). The life insurance business reinforced the sustainability of the growth trend from the previous year and increased premium revenues by 5.6 percent, counter to the market trend. Premiums in the international legal insurance business also increased, though less than in the previous year, by 2.5 percent, in spite of the difficult economic conditions associated with the euro crisis. The Group is today the market leader in Italy, Spain and the US; in the Netherlands, it is among the legal insurance leaders.

The claims side was characterized primarily by an increase in claims disbursements in the international legal insurance business. Once more, these result primarily from the altered general conditions to which ARAG in Austria is subject in the event of claims on account of possibly faulty investment consultations by financial service companies. The provision for outstanding insurance claims was formed correspondingly as of the end of the year.

Particularly the high growth in the life insurance business resulted in increased commission payments in fiscal 2011. The implementation of the European solvability regulation Solvency II and the restructuring entailed in the transformation of ARAG SE also impacted costs. The net cost ratio increased in the fiscal year under review from 34.5 percent to 35.8 percent.

The income from capital investments of € 188.5 million (previous year: € 227.2 million) was particularly influenced in the fiscal year under review by extraordinary write-downs on account of the sovereign debt and euro crisis.

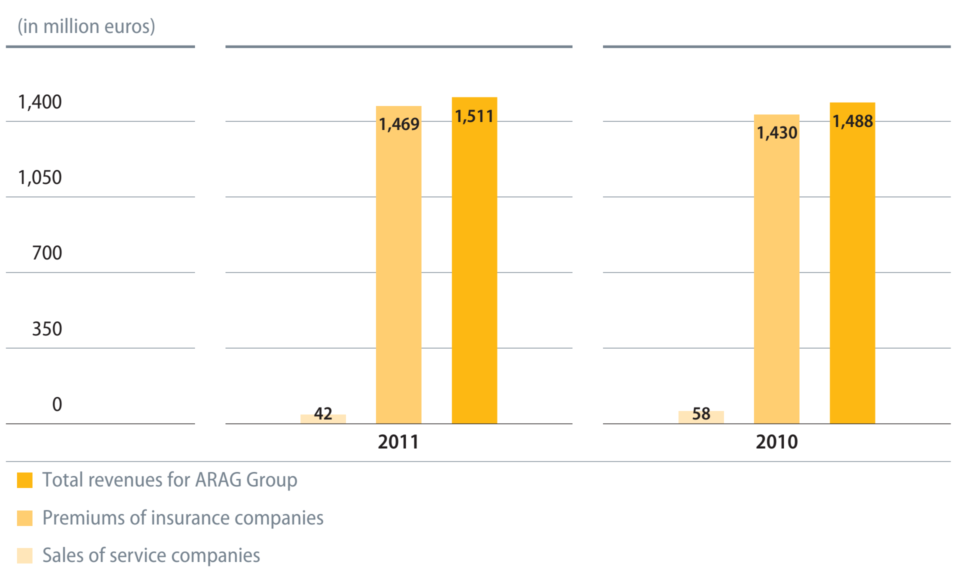
In the previous year, an extraordinary loss of € 9.7 million was incurred due to a change in regulatory requirements that necessitated a revaluation of pension obligations. In the fiscal year under review, only € 1.0 million was incurred through the application of the transitional provisions in the Introductory Law to the German Commercial Code (EGHGB).

Overall, the business development shows that the ARAG Group remains a sound company that grows and profits even in times of crisis on the financial markets. ARAG stands by its customers as a dependable partner that is characterized in particular by the high performance capability of its employees and its modern, attractive product portfolio. All these are key prerequisites for the further successful development of the ARAG Group, which will continue to adhere to its proven conservative business principles.

II. Earnings Situation

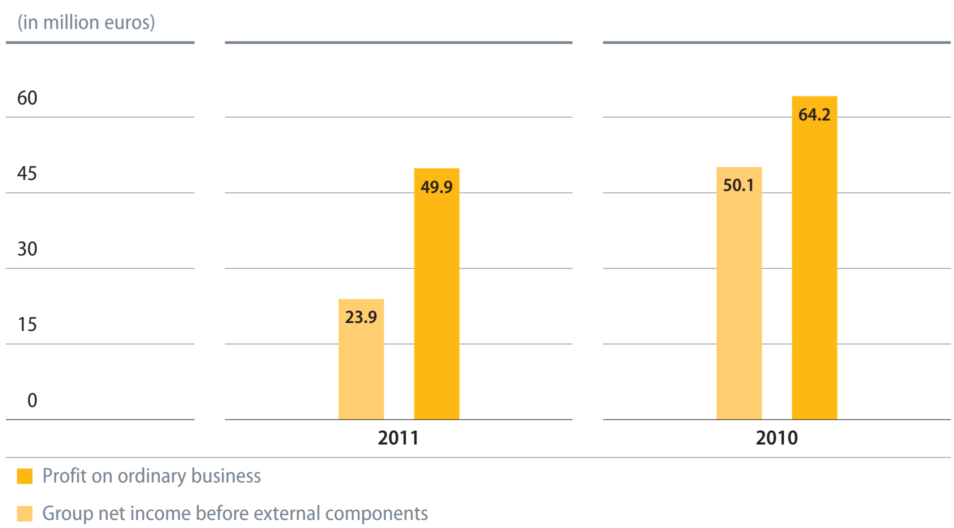
Premiums/sales The premium revenues of the insurance companies of the ARAG Group in the fiscal year under review again grew in the face of the strongly varying parameters in Europe and continuing high competitive pressure in Germany by 2.8 percent, from € 1.43 billion to € 1.47 billion. On the German market, the Group defied the industry trend and grew by 2.6 percent, with premium revenues here surpassing the € 1 billion mark for the first time. The greatest growth was achieved in health insurance, with additional premium revenues of € 22.6 million. This was followed by the life insurance business, where premiums increased by € 11.5 million. The international legal insurance business grew in spite of the challenges of the European markets by € 10.3 million (previous year: € 28.2 million). The sales of the Group's service subsidiaries totaled € 41.8 million (previous year: € 57.9 million). In all, premiums and sales revenues of the ARAG Group totaled € 1.51 billion, following € 1.48 billion in the previous year.

Overall performance



In all, the Group's portfolios comprise some 5.9 million policies. Our international business accounts for 2.5 million of these. The domestic sport business (composite segment) comprises a further 20.9 million insured risks, which enjoy the benefits of ARAG insurance cover through group policies with 15 state sport associations.

Group performance



Earnings situation The earnings situation of the German and international insurance companies of the ARAG Group is characterized on the one hand by write-downs on securities as a consequence of the turbulence on the financial markets in the wake of the euro crisis, but on the other hand by a significant increase in the underwriting result. The decline in income from capital investments could thus be largely compensated by the strong earnings contributions from the underwriting line items. The ARAG Group thus underscores its operational performance capability.

The previous year's underwriting result was more than doubled. This totaled € 40.3 million in the fiscal year under review, as opposed to € 16.5 million in the previous year. The cost of insurance claims declined compared to the previous year from € 927.5 million to € 902.5 million. The international legal insurance business was characterized by high claims payments at the Austrian subsidiary like in the previous year. These result from the changing general conditions to which Austrian legal insurers are subject in the event of claims on account of possibly faulty investment consultations by financial service companies. In the interests of its Austrian customers, the Group has set aside a corresponding additional provision for outstanding claims. Overall, however, the absolute decline in claims expenses and the growth in premiums caused the Group's claims ratio to fall from 65.5 percent to 62.2 percent.

With respect to the cost of insurance business, the continued improved production performance and the associated increased commission costs, as well as the implementation of the Solvency II requirements, resulted in increased administrative costs. The cost ratio of the 2011 fiscal year rose from 34.5 percent to 35.8 percent. The Group's combined ratio, by contrast, once again improved significantly from 100.0 percent to 98.0 percent.

Due to the write-downs required on account of the sovereign debt crisis in the eurozone and lower gains from the sale of assets, income from capital investments declined to € 188.5 million following € 227.2 million in the previous year.

Other income and expenses are affected largely by the additional expenses for the restructuring of the ARAG Group commenced in the fiscal year under review. Also, special effects boosted the previous year's other income. Consequently, other income and expenses slipped from € -23.3 million in the previous year to € -35.9 million in the fiscal year under review.

In the previous year, extraordinary expenses of € 9.7 million were incurred on account of the revaluation of pension reserves and old-age part-time obligations on account of the first-time application of the German Accounting Law Modernization Act (BilMoG). In the fiscal year under review, the extraordinary line items fell to € 1.0 million due to the exercise of transitional regulations in association with the accounting changes carried out in the previous year.

Under consideration of all effects, profit on ordinary business declined as expected over the previous year, from € 64.2 million to € 49.9 million. The tax expenditure increased over the previous year from € 4.5 million to € 25.1 million. The 2010 accounting included extraordinary income of € 24.4 million on account of the first-time application of asset-side deferred taxes and the application of BilMoG. This resulted in a Group net income after external components of € 22.3 million, following € 46.0 million in the previous year.

III. Financial Situation

The objective of financial management is to ensure that all obligations from the insurance business can be fulfilled at all times and to not merely meet the regulators' capital requirements for insurance companies, but to achieve a surplus cover, by means of sufficient capital and liquidity controlling. The lower-ranking liabilities stated in the balance sheet qualify as own funds within the meaning of the German insurance oversight law (Art. 53c (3) No. 3b VAG). This bond is for an indefinite term and can be terminated by ARAG after ten years from the date of issue (2005).

The conservative reserves policy of the ARAG Group was consistently pursued throughout the year under review. The underwriting reserves were increased once more by 2.7 percent, from € 4.88 billion to € 5.02 billion. Consequently, the ratio of underwriting reserves to earned premiums grew by 1.4 percentage points over the previous year in spite of the increased premiums, from 344.6 percent to 346.0 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)	2011	2010
Subscribed capital – paid in	200.0	200.0
Reserves	79.1	42.0
Capital shares of minority shareholders	33.2	32.6
Group net profit after external components	22.3	46.1
Total equity	**334.6**	**320.7**
Lower-ranking bond	50.0	50.0
Own funds	384.6	370.7
Underwriting reserves	5,016.4	4,883.9
Guarantee funds	**5,401.0**	**5,254.6**

The guarantee funds are covered by capital investments in the amount of € 5,332.9 million (previous year: € 5,285.9 million). To ensure that it 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 € 72.2 million (previous year: € 81.2 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 investments and investments 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 81.

IV. Asset Situation

The capital investment portfolio of the Group increased in fiscal 2011 by 0.9 percent, from € 5,285.9 million to € 5,332.9 million. The present values of these capital investments amounted to € 5,624.4 million (previous year: € 5,545.1 million) as of the day of accounting.

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

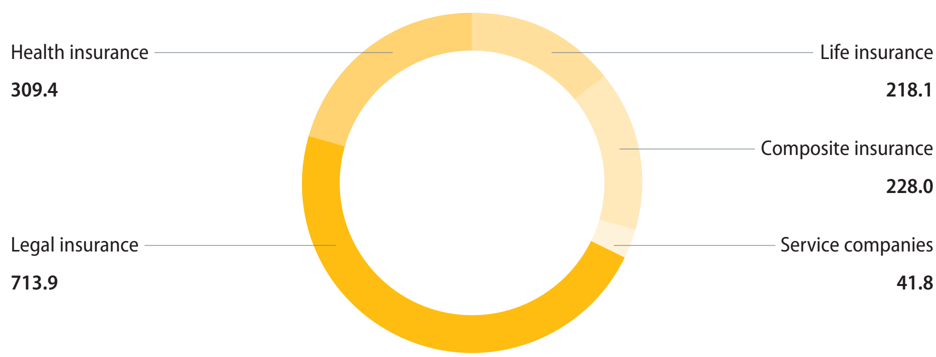
Type of capital investment

(in million euros)	2011		2010	
I. Real estate and buildings	207.4	3.9%	218.0	4.1%
II. Shares in affiliated companies and holdings	64.9	1.2%	77.1	1.5%
III. Lending to affiliated companies and holdings	0.1	0.0%	0.8	0.0%
IV. Stocks and investment fund shares	2,192.0	41.1%	2,028.7	38.4%
V. Bearer bonds	705.4	13.2%	534.0	10.0%
VI. Mortgages receivable and other similar rights	194.1	3.6%	204.1	3.9%
VII. Registered debentures, promissory notes	1,562.4	29.3%	1,817.9	34.4%
VIII. Bank deposits	296.3	5.6%	279.1	5.3%
IX. Other lending	25.2	0.5%	41.7	0.8%
X. Other capital investments	68.8	1.3%	73.5	1.4%
XI. Portfolio receivables	16.3	0.3%	11.0	0.2%
Total	**5,332.9**	**100.0%**	**5,285.9**	**100.0%**

V. Segment Reporting

Premiums and revenues by segment 2011

(in million euros)



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

Gross premium revenues

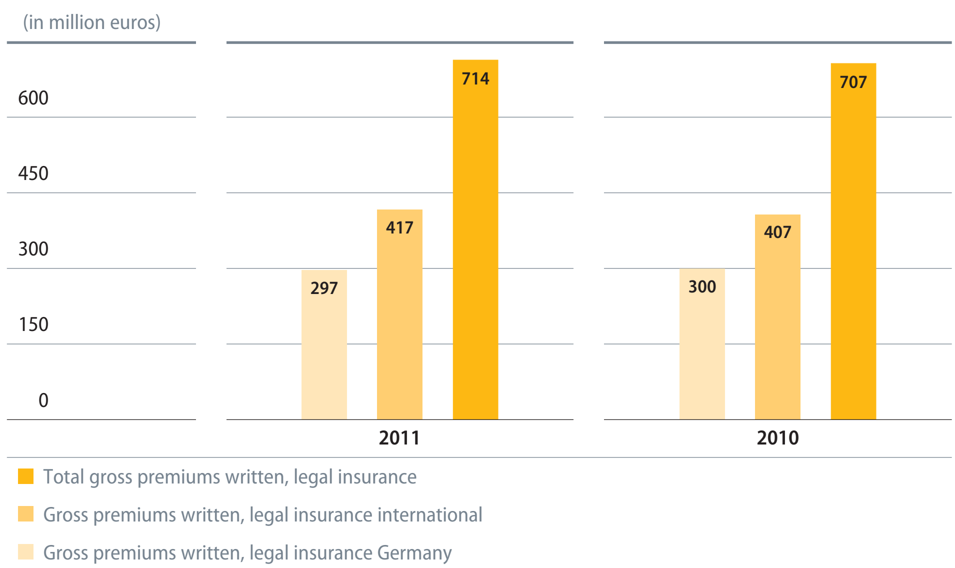
(in million euros)	2011	2010
Legal insurance	714	707

Legal insurance business In legal insurance, the Group continued to grow in the fiscal year under review. Gross premiums written increased by 1.0 percent, from € 706.5 million to € 713.9 million. The share of premiums attributable to international legal insurance business grew further in comparison with German legal insurance, and now constitutes 58.4 percent of all legal insurance business.

The cost of insurance claims in the entire legal insurance segment fell, from € 435.7 million to € 399.6 million. Overall, the claims ratio was reduced from 61.9 percent to 56.0 percent. Consequently the underwriting losses decreased considerably from € 33.6 million in the previous year to € 9.3 million in the fiscal year under review.

The income from capital investments for the entire legal insurance segment totaled € 28.0 million, following € 51.5 million in the previous year. Under consideration of the € 1.1 million less favorable balance of expenses from the other income and expenses of € 16.7 million, the profit on ordinary business comes to € 2.1 million following € 2.3 million in the previous year.

Uninterrupted growth in international legal insurance business



The international legal insurance business was dominated by the tense overall economic situation in many European markets. Although it was not possible to continue the previous year's above-average growth, the gross premiums written in the Group's largest business segment still increased by 2.5 percent from € 406.7 million in the previous year to € 417.0 million in the fiscal year under review. ARAG Italy, which in the fiscal year under review assumed the entire legal insurance business of UGF Assicurazioni, delivered an important growth push. A further € 46.9 million in premium revenues are attributable to the comparable special service package business of ARAG Spain, which was booked under the composite insurance sector. Including this figure, total revenues achieved in the international legal insurance business amounted to € 463.9 million. The largest single subsidiaries are active in Spain, the Netherlands and Italy. The combined ratio in international legal insurance business dropped from 107.4 percent to 104.5 percent. Following a loss of € 4.4 million in the previous year, this segment shows a loss of € 5.1 million in the fiscal year under review.

The ARAG Group's German legal insurance business continues to operate in the demanding German insurance market, with its extremely intense competitive pressure. Premium attrition was slowed further. Gross premiums written dropped by 1.0 percent from € 299.8 million to € 296.9 million. The continuing improvement in production and the actions taken to prevent cancellations are showing an increasing effect. The claims ratio declined from 64.6 percent in the previous year to 57.1 percent in the fiscal year under review. On account of the increase in new business and the resulting rise in commission expenses, as well as the costs for preparing for the new solvency regulations (Solvency II) and the restructuring of the Group initiated for 2012, it was not possible to maintain the cost ratio at the level of the previous year. Such central costs for the entire Group and for parts of the German sales organization are stated in the German legal insurance segment. The net cost ratio in the fiscal year under review increased slightly to 39.0 percent (previous year: 38.5 percent). In all, the German legal insurance business posted an underwriting profit of € 13.5 million following a loss of € 7.3 million in the previous year. In spite of the 53.8 percent lower income from capital investments, profit on ordinary business came to € 7.2 million, exceeding the previous year's mark of € 6.7 million.

Gross premium revenues

(in million euros)	2011	2010
Composite insurance	228	230

Composite insurance business The premium revenues in the composite segment came to € 228.0 million in the fiscal year under review (previous year: € 229.9 million). This slight decline is due mainly to the strategic decision of ARAG Allgemeine to deliberately withdraw from the motor vehicle segment and the ruinous price wars being fought there. Consequently, ARAG has been brokering automotive business of Helvetia Deutschland since the beginning of 2011 on the basis of a cooperation agreement.

The legal insurance-like special service package of ARAG Spain, which is booked in the composite segment, increased over the previous year from € 45.5 million to € 46.9 million, a further 3.2 percent gain.

The cost of claims was at a gratifyingly low level on account of the lack of major and catastrophic losses in the fiscal year under review, resulting in an excellent claims ratio of 45.7 percent. The cost ratio of 37.5 percent was maintained at virtually the level of the previous year (37.3 percent). The underwriting profit before fluctuation reserve once again increased substantially, from € 29.1 million in the previous year to € 37.8 million in the fiscal year under review. After adjustment of the fluctuation reserve by € 3.5 million, the underwriting result rose to € 34.3 million. When the reduced income from capital investments (-48.4 percent) and other income/expenses are taken into consideration, income from ordinary business in the composite segment amounted to € 41.3 million (previous year: € 50.3 million), making this segment the Group's most important income earner once more.

Gross premium revenues

(in million euros)	2011	2010
Health insurance	309	287

Health insurance business In the fiscal year under review, the health insurance business of the ARAG Group cemented its role as the fastest-growing Group segment with a further significant gain in premium revenues. Gross premium revenues grew from € 286.8 million in the previous year to € 309.4 million. This 7.9 percent increase in premiums once more exceeds the industry average for private health insurers. On the benefits side, the costs for insurance claims and transfers to the actuarial reserves increased by 5.6 percent in all to € 270.3 million. On account of the vigorous growth in new business, commissions and administrative costs, at € 46.4 million, came in at 6.1 percent above the figure for the previous year. Income from capital investments once more grew from € 41.1 million to € 42.9 million, a gain of 4.4 percent, in spite of the uncertainty on the financial markets. After consideration of other income and expenses and the transfer to the provision for premium rebates, pre-tax earnings came to € 7.8 million (previous year: € 8.3 million).

Gross premium revenues

(in million euros)	2011	2010
Life insurance	218	207

Life insurance business The life insurance segment realized strong premium gains in the fiscal year under review from mutual fund-linked pension insurance policies. At € 218.1 million, gross premium revenues were 5.6 percent higher than in the previous year (€ 206.6 million). This line of business continues to refrain from the sale of policies on the basis of so-called short-term one-time premiums. Instead, the unusually high growth for this segment is due to an ever greater acceptance of the mutual fund-linked ARAG FoRte 3D product line on the part of sales partners, brokers and end customers. Additionally, further brokers have been won over, which positively influenced the increase in sales. On account of these different factors, the net new policy sales crossed the one billion euro threshold, amounting to € 1.1 billion as of the end of the fiscal year under review.

On the benefits side, expenses for insurance claims together with the change in the underwriting reserve over the previous year resulted in a decrease in expenditures of € 9.6 million to € 253.5 million. Commissions and administrative expenses increased from € 55.0 million in the previous year to € 69.0 million, primarily due to the strong new business. In line with the crisis-plagued overall conditions on the capital markets, income from capital investments fell from € 113.8 million to € 101.7 million. Under consideration of other expense and income items and the tax charge, this segment generated a gross profit of € 16.8 million. This enabled € 15.3 million (previous year: € 26.4 million) to be transferred to the reserve for premium rebates. A profit on ordinary business in the amount of € 1.5 million remained for the Group net profit, following on € 7.2 million in the previous year.

Revenues

(in million euros)	2011	2010
Service companies	42	58

Services and asset management This segment bundles all subsidiaries of the Group that perform central services outside of the pure insurance business – such as IT services or the operation of a central customer emergency hotline. It also includes the holding companies, of which ARAG Holding SE is one. The agency subsidiary of the Group, Cura GmbH & Co. KG, and the property development business are included in this segment as well. Sales revenues of the non-insurance subsidiaries with external third parties and other Group segments decreased from € 96.1 million in the previous year to € 81.5 million. This is due in particular to the volatile development of the real estate sales of the Group's residential real estate development company. After adjusting for intra-Group revenues of the service companies, external sales amounted to € 41.8 million as opposed to € 57.9 million in 2010. The profit on ordinary business came to € 2.9 million (previous year: € 3.8 million).

VI. Product Development, Employees and Other Performance Factors

Product development In fiscal 2011, the ARAG Group systematically expanded its customer-oriented product and service offerings.

In German legal insurance, the product portfolio was intelligently expanded by two new offerings. Launched in October 2011, the basic legal insurance product ARAG Aktiv-Rechtsschutz Basis offers an interesting coverage opportunity for price-sensitive private and business customers. This product covers the costs of judicial legal disputes and includes additional services, such as mediation and initial attorney telephone consultation, at an attractive price. Extra-judicial costs are not covered. Simultaneously with the basic product, ARAG introduced the new Aktiv legal insurance for farmers. This target group product enables the additional coverage of subsidiary agricultural businesses such as farm shops, feedlots or the operation of equestrian centers. The product can also be expanded in a modern, needs-appropriate manner with customized benefits. Thus, it now also includes legal disputes relating to cross-compliance procedures for EU subsidies, disputes regarding one-time development and neighborhood levies as well as imminent domain proceedings. Personal legal insurance for farmers and their families is also included. The proven ARAG Aktiv benefits of mediation and initial attorney telephone consultation are standard components as well.

Shortly after its market debut, the Aktiv-Rechtsschutz Basis product was rated as the second-best value for money in a comparison of legal insurance products with mediation conducted by the newspaper Bild am Sonntag (1 January 2012). The superior quality of ARAG legal insurance products has also been affirmed by independent institutions. For example, the product ARAG Aktiv-Rechtsschutz Komfort received a top ranking in the consumer magazine Finanztest (issue 1/2012), with a mark of good (2.0).

The premium product ARAG Recht&Heim Aktiv, which combines legal insurance, liability coverage, home effects and glass breakage cover as well as optional homeowners insurance, was expanded with further high-value product modules in the fiscal year under review. For example, customers can now also benefit from the greatly expanded performance and service spectrum of the new home effects coverage.

The new home effects product ARAG Haushalt-Schutz debuted at the beginning of the year under review. The core is the home effects coverage, which can be enhanced with further modules – like the comprehensive electronics coverage, which is unique in the German market, or the new ARAG bicycle theft module, which provides round-the-clock "sound sleep" coverage. Additionally, the comprehensive assistance in the event of a claim includes not only settlement by the award-winning 24-hour claim service of ARAG Allgemeine, but also many new and improved services such as moving services or immediate psychological support in the event of burglary, robbery or major losses.

The Group's two composite insurers, ARAG Allgemeine and Interlloyd, have been recognized for their excellent service. The joint 24-hour claim service of the two insurers was rated "very good" by certification agency TÜV Saarland, earning the best result ever awarded to a TÜV-rated insurer to date.

In the health insurance segment, ARAG Krankenversicherungs-AG continued to expand its role as a high-performance provider. Its products were in high demand and formed the basis for another above-average growth performance in the fiscal year under review. In the strategically important supplementary insurance market, the company responded optimally to the desires of customers and Sales with the introduction of two new rates in July 2011. The ARAG DentalPro Z90Bonus rate integrates the bonus booklet solution of statutory health insurance in the terms of the rate, enabling policyholders to rationally combine their private supplementary dental insurance with statutory health care. The option rate ARAG FlexiPro offers extremely flexible transfer possibilities to new or higher-quality full insurance rates for certain groups of persons with both statutory and full-service private health insurance. The success and the attractiveness of the ARAG Krankenversicherung product portfolio is affirmed not only by numerous product and performance rankings. ARAG Krankenversicherung remains an extremely attractive and very important brokerage business partner: in 2011, it again took first place in the ranking "experten-Voting STATUS QUO". The regular broker survey of AssCompact once again named the company the most popular supplementary insurer.

In the life insurance business, ARAG Lebensversicherung developed a supplementary insurance product to the ARAG FoRte 3D product family in the fiscal year under review that debuted on the market on 1 January 2012: the supplementary invalidity insurance was completely revised to meet evolving needs. One new element is the optional coverage of school disability for pupils seven and above. This supplementary insurance can be taken out in many variations of FoRte products. The ARAG FoRte 3D product line of mutual fund-linked pension insurance was also enhanced in 2011 and expanded to include "RenditeTresor Aktiv". In this variant of the product, the profit-taking mechanism can be deactivated in rising markets with realization of capital gains and reactivated in falling markets – all automatically. Forward-looking stochastic simulations show that this significantly improves customers' chances of enhancing their capital gain as of commencement of their pension. With the FoRte 3D family, ARAG Leben gained a significant overall advantage in the market. The share of "Riester" policies makes up over one third of the new business – not least because a new high-potential broker has come on board.

In its international legal insurance business as well, ARAG was able to shine with numerous innovative and practical product and service ideas in 2011. ARAG Italy launched "ARAG Tutela Legale Impresa", a new, customized legal insurance product for small and medium-sized businesses and self-employed persons, tradespersons and merchants, in October 2011. Norwegian insurer HELP Forsikring, in which ARAG holds 44 percent of the shares, rolled out a special SMS notification service in fall 2011. The SMS messages target home buyers, to inform them of a homeowners insurance that precisely fits their needs. ARAG also showed its service power in Spain: brand-new parents received a baby basket from a major supermarket chain, and when directly requested via the internet, containing numerous useful items for young families plus an information flyer for ARAG family insurance – including a rebate coupon for a discount of up to 20 percent. ARAG Netherlands also blazed innovative trails with its "Flight Claim Service Twitter". This not only informs air passengers of flight delays and cancellations, but also their rights to compensation. The use of the social network Twitter as the channel for this dialog is new, and is opening up a line of communication to additional prospects for ARAG Netherlands.

Additional performance factors Since July of the fiscal year under review, the ARAG Group has been pursuing a revitalized brand strategy. Through this strategy, ARAG is positioning itself as a versatile quality insurer with its main emphasis on legal insurance, complemented by the health, life and composite insurance segments. With this campaign, ARAG is growing out of its old role as a German niche provider. This imparts new meaning not only to the Company, but to the ARAG brand as well.

In this context, the Group is pursuing a long-term plan to transform itself from a tightly circumscribed product brand to an attractive customer brand. The focus of the new positioning is on what holds ARAG together in its core as a family enterprise: independence. This connects the Group with consumers' striving for independence and self-realization. The ARAG Group's new, broader brand positioning was revealed to consumers in the new advertising campaign: since July 2011, television commercials featuring the campaign slogan, "Your plans. Your life. Your insurance." highlight how ARAG helps customers to preserve their independence at major turning points in their lives.

In the fiscal year under review, the ARAG Group implemented an important strategic change: ARAG Allgemeine Rechtsschutz-Versicherungs-AG, the operative holding company of the ARAG Group, executed the process of transforming itself into a European company "Societas Europaea" (SE). As of December 2011, the Group is doing business under the name ARAG SE. ARAG Aktiengesellschaft, the asset-managing holding and parent company of the ARAG Group, was transformed into ARAG Holding SE at the same time. Düsseldorf will remain the headquarters location of both companies. The ARAG brand presentation will also remain unchanged. The dualistic corporate-governance model of Board of Management and Supervisory Board was retained as well.

With these changes in the legal form, ARAG is responding to the ongoing internationalization of the Group. One of the main objectives of this transformation is to facilitate access to new markets in Europe, thus securing opportunities for the Group's further development.

In the fiscal year under review, the Supervisory Board approved the plans of the Board of Management to serve notice of branch offices in the Netherlands, Belgium, Austria, Slovenia, Italy and Spain as part of notification proceedings, an action closely related to the transformation of ARAG Allgemeine Rechtsschutz-Versicherungs-AG into an SE. In 2012, the Company plans to transform the six European subsidiaries in these countries into branches of ARAG SE. As the management of six different stock companies in different jurisdictions is expensive and thus ties up enormous resources, the aim of this step is to reduce complexity within the Group. The planned merging process will extend throughout 2012.

In anticipation of this, a new management structure was implemented in the Group effective 1 January 2012. The tasks of the former Group Board function „Group International" were reallocated within the Board. These functions will be assumed by the line functions in the six new Board-level areas – including the new function "Products and Innovation". Additionally a Board-level "Group Sales" function has been established, which is responsible for managing sales activities both in Germany and abroad.

The ARAG Group posted a sustained upward trend in its German Core Sales. The Core Sales organization posted gains for the third year in a row, defying the market trend. Total production over the last three years increased by 22 percent. The number of ARAG partners also increased once more, growing by 7 percent all told.

ARAG Partner Sales, the sales channel of the ARAG Group targeting German brokers and multiple agents, posted the largest single gain in its history: new business across all segments increased by 32 percent over the previous year. The largest growth driver here was the life insurance business, in which the valuation amount reached half a billion euros for the first time. In the fiscal year under review, ARAG Partner Sales grew to become the Group's largest sales channel, with a 42 percent share of production. This successful development is due primarily to the support concept, which was reorganized in the fiscal year under review. Brokers and multiple agents are no longer supported regionally but by sales type (e.g. nationwide sales organizations, broker pools or specialist brokers). This framework also enabled another highly respected high-potential broker for the life insurance business to be won over, which generated a major boost in premiums.

Since the beginning of the fiscal year under review, the ARAG main branch offices of Core Sales have been "stepping out" with a unified online presence. Their completely redesigned and centrally maintained websites thus clearly reflect the uniform brand understanding of the Group. ARAG is also optimally positioned online in other respects: in its study "Online Insurance 2011", the PASS Consulting Group rated the German website www.ARAG.de extremely highly. Following third place in the previous year, the Group leaped into first place in the health insurance segment in 2011. In the Liability and Legal category, ARAG placed third. The study examined the Web presences of 55 companies. Since 2011, interested persons can find facts and figures about the ARAG Group – and information about its structure, governance, and its German and international subsidiaries – on a separate website. www.ARAG.com presents its content in German and English.

The systematic international expansion – one of the decisive factors for the Group's entrepreneurial success – remained a major focus in the fiscal year under review. In addition to exploring cooperation arrangements and shareholdings, ARAG also continued on its growth course in its international business. The ARAG subsidiaries also proved their excellent potential in numerous awards. To name just one example, the customer service of ARAG North America was named a Center of Excellence by the prestigious BenchmarkPortal for the fourth year in a row.

Employees In the fiscal year under review, the number of employees increased in the Group as a whole compared to the previous year. Including companies outside the scope of consolidation, 3,506 persons were employed as of 31 December 2011 (previous year: 3,460). As of 31 December 2011, a total of 3,503 persons were employed in the consolidated companies on a permanent basis (previous year: 3,456). During the reporting period, 46.3 percent of all ARAG Group employees worked outside of Germany (previous year: 45.2 percent).

Employees

(permanent staff)	2011	2010
Consolidated companies	3,503	3,456
Entire Group	3,506	3,460

In view of the dynamic market developments in health and legal insurance and the active expansion of legal insurance business in Europe, it is essential that the Group be able to depend on competent, performance-oriented employees. As most of our employees have been with us for many years, they possess profound professional knowledge in both the German and international legal insurance business, and additionally demonstrate exceptional loyalty to and identification with the family company.

The ARAG Essentials, the enterprise vision of the ARAG Group, and the binding ARAG Leadership Standards derived from these, were advanced and embedded even more fully in the fiscal year under review. The best example for this is the creation of the ARAG AWARD. This award will honor both the exemplary implementation of the ARAG Essentials in day-to-day operations as well as the initiative of ARAG's German and international employees in carrying out this implementation. The call for submissions for the first ARAG AWARD took place in the fiscal year under review, and resulted in numerous applications. The winning teams in the three categories "Germany", "International Subsidiaries" and "German Sales" were officially honored at the ARAG Group Management Conference in January 2012. This event also marked the opening of the submissions period for the ARAG AWARD 2012.

In addition to vocational training, continuing education for employees has an extremely high priority. To facilitate this, the comprehensive Group-wide online qualification platform ARAG IQ provides a broad range of offerings, and was expanded even further in the fiscal year under review. It includes such courses as executive programs, Office courses, project management training and foreign language instruction.

Additionally, ARAG created ARAG myCareer, a further key tool for retaining qualified employees, in the second half of 2011. Specifically, instruments for human resources selection, human resources development and human resources qualification have been redefined. These support employees in their development and career planning and thus serve to retain professional and generalist knowledge in the Group.

The German ARAG sales training program assures continual, high-quality qualification actions for the ARAG sales partners. A broad spectrum of specially tailored seminars covers the entire spectrum of knowledge relating to the sale and the superior performance of the broad spectrum of ARAG products. The training is centered on the Red Thread – the comprehensive selling process of ARAG Core Sales that aims to ensure that ARAG customers receive complete, holistic and transparent consultation and support.

ARAG is considered a challenging employer with high performance expectations of its employees. In return, the Group invests in comprehensive offerings for employees to promote both their personal health and greater reconciliation of family and career. The health program ARAGcare was expanded further in the fiscal year under review, and at the Corporate Health Award 2011 received the Seal of Excellence for the second time in a row. ARAG thus continues to place at the forefront of the industry.

VII. Supplementary Report

Over the course of the fiscal year, ARAG Holding SE (formerly ARAG Aktiengesellschaft) and ARAG SE (formerly ARAG Allgemeine Rechtsschutz-Versicherungs-AG) were transformed into a "Societas Europaea" (SE). Düsseldorf will remain the headquarters location of both companies. The transformation represents a sustainable, future-proof solution. It documents the comprehensive change process that has characterized the ARAG Group for ten years. ARAG's home markets are no longer merely in Germany, but in Europe. The Group is realigning its structure and orientation to reflect that fact. The necessary change actions will be completed over the course of 2012 through the implementation of the new Group structure. In this action, six European ARAG subsidiaries are to be merged with ARAG SE as branches.

No other events of particular importance occurred following the end of the fiscal year under review.

VIII. Risk Report

Objectives of risk management Risk management is a core competence of ARAG and thus an important component of business controlling. As a part of this controlling, risk management aims to secure the existence and future success of the Group. By means of effective, integrated risk management, the Group fulfills the demands of its customers at a maximum level of security and will create sustained enterprise value for the shareholders. In accordance with this objective, risk and capital aspects are a fixed part of the strategic planning process and also the basis of value- and risk-oriented controlling in accordance with the EVA® concept in the ARAG Group.

The risk management guidelines of ARAG are:

- Risks are managed where they occur.
- All identified risks are observed and regularly reassessed.
- Newly identified risks are included in the monitoring process, assessed and communicated.
- Limits and thresholds exist for all material risks, and corresponding management actions are triggered when these are exceeded.
- All risks and associated decisions and actions are sufficiently documented.
- Internal and external concerned parties receive regular reports on the risk situation.

Organizational structure of risk management The risk governance of ARAG comprises all Group subsidiaries and is designed so that local and global risks are holistically controlled, while simultaneously ensuring that the overall risk profile remains appropriate to the Group risk strategy.

The Group Board establishes the business-policy objectives, the risk strategy as well as the capital requirements and limits of the individual Group subsidiaries.

Within the Group Board, the Chief Risk Officer is responsible for the central communication of risk-relevant issues in the form of regular reporting to the Group Board and the Group Supervisory Board, on a quarterly basis at a minimum, as well as on the basis of need. This officer is also responsible for inter-divisional planning, controlling and monitoring of the entire risk architecture.

The Board-level function Group Risk Management/Controlling is responsible for identifying, analyzing and assessing, controlling, monitoring and reporting on risks on the Group level, in cooperation with the unit that bears the respective operational risk. Group Risk Management/Controlling is a separate entity up to the level of the Group Board, and thus fulfills the tasks of an independent risk controlling function.

The decisions as to exploitation of opportunities and the assumption of risks rest with the operational units.

The tasks and responsibilities of all persons active in risk-relevant roles, such as the members of the Board of Management, executives, decentralized and central risk controllers and managers, are clearly defined and documented in the Risk Management Manual of the ARAG Group.

The further development of the risk management system is carried out systematically and is based on the principle of the holistic consideration of asset- and liability-side risks. Group Risk Management is responsible for identifying, assessing, controlling and monitoring these risks for all domestic and international subsidiaries and preparing associated board-level decisions in collaboration with the operational units.

Group Risk Management bears the process responsibility for the risk management system and ensures comprehensive transparency with respect to the risk situation and changes in it through a quarterly risk report to the Board of Management. Additionally, Group Risk Management is responsible for the further development of the risk management system and for preparing proposals for uniform Group-wide standards. Group Risk Management is furthermore responsible for developing models for determining the risk-bearing capacity, the risk capital and risk capital allocation.

Capital investment controlling is an independent risk controlling function that is responsible for monitoring asset-liability management, as well as other tasks. This focuses not only on the asset- and liability-side economic and balance-sheet risks but also on a potential mismatch between underwriting obligations stated on the liabilities side and their coverage by asset items.

The rules for specifying and controlling these risk fields are defined and monitored by the Board of Management with the support of Group Risk Management. The central and local instruments and processes deployed in the risk management system follow a uniform approach that takes into account the overall economic conditions as well as the requirements and expectations of customers, regulators, rating agencies and the shareholders.

Furthermore, a strict functional separation exists between the operational controlling of risks and Group Risk Management. Group Risk Management also works closely with Internal Auditing. The implemented systems meet the requirements of the German Act on Control and Transparency in Enterprises (KonTraG).

The risk management system The risk management system as an integrated part of all risk-relevant processes has the function of avoiding actions or decisions that lie outside the constraints formulated in the Risk Management Manual and the risk strategy. The risk management system is audited regularly by Group Auditing. In conjunction with the integrated risk management, the Group is able to identify new risks or developments entailing risks in a timely manner, systematically assess them according to uniform criteria and actively manage them. The review of the risk early warning system is also a part of the auditing process of the year-end audit of the individual Group subsidiaries.

The core elements of the ARAG risk management system comprise the processes of risk identification, risk analysis and assessment, risk controlling as well as risk monitoring and communication.

Risk identification: The aim of risk identification is to recognize the emergence of new risks or changes in existing risks in a timely manner and assess these according to a uniform procedure/standard. For example, risks from the opening of new markets and introduction of new products are identified, analyzed, assessed and submitted to the Board of Management for a decision in a corresponding cross-sectional new-product process. Analogous processes are implemented for new capital investment products, reinsurance instruments, etc. They are also integrated in existing limit and monitoring processes.

Risk analysis and assessment: All identified risks are continuously quantified, analyzed and assessed using suitable methods and on the basis of systematically collected and continually updated data. This process also examines whether the risk profile corresponds to the established limits.

The key element here is the risk capital required to cover unexpected losses in the value at risk. This is calculated in the internal risk capital model. This model calculates the maximum loss in value of risk positions covered in the model within a specific retention period (one year in this model) and with a specific probability. The loss in value can be caused due to an unfavorable development on the capital investment side or an unexpected development in insurance business.

Both the methodology and the risk positions are regularly verified and plausibility-tested by means of sensitivity analyses, stress tests, back-testing and validation tests.

Group-wide risk standards ensure a consistent and appropriate approach in risk modeling, performance measurement and the application of relevant risk parameters in the calculations.

Risk controlling: The risk management functions on the Group and segment levels define suitable strategies and concepts for overseeing both the conscious assumption of risks and the implementation of controlling measures in the sense of minimization, hedging, transfer and diversification of all identified and analyzed risks. Risk limitation ensures that the risks actually assumed are compatible with the risk strategy, respectively the risk bearing capacity, at all times.

Risk monitoring and communication: The actual limit utilization is determined and monitored on a continuing basis through comparison of the assumed risks with the specified limits. The portfolio is analyzed on a regular basis to identify broader risk trends. The results of risk monitoring and the action recommendations derived from these are reported to general management on a continuing, timely and unrestricted basis. This enables decision-makers to control risks proactively. The external communication of risks takes into account the interests of the shareholders and regulatory authorities.

FOCUS ISSUE

Solvency II, risk capital requirements and internal risk capital model

The Solvency II project of the European insurance industry has completed a further key stage on the way to the new regulation of solvability regulations for insurance companies with the Fifth Impact Study. In Germany, it is anticipated that the reform will apply as of 2013.

Compared to the current solvability regulations pursuant to Solvency I, the new solvability regulations focus more strongly on risks associated with the business model of an insurance company (for example underwriting risk, market risk, etc.). To determine solvability under Solvency II, the risk capital requirement quantified according to a standard approach or a certified internal risk capital model is compared with the risk capital available in the Company that can be used to cover losses.

Under Solvency II, the risk capital requirement is defined as the value at risk for a period of one year with a confidence level of 99.5 percent. Insurance companies can chose between a standard model and an internal model in determining their risk capital requirement. The latter must be approved by the German Federal Financial Supervisory Authority (BaFin).

The ARAG Group is seeking certification of an internal model under Solvency II. For ARAG, risk-appropriate management of underwriting risks and the assumed market price risks is a key success factor. Only the use of an internal model enables the special characteristics of ARAG's business model to be risk-appropriately reflected and the capital requirement calculated accordingly.

Consequently, on the Group level the Solvency II project to develop the existing internal model was pursued further in 2011. This resulted in the creation of the IT and methodological foundations and the documentation for the internal model. The certification process for the internal model was additionally initiated. As part of the pre-application process, the ARAG Group is in regular communication with the relevant regulatory authorities. This created the prerequisites for further test phases.

Main risks

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 its continued existence. Suitable reinsurance has been taken out to minimize the risks of major losses 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 German 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 reserves may be seen in the data given below for the gross claims trends for self-contracted business for our German legal insurance subsidiaries as well as the property and accident insurance subsidiaries over the last ten years.

Development of claims

Fiscal year	Gross claims ratio, total		Settlement result
	Ratio for fy	Balance	in % of initial reserves
2011	60.3	54.5	4.1
2010	66.7	61.3	4.2
2009	66.4	58.0	6.5
2008	65.2	55.4	7.7
2007	66.8	62.6	3.5
2006	65.2	59.2	5.0
2005	65.6	59.9	4.8
2004	64.4	60.1	3.9
2003	65.6	54.3	9.4
2002	68.4	60.8	6.6

Underwriting risks in life insurance and health insurance: The underwriting risk comprises the danger that the collected premiums are no longer sufficient to finance the actual insurance benefits (premium/insurance benefit risk), that the net income from capital investments is not sufficient to fulfill the interest guarantees (interest guarantee risk), and that the underwriting reserves established are not sufficient to fulfill future insurance benefits (reserves risk). Among other strategies, these risks are countered by calculating the premiums and insurance benefits and the corresponding reserves to be set aside in accordance with recognized actuarial principles under observance of all statutory requirements. The risk that an interest rate appropriate for the customer, respectively the guaranteed interest rate, cannot be achieved 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 is earning a return above the current interest-rate level.

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 the expectations within certain limits, the calculation basis is reviewed (claims requirement, actuarial interest rate, mortality, cancellation). Where required, the premiums are matched to current developments with the approval of an independent actuarial trustee. The current mortality tables of the German Private Health Insurers Association (PKV) are used in calculating the probability of death. The cancellation probabilities are determined on the basis of cancellation analyses of our own portfolio and PKV cancellation tables.

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 2011, receivables in insurance business more than 90 days past due amounted to € 15.9 million. The average default rate on receivables is less than 1 percent on average with reference to earned premiums.

Market price risks: In the area of capital investments, our adherence to the regulations of Art. 54 ff. VAG (statute governing the regulation of insurance companies) along with the investment regulations issued pursuant to this statute already provides a high level of risk limitation with regard to the structure and diversification of the capital investments portfolio. ARAG has also implemented investment rules which limit capital investment risks further. Derivative financial instruments are used to a very restricted extent, and only to hedge against risks of exchange rate or interest rate changes in investment funds. As of the 2008 fiscal year, the Group assigned shares in special investment vehicles to the investment assets and valued these according to the modified lower of cost or market principle. Since 2009 some individual bearer securities have also been treated as investment assets. All other securities were valued at the strict lower of cost or market principle.

As an insurance company, the assumption and professional management of risks are a part of the fundamental business of ARAG, and are thus a significant 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 investments 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 insurance customers 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	R 10	A 20	RA 19	AI 24
Bonds	-10%	–	-5%	–
Stocks	–	-20%	-14%	-14%
Real estate	–	–	–	-10%

As a result of these analyses it may be stated that as of the accounting date, the Group has passed all stress tests mandated by regulatory authorities without reservation.

Strict requirements respecting the financial soundness of debtors and the avoidance of a concentration on individual debtors reduce the credit risk to a great extent. The restriction of fixed-interest securities almost exclusively to investment-grade instruments is the logical consequence of this principle.

85.9 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 ratings 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.

Rating class

	(percent share)
AAA	37.2
AA	25.0
A	23.7
BBB	11.0
BB	1.5
B	1.0
CCC	0.3
CC	0.1
C	0.1
NR	0.1

The Group holds sovereign debt of the PIIGS countries (Portugal, Ireland, Italy, Greece and Spain) including portfolios in special funds in the amount of € 194.2 million (3.8 percent in relation to all capital investments). Of these, € 16.8 million is attributable to Portugal, € 81.0 million to Italy, € 18.1 million to Ireland, € 11.9 million to Greece and € 66.4 million to Spain (by acquisition cost). The portfolio contains no participation certificates or high-risk ABS items. The currency risk from fixed-interest securities is limited to a maximum of 5 percent of the investment volume. 4.8 percent of capital investments is subject to a stock risk.

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 in funds.

The Group manages the risks resulting from its holdings and subsidiaries by means of constant monitoring and reporting as well as integration in the planning and controlling system. Management of operative risks is sufficiently provided for by the subsidiaries themselves.

Credit risks: Credit risks are potential losses in value that occur when a debtor no longer can or is willing to service his payment obligations in part or in full as stipulated in the contract. The credit risk is described using three indicators: (1) the likelihood of default, (2) the anticipated amount of the debt at the time of default and (3) the loss ratio due to default.

The credit risk is modeled in the internal model. The parameters are estimated on the basis of statistical analyses or expert opinions, respectively.

The ARAG Group monitors and controls the credit risk with the aid of a limit system. This also includes monitoring of credit concentrations in order to avoid peak concentrations by industries and counterparties.

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

The Group guards against the risk of administrative failures through rules and audits in the 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).

Quantification of the overall risk situation/solvability The Group had at its disposal sufficient own funds to cover the regulatory solvability requirements as set forth in the applicable statute (Art. 104g VAG). The calculation of the Group's solvability as of 31 December 2011 shows a sufficient coverage with own funds, whereby these come to around 120 percent of requirements in spite of the difficult overall conditions.

IX. Outlook

The overall economic parameters for 2012 in Germany are largely positive, although significantly weaker when compared with the past fiscal year 2011. According to a publication of BDA, the German federation of employer associations, virtually all the nation's leading economic research institutes are forecasting that German gross domestic product will grow by 0.3 to 1.2 percent. The German government is assuming that the number of persons employed will increase to 41.3 million. Additionally, unemployment is expected to fall to 6.8 percent, the lowest level in 20 years. The ifo Business Climate Index, an important indicator of the situation of businesses, has shown a sustained recovery since the crisis years of 2008 and 2009.

These positive expectations, however, are based on the assumption that the current sovereign debt crisis in the eurozone does not become more acute. Industry associations are thus unanimously forecasting further growth, though significantly slower, and consider a recession unlikely. However, it is not possible to forecast how the necessary budget consolidation actions of multiple euro nations will effect confidence in the economy and thus the economy itself.

For the German insurance industry, the German Insurance Industry Association GDV is expecting growth of around one percent for 2012. On the one hand, the general economic recovery in the business sector is becoming apparent in property and accident insurance. On the other hand, the modest development of the income of private households, which account for about two-thirds of the demand in these segments, is holding back growth. The German insurance market in the property and accident insurance segments continues to be characterized by intensive seller competition and a high level of market saturation.

The ARAG Group responded to the changes in its European core markets early on: in the fiscal year under review, ARAG Allgemeine Rechtsschutz-Versicherungs-AG, the operative Group management company, was transformed into a European stock company, ARAG SE. Closely related to this change in the legal form, the plans to successively transform the subsidiaries in the Netherlands, Belgium, Austria, Slovenia, Italy and Spain into branches under the ARAG SE umbrella will be executed over the course of 2012. This decision significantly reduces complexity within the Group. The management of six different stock companies in different jurisdictions is expensive and ties up enormous resources.

As part of the transformation into an SE and the implementation of the branch solution, a new management structure and distribution of tasks on the Board of Management of ARAG SE was implemented effective 1 January 2012. As the managing body, the Board is concurrently responsible for the strategic management of the entire ARAG Group. The international line functions are being exercised by six redefined Board-level functions – including the newly created "Products and Innovation". This function is responsible for coordinating the product development and underwriting of the German and international legal insurance and property/liability/accident insurance business. With respect to the Group's growth targets in Germany and abroad, a powerful "Group Sales" function has been created to oversee German and international sales.

A Group Executive Committee has been established in order to tighten up the connection between ARAG's subsidiaries and branch offices and link them more directly with headquarters. This body consists of members of the Group Board and representatives of the most important German and international subsidiaries. The task of the Group Executive Committee is to plan and strategically oversee ARAG's international business.

However, the implementation of the branch solution will not alter the business models in the individual markets. The strategy of the ARAG Group remains to adapt itself entirely to the traditions and culture of each country in which the Group is active. In future as well, the respective products will be precisely tailored to the needs of the local consumers.

In the current fiscal year 2012, the implementation of the revised brand strategy will be systematically continued. In this undertaking, the Group-internal focus is on the customer-level sectors and on adaptation to fit the international subsidiaries. On the German market, ARAG's new brand understanding is being supported by targeted online advertising and television commercials.

In 2012, the ARAG Group is confronting challenges of great magnitude. Through the new organization, and thanks to its long-standing conservative business policy, however, ARAG is equipped to take these on with openness and drive.

With respect to the implementation of the requirements of Solvency II, the establishment of the internal model is slated for this year; this will enable us to model the actual risk of the Group's conservative business model. The model has already been calibrated using company-specific data and will be tested by the German regulatory authority BaFin in multiple steps over the course of the year. Implementation is planned for mid-2012, so that the solution can be certified by the regulatory authority before Solvency takes effect, expected for 2013.

In the forecasting period 2012/2013, the ARAG Group will remain true to its conservative, earnings-oriented business policy. Thanks to the strong international diversification of its core business and its successful multi-segment strategy in the German market, the Group expects further growth – though modest on account of the general economic parameters.

The expectations for each Group segment vary. In the legal insurance segment, the international business will remain on a growth trajectory in spite of the continuing difficult economic situation in Spain and Italy and expand its role as the Group's largest line of business. Development of the individual branches will increasingly diverge depending on the market circumstances. Overall, growth comparable to 2011 is anticipated, which – provided that the euro and debt crisis subsides – will result in virtually unchanged earnings before taxes.

In the German legal insurance business, plans call for an increase in production across all sales channels: a powerful new Board-level Group Sales function with German and international focus was created to achieve the growth targets. The premium decline in German business will be halted from 2014 on according to current planning. Commissions will increase by around 10 percent in each of the next two years on account of the strong growth in new business. The expansion of production and the implementation of Solvency II will impact earnings on account of the associated investments. Overall, an improved underwriting result over the long term is anticipated.

In the composite segment, ARAG Allgemeine once again expanded its product portfolio with a modern, customer-oriented accident product ARAG Unfall-Schutz, which was launched in April 2012. The application of the insurance concept for sport insurance to other, similarly structured organizations, e.g. in the cultural sector, will generate further revenue growth. The claims cost ratio will remain significantly below 100 percent. On the earnings side, this segment will generate profits in the double-digit million range in 2012 and 2013 as well.

In the health insurance segment, ARAG will continue to position itself as a high-quality company with an excellent product portfolio that optimally matches needs – both in full-coverage health insurance and in its traditionally strong field of supplementary health insurance. In view of the ever increasing costs of medical services, ARAG is pursuing a policy of strict cost discipline that is supported in particular by the continuous improvement of business processes. The pending legal regulation of the maximum permissible commissions and the cancellation liability period will result in a permanent change in the current compensation system and lead to an adjustment in the business models of numerous sales partners. The limitation of the maximum permissible commission amount is expected to moderate sales costs in the medium term. A significant increase in the provision for premium rebates is expected for 2012 and 2013, associated with rising net profits.

In the Group's life insurance business, product development will focus not only on the successful product family of the ARAG mutual fund-linked policies but also, increasingly, on covering biometric risks. The first step in this strategy is the completely reengineered supplementary disability insurance launched at the beginning of 2012, which includes variants that cover even full incapacitation and school disability. In the next two years, premium growth in the life insurance segment is expected to stabilize above the market average, but at less than five percent. Due to the maturity structure of the portfolio, insurance benefits will continue to increase moderately in the coming two years. Support for the successful sales channels will be intensified further; still, the cost of sales is expected to stabilize overall. On the basis of a continuing conservative capital investment strategy and providing that no massive crashes occur on the capital markets, a slight decline in the gross operating result is anticipated.

The earnings expectations for the ARAG Group as a whole for the next two years are cautiously positive. The basis for these expectations is the profitable operative insurance business. Accordingly, the largest family company in the German insurance industry will continue its conservative business policy – with a primary focus on expanding 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 rather than being 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 the conditions are right. This applies to the legal insurance segment in particular.

Under consideration of all opportunities and risks, the ARAG Group is assuming stable and satisfactory business results for the 2012 and 2013 fiscal years that achieve the level of the fiscal year under review.

Consolidated Financial Statements

ARAG Holding SE

Consolidated Financial Statements

Consolidated Balance Sheet as of 31 December 2011

Assets

(in euros)
A. Intangible assets
1. Goodwill
2. 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 receivables 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 from:
1. Policy-holders
a) Claims due
b) Claims not yet due
2. Insurance agents portion from affiliated companies: € 0.00 (previous year: € 0.00)
II. Settlement receivables from reinsurance business
III. Other accounts receivable portion from affiliated companies: € 1,363,803.65 (previous year: € 430,491.82) portion from companies with which a shareholding relationship exists: € 3,000,181.50 (previous year: € 157,099.12)
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. Total asset-side deferred taxes
H. Asset-side difference from offsetting of assets
Total assets

Appendix				2011	2010
34 p. 72					
2 p. 61			26,776,037.70		33,901,033.47
3 p. 62			18,012,609.09		15,792,718.80
				44,788,646.79	**49,693,752.27**
34 p. 72					
4 p. 62			207,406,998.78		217,994,427.15
5 p. 62					
		2,134,262.13			2,837,782.29
		0.00			650,000.00
		10,736,990.38			9,825,652.56
		52,021,205.90			64,397,559.66
		110,988.69			112,156.99
			65,003,447.10		77,823,151.50
6 p. 62		2,191,966,527.67			2,028,705,704.60
7 p. 63		705,532,752.93			534,005,976.09
9 p. 63		194,116,425.25			204,109,666.92
9 p. 63					
	895,713,787.83				917,591,049.43
	666,661,576.81				900,305,407.09
	68,477,595.63				72,692,555.84
8 p. 63	25,181,657.80				41,680,651.14
		1,656,034,618.07			1,932,269,663.50
11 p. 63		296,253,787.79			279,083,644.65
34 p. 72		314,870.94			890,028.29
			5,044,218,982.65		4,979,064,684.05
			16,293,808.00		11,074,145.86
				5,332,923,236.53	**5,285,956,408.56**
10 p. 63				**98,513,726.44**	**86,368,112.31**
12 p. 63					
	47,128,163.10				50,189,299.63
	57,391,585.60				35,975,740.52
		104,519,748.70			86,165,040.15
		31,391,371.03			31,507,963.25
			135,911,119.73		117,673,003.40
			35,640,732.73		21,736,375.05
			28,368,175.80		23,172,266.82
				199,920,028.26	**162,581,645.27**
			22,618,685.12		14,861,679.87
13 p. 63 14 p. 63			28,232,400.66		20,133,412.70
			72,162,494.88		81,164,385.54
15 p. 64			79,042,591.28		61,355,639.29
				202,056,171.94	**177,515,117.40**
16 p. 64					
			57,012,307.89		55,414,986.85
			19,376,241.36		18,882,253.51
				76,388,549.25	**74,297,240.36**
17 p. 64 35 p. 75				**63,808,835.77**	**55,607,003.61**
18 p. 64				**238,520.39**	**913,298.70**
				6,018,637,715.37	**5,892,932,578.48**

Consolidated Balance Sheet as of 31 December 2011

Liabilities

(in euros)
A. Equity
I. Subscribed capital
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 earnings
1. Group net income
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			2011	2010
32 p. 69 41 p. 82				
		200,000,000.00		200,000,000.00
	6,945,794.00			6,268,896.00
	106,089,572.93			70,695,417.02
	2,060,835.37			1,005,563.38
	-35,999,890.81			-35,999,890.81
		79,096,311.49		41,969,985.59
	22,313,758.54			46,068,022.07
		22,313,758.54		46,068,022.07
		33,194,467.00		32,567,853.86
			334,604,537.03	**320,605,861.52**
1 p. 60			**656,541.96**	**656,541.96**
19 p. 64			**50,000,000.00**	**50,000,000.00**
20 p. 64			**4,957.87**	**4,957.87**
21 p. 65				
	224,054,586.18			219,849,445.92
	-1,942,124.49			-2,278,483.17
		222,112,461.69		217,570,962.75
22 p. 65				
	3,289,085,691.04			3,187,779,745.32
	-52,731,736.00			-61,346,948.00
		3,236,353,955.04		3,126,432,797.32
23 p. 66				
	1,295,782,397.60			1,282,552,533.04
	-34,362,736.19			-38,560,577.14
		1,261,419,661.41		1,243,991,955.90
		224,462,349.83		231,304,671.35
24 p. 67		62,738,068.00		59,212,462.00
25 p. 67				
	9,327,887.35			5,345,311.44
	0.00			0.00
		9,327,887.35		5,345,311.44
			5,016,414,383.32	**4,883,858,160.76**
		66,505,219.32		53,298,900.48
		32,008,507.12		33,069,211.83
			98,513,726.44	**86,368,112.31**
			5,500,194,146.62	**5,341,493,634.42**

Consolidated Balance Sheet as of 31 December 2011

Liabilities

(in euros)
Carryover:
G. Other provisions
I. Reserve for pensions and similar obligations
II. Reserve for taxes
III. Other reserves
H. Portfolio liabilities for reinsured insurance business
I. Other liabilities
I. Liabilities from self-contracted insurance business toward:
1. policyholders
2. insurance agents portion attributable to affiliated companies: € 969.35 (previous year: € 8,446.40)
II. Settlement liabilities from reinsurance business
III. Debts to banks
IV. Other liabilities portion attributable to taxes: € 18,006,949.20 (previous year: € 13,314,299.10) portion attributable to social security: € 1,200,578.56 (previous year: € 608,201.17) portion attributable to affiliated companies: € 37,227.14 (previous year: € 48,165.41) portion attributable to companies with which a shareholding relationship exists: € 91,162.61 (previous year: € 85,892.37) portion secured by property lien: € 0.00 (previous year: € 0.00)
J. Accrued and deferred items
K. Liability-side deferred taxes
Total liabilities

	Appendix			2011	2010
				5,500,194,146.62	**5,341,493,634.42**
	26 p. 67		207,592,110.53		203,427,783.00
			20,434,151.76		37,706,292.24
	27 p. 68		50,003,190.20		51,690,064.37
				278,029,452.49	**292,824,139.61**
	28 p. 69			**56,172,274.89**	**66,402,381.27**
	29 p. 69				
		50,007,300.59			57,252,971.38
		41,487,409.49			35,595,636.78
			91,494,710.08		92,848,608.16
	29 p. 69		4,885,146.66		4,933,307.12
	30 p. 69		8,905,926.41		13,628,397.85
			72,719,611.09		70,700,955.72
				178,005,394.24	**182,111,268.85**
	31 p. 69			**6,236,447.13**	**10,101,154.33**
	35 p. 75			**0.00**	**0.00**
				6,018,637,715.37	**5,892,932,578.48**

Consolidated Statement of Profit and Loss for the Period 1 January to 31 December 2011

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 result 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			2011	2010
33 p. 70	941,876,222.15			936,470,001.62
	-9,449,085.21			-7,685,736.92
		932,427,136.94		928,784,264.70
	991,546.24			-1,875,970.02
	1,272,808.43			97,174.45
		2,264,354.67		-1,778,795.57
			934,691,491.61	**927,005,469.13**
			606,659.00	**574,243.00**
			3,403,076.72	**3,183,061.12**
	498,259,407.42			501,454,264.84
	-8,922,812.15			-5,979,507.26
		489,336,595.27		495,474,757.58
	5,066,037.86			50,782,597.02
	6,372,888.32			721,496.65
		11,438,926.18		51,504,093.67
			500,775,521.45	**546,978,851.25**
		0.00		0.00
		805,153.09		53,726.99
			805,153.09	**53,726.99**
40 p. 79			**-21,432.45**	**13,108.13**
39 p. 79				
		404,540,898.59		391,306,364.94
		-901,278.39		-762,931.86
			403,639,620.20	**390,543,433.08**
			6,545,063.27	**1,265,495.36**
			28,567,607.95	**-7,984,387.58**
			-3,525,606.00	**6,221,731.00**
			25,042,001.95	**-1,762,656.58**

Consolidated Statement of Profit and Loss for the Period 1 January to 31 December 2011

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 provisions 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: € 0.00)
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 result 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: € 29,918,017.46 (previous year: € 13,547,157.73)
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			2011	2010
33 p. 70	527,496,374.37			493,417,075.97
	-3,015,357.55			-2,606,833.94
		524,481,016.82		490,810,242.03
	-8,848,287.63			-530,965.41
	-350,917.38			-206,354.93
		-9,199,205.01		-737,320.34
			515,281,811.81	**490,072,921.69**
			22,214,437.28	**27,866,218.29**
		975,941.39		1,574,689.30
		0.00		0.00
	9,636,340.70			7,532,963.26
	132,285,911.32			139,929,541.64
		141,922,252.02		147,462,504.90
		5,367,335.40		12,954,014.64
		36,545,453.15		15,571,431.39
		0.00		0.00
			184,810,981.96	**177,562,640.23**
36 p. 76			**324,591.78**	**8,617,923.86**
			30,620,949.30	**22,552,481.72**
	410,482,405.25			385,685,226.51
	-12,701,587.33			-8,146,324.48
		397,780,817.92		377,538,902.03
	-5,186,815.08			-3,110,225.98
	1,291,053.98			129,713.51
		-3,895,761.10		-2,980,512.47
			401,676,579.02	**380,519,414.50**
	-114,512,813.56			-127,743,587.28
	-8,615,212.00			-4,054,512.00
		-123,128,025.56		-131,798,099.28
		973,524.71		-6,835,577.20
			-122,154,500.85	**-138,633,676.48**
40 p. 79			**38,914,141.93**	**55,958,008.89**
39 p. 79				
	104,377,311.07			82,889,899.05
	17,249,195.56			16,473,997.11
		121,626,506.63		99,363,896.16
		-6,240,228.83		-726,769.70
			115,386,277.80	**98,637,126.46**
		7,143,693.21		7,311,752.68
		31,805,957.62		15,173,886.97
		1,183,639.65		240,912.23
			40,133,290.48	**22,726,551.88**
			10,302,588.50	**1,581.79**
			9,383,347.72	**11,923,716.57**
			15,302,045.83	**18,272,109.22**

Consolidated Statement of Profit and Loss for the Period 1 January to 31 December 2011

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: € 209,000.00 (previous year: € 47,000.00)
b) Earnings from associated companies
c) Income from other capital investments portion from affiliated companies: € 96,962.73 (previous year: € 105,885.16)
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
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: € 13,599,720.17 (previous year: € 12,503,607.79)
c) Losses from sale of capital investments
d) Assumption of losses from associated company according to equity method
4. Technical interest earnings
5. Sales revenues of non-insurance subsidiaries
6. Production costs of performing the services for achieving the sales revenues of non-insurance subsidiaries
7. Other earnings
8. Other costs portion for write-downs on company values from consolidation of capital: € 6,956,811.51 (previous year: € 6,993,590.02)
9. Non-underwriting result
10. Profit on ordinary business
11. Extraordinary earnings
12. Extraordinary expenses
13. Operating result before taxes
14. Taxes on income and earnings portion from change in accounting of deferred taxes: € 8,201,832.16 gain (previous year: € 34,235,462.04 gain)
15. Other taxes
16. Profit/loss for year before external components
17. Profit attributable to other shareholders
18. Loss attributable to other shareholders
19. Net income

Appendix				2011	2010
			25,042,001.95		-1,762,656.58
			15,302,045.83		18,272,109.22
				40,344,047.78	**16,509,452.64**
		789,955.84			1,698,964.27
		1,599,480.64			538,126.37
	13,725,459.26				13,833,797.00
	54,014,307.66				56,952,051.38
		67,739,766.92			70,785,848.38
		3,711,784.57			15,725,696.58
		4,783,360.49			17,090,743.79
			78,624,348.46		105,839,379.39
		12,973,172.02			13,270,890.21
		17,236,619.74			15,957,389.07
		4,554,363.74			4,259,306.38
		0.00			0.00
			34,764,155.50		33,487,585.66
				43,860,192.96	**72,351,793.73**
				-606,659.00	**-574,243.00**
				41,796,884.79	**57,857,413.72**
				39,567,575.57	**58,631,997.13**
			17,792,460.72		37,798,057.22
			53,718,248.29		61,060,856.71
				-35,925,787.57	**-23,262,799.49**
				9,557,055.61	**47,740,167.83**
				49,901,103.39	**64,249,620.47**
37 p. 76			0.00		499,779.23
37 p. 76			994,474.00		10,189,729.40
				-994,474.00	**-9,689,950.17**
				48,906,629.39	**54,559,670.30**
35 p. 75 38 p. 76			23,885,713.36		4,357,097.96
			1,166,112.30		108,272.33
				25,051,825.66	**4,465,370.29**
				23,854,803.73	**50,094,300.01**
			-2,927,782.95		-5,614,995.18
			1,386,737.76		1,588,717.24
				-1,541,045.19	**-4,026,277.94**
				22,313,758.54	**46,068,022.07**

I. Information on the Scope of Consolidation and the Accounting, Valuation and Consolidation Methods

Legal basis for preparation of the Consolidated Financial Statements The year-end Consolidated Financial Statements of ARAG Holding SE for fiscal 2011 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. The transitional regulations of the German Accounting Law Modernization Act (BilMoG) of 25 May 2009 set out in Art. 67 of the Introductory Law to the German Commercial Code (EGHGB) were applied to some Group subsidiaries.

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.

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 following a rollover of amounts, breakdown and valuation, insofar as these are not associated companies.

The accounting and valuation methods of the associated companies vary fundamentally from German accounting principles. A Norway-based holding prepared their annual financial statements according to the Norwegian accounting statute, the Kredittilsynet. A further holding located in Switzerland prepared their annual financial statements according to the Swiss Code of Obligations. Adapting the financial statements was waived on account of the largely identical foreign accounting methodology with respect to HGB.

Scope of consolidation The Consolidated Financial Statements report on 37 subsidiaries in accordance with Art. 301 (1) HGB as of 31 December 2011. Two companies within the scope of consolidation were included as associated companies within the meaning of Art. 311 HGB.

As of 31 December 2011, the scope of consolidation including associated companies comprises 14 insurance companies (previous year: 14), two service providers in the area of electronic data processing and business organization (previous year: two), four real estate management companies (previous year: four), 15 other service companies (previous year: 17) and five holding and asset management companies (including the top-level company, previous year: five).

The Consolidated Financial Statements omit 25 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	86.39
4	ARAG 2000 Beteiligungs-Gesellschaft mbH & Co. KG, Munich, Germany	86.39
5	ARAG 2000 Grundstücksgesellschaft bR, Düsseldorf, Germany	93.31
6	ARAG Holding SE, Düsseldorf, Germany, **parent company of the Group**	100.00
7	ARAG SE, 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 Compania Internacional de Seguros y Reaseguros S.A., Barcelona, Spain	94.93
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	88.53
16	ARAG Lebensversicherungs-AG, Munich, Germany	86.39
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	94.93
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, Great Britain	94.93
23	ARAG S.A. Assurance en Protection Juridique, Brussels, Belgium	94.93
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

The following companies were included in the Consolidated Financial Statements:

	Name of company	Group share
		(in percent)
27	ARAG-Nederland Algemene Rechtsbijstand Verzekeringmaatschappij N.V., Leusden, Netherlands	94.93
28	ATE Limited, Bristol, Great Britain	94.93
29	CUR Versicherungsmakler GmbH, Düsseldorf, Germany	94.93
30	Cura Gesellschaft für Vermögensverwaltung und für Vermittlung mbH, Düsseldorf, Germany	94.93
31	Cura GmbH & Co. KG, Düsseldorf, Germany	94.93
32	IGD Immobilien GmbH & Co. Dresden KG, Düsseldorf, Germany	90.09
33	IGD Immobilien GmbH, Düsseldorf, Germany	94.93
34	Interlloyd Versicherungs-AG, Düsseldorf, Germany	94.93
35	Rechtswijzer B.V., Leusden, Netherlands	94.93
36	SolFin GmbH, Düsseldorf, Germany	71.29
37	TERRA Gesellschaft für Finanzdienstleistungen und Beratung mbH, Düsseldorf, Germany	94.93
38	WOWOBAU Wohnungsbaugesellschaft mbH, Munich, Germany	86.39

The following companies were included as associated companies:

	Name of company	Share held
		(in percent)
1	AXA-ARAG Rechtsschutzversicherungsgesellschaft, Zurich, Switzerland	29.17
2	HELP Forsikring AS, Oslo, Norway	44.58

Janolaw AG, Sulzbach, in which the Group holds 25.1 percent of the shares, was not included as an associated company pursuant to Art. 311 (2) HGB, as the company does not prepare its annual financial statements in a timely manner and is additionally of only secondary importance for the asset, financial and earnings situation of the Group.

The following companies were not included in the Consolidated Financial Statements in accordance with Art. 296 (2) and Art. 311 (2) HGB:

	Name of company	Group share	Equity	Profit/loss for year
		(in percent)	(in euros)	(in euros)
1	ABRAL Beteiligungsverwaltung GmbH, Munich, Germany	86.39	151,795.38	-20,407.32
2	Agencia de Seguros Cap. ARAG S. A., Barcelona, Spain	94.93	139,030.38	50,669.16
3	ALVA Aktiengesellschaft, Munich, Germany	86.39	237,839.95	-27,178.55
4	ARAG Financial Services B.V., Leusden, Netherlands	94.93	118,402.00	-373,041.00
5	ARAG Legal Service S.L., Barcelona, Spain	94.93	414,842.61	140,827.54
6	ARAG-France S.A.R.L. Assistance et Règlement de Sinistres Automobiles et Généraux, Versailles, France	94.93	18,988.00	0.00
7	ARCA-A GmbH, Munich, Germany	86.39	22,320.87	-1,777.59
8	ARCA-B GmbH, Munich, Germany	86.39	22,287.63	-1,861.03
9	ARCA-C GmbH, Munich, Germany	86.39	21,188.20	-2,614.52
10	ARCA-D GmbH, Munich, Germany	86.39	22,338.80	-1,870.98
11	ARCA-E GmbH i. L., Munich, Germany	86.39	15,148.24	-182.93
12	ARCA-F GmbH, Munich, Germany	86.39	22,338.39	-1,859.66
13	ARCA-G GmbH, Munich, Germany	86.39	22,326.69	-1,861.25
14	ARCA-H GmbH, Munich, Germany	86.39	22,343.88	-1,861.03
15	ARCA-I GmbH, Munich, Germany	86.39	22,261.28	-1,918.66
16	ARCA-J GmbH, Munich, Germany	86.39	22,038.55	-1,813.01
17	ARCANSA Beteiligungsverwaltung GmbH, Munich, Germany	86.39	-300,743.89	66,551.16
18	ATE Group Services Limited, Bristol, Great Britain	94.93	90,008.59	0.00
19	BuZ Vermittlungsgesellschaft mbH i. L., Münster, Germany	86.39	-75,314.18	-1,682.11
20	Columbus Capital Service GmbH, Munich, Germany	86.39	76,591.38	-97,494.45
21	Easy2claim Limited, Bristol, Great Britain	94.93	1.20	0.00
22	GWV-AVUS Beteiligungsmanagement GmbH, Munich, Germany	86.39	887,718.83	56,316.97
23	ITS-Haus GmbH Wohn- und Gewerbebau i. L., Munich, Germany	86.39	2,214.10	-39,357.87
24	Prinzregent Vermögensverwaltungs-GmbH, Munich, Germany	86.39	32,739.95	425.02
25	VIF Gesellschaft für Versicherungsvermittlung mit beschränkter Haftung, Düsseldorf, Germany	94.93	89,315.04	58,813.82

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 2011 and is identical to all fiscal years of the subsidiaries included. The consolidation of capital was undertaken using the book-value method through offsetting of the acquisition costs of the shareholdings of the subsidiaries included with their proportional equity as of the date they were first selected for 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.

Insofar as subsidiaries were included in the 1989 Consolidated Financial Statements under application of Art. 27 EGHGB, or the asset-side difference represents a loss that was reflected in previous years' financial statements of the parent company, an open offsetting against the revenue reserves was performed in past years. The offsetting of differences and revenue reserves is now no longer performed for first-time consolidations, as this is no longer permitted under Art. 301 (3) HGB and DRS 4.28.

1 Liabilities-side differences from capital consolidation occurred in 2009 for technical reasons, as an extraordinary write-down on a subsidiary was required between the time of first inclusion of acquired shares and the time of acquisition of these shares. The difference will be maintained until the divestment of the subsidiary as such.

The holdings in associated companies were stated as the proportional equity or the Group's acquisition costs, respectively, in accordance with Art. 312 HGB. The values as of the time of acquisition, respectively the date of the first financial statements following acquisition, were used for the first-time application of the equity method, insofar as no interim financial statements were available. The diverging valuation of assets and debts of associated companies in their financial statements was not adjusted so as to enable application of the equity method.

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. The discretionary right pursuant to Art. 341j (2) HGB was exercised consistently, insofar as the intra-Group profit gave rise to entitlements of policyholders.

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 of the insurance companies included in the scope of consolidation are performed at standard market terms comparable to external transactions. The consolidation of commissions arising from agency services was performed in the Consolidated Financial Statements on the level of the company performing the service 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 exchange rate as of date of accounting that is attributable to the Group in the amount of € 1,055,271.99 was transferred to the revenue reserves in an income-neutral manner.

Accounting and valuation methods The Group Balance Sheet and the Group Statement of Profit and Loss were structured in principle according to the forms required by the applicable accounting regulation RechVersV. Forms 1 and 2 according to Art. 2 RechVersV, modified pursuant to Art. 266 and 275 HGB, were used for organizing the annual financial statements (separate line items for asset-side and liability-side deferred taxes and for asset-side differences from offsetting of assets).
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 subsidiaries” and “Production costs of performing the services for achieving the sales revenues of non-insurance subsidiaries” were added to the Statement of Profit and Loss.
2 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 is estimated for other companies on a case-by-case basis (up to five years). As of 31 December 2011, goodwill values with a residual period of use of over five years exist in the amount of € 15.4 million (seven years). The period of use was originally set at 15 years, as the goodwill value was booked as an insurance portfolio. According to experience, these fluctuate by around 6 to 7 percent per year.

3 **Other intangible assets** are stated at their acquisition costs, depreciated linearly. The book value of € 18,012,609.09 breaks down as € 14,690,097.26 for software, € 569,701.63 attributable to goodwill from the acquisition of a company in the US, € 2,701,037.20 for tenant improvements to business premises in Italy and Slovenia, € 50,000.00 for two industrial property rights and € 1,773.00 for a right of use. IT software is primarily depreciated linearly over five years. The goodwill value resulting from the acquisition has a residual period of use of five years, and is an insurance portfolio. Tenant improvements are linearly depreciated over the remaining term of the leases. No depreciation was taken against the industrial property rights. No unplanned write-downs were taken in the fiscal year under review.

4 **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 extraordinary write-downs on property due to anticipated permanent reductions in value were required in the fiscal year under review (previous year: € 160,000.00). No property is burdened with land charges as security for bank debts.

5 **Shares of affiliated companies not included in the Consolidated Financial Statements** and **other holdings** are valued at their acquisition costs in accordance with Art. 253 (1) HGB, reduced by extraordinary write-downs on account of permanent impairment. In the fiscal year under review, write-downs were taken on affiliated companies not included in the scope of consolidation in the amount of € 54,555.03 (previous year: € 0.00). **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. The goodwill value resulting from the application of the equity method was completely depreciated as of 31 December 2011.

Lending to affiliated companies not included in the scope of consolidation is stated at par value.

6 **Stocks, investment fund shares and other non-fixed-interest securities** are always valued in accordance with Art. 341b (2) HGB (German Commercial Code) in connection with Art. 253 (1), (3) and (4) HGB at acquisition cost or at the lower value at the day of accounting respectively. For investment fund shares assigned to capital investments in the fiscal year under review and in previous years, an assessment of the value to be reported was taken in accordance with the modified lower of cost or market principle as provided for under Art. 253 (3) sen. 3 HGB. 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 € 29,319,182.04 (previous year: € 10,622,159.55) were required on account of the anticipated long-term loss of value. Write-ups pursuant to Art. 253 (5) HGB were taken in the fiscal year under review in the amount of € 4,978,183.28 (previous year: € 24,867,260.15).

The designation of special fund shares with a book value of € 1,746.3 million for permanent use in business operations enabled the avoidance of write-downs of € 40.9 million (previous year: € 0). As of 31 December 2011, the present value was € 35.4 million below the book value, following on a valuation reserve of € 16.8 million that existed as of 31 December 2010.

In accordance with Art. 8a of the law governing senior part-time employment, investment-fund shares in the amount of € 1,781,024.00 (previous year: € 3,357,412.84) have been pledged to employees as security for performance arrears in accordance with the block model.

7 Bearer bonds and other fixed-interest securities are always valued in accordance with Art. 253 (1) sen. 1, (4) and (5) and Art. 256 HGB, which govern working assets. In accordance with Art. 341 (2), second clause, HGB, a proportion of the portfolio with a book value of € 607.9 million has been dedicated to permanent use in business operations. Write-downs totaling € 14.4 million (previous year: € 6.2 million) on this portion of the portfolio were avoided in the fiscal year under review on account of the temporary character of the loss in value. Additionally, bearer bonds totaling € 1,086,000.00 (previous year: € 1,086,000.00) are pledged as security for bank sureties.

8 The remaining lending consists of registered participation certificates, other loans and prepayments against insurance certificates. These are valued at the acquisition cost minus redemption payments.

9 Other lending is stated at the nominal value. Discounts are distributed straight-line using the accrual method of income recognition. Premiums are carried as assets and released as scheduled over the duration.

Mortgages receivable, other similar rights, fixed-interest debts and other capital investments are stated at their acquisition costs or redemption values, respectively. Write-downs according to Art. 253 (3) sen. 3 HGB in the amount of € 141,759.89 (previous year: € 6,232,590.40) were taken. Insofar as premiums or discounts were stated as of 31 December 2010, these have been offset against the book value (previously par value statement) with no effect on income.

10 Capital investments for the account and risk of life insurance policyholders are stated at present value. This valuation corresponds to the gross reserves stated on the liability side under item F.

11 Bank deposits are stated at par value.

12 Accounts receivable are 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 nonpayment; receivables against agents are adjusted using individual bad debt charges plus a general charge equivalent to the expected bad debts.

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

14 Supplies are determined by taking a physical inventory. These are valued at their procurement costs. The supplies of the property development 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 € 15,331,974.84 (previous year: € 12,787,037.12) of the Group's property development companies are encumbered with land charges or assignment of rights from sale in favor of the financing banks.

15 **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.

16 **Accrued and deferred items** 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 € 8,248,842.10 (previous year: € 9,860,938.67) from the difference determined according to Art. 341 c (2) sen. 2 HGB.

17 The **asset-side deferred taxes** take into account the anticipated tax relief for subsequent fiscal years in the amount of current and future income tax rates, respectively, when the valuation is sufficiently reliable.

Insofar as differences arise between commercial and tax valuations due to temporary differences between commercial and tax balance sheets contained in the individual financial statements, value adjustments for the purpose of realizing a uniform valuation in the Consolidated Financial Statements and consolidation actions, insofar as these are expected to be reduced in subsequent fiscal years, deferred taxes are determined for these on the basis of the tax rates applicable to each company. This also takes into account differences for which the reversal date is not yet precisely determined or is dependent on a disposition of the enterprise or would not occur until the date of liquidation. Insofar as they exist, tax losses carried forward are taken into account to the extent that these are expected to be compensated in the subsequent five fiscal years.

18 The balance from the pension obligations at cash value and the present value of the covering assets from reinsurance are stated as the **asset-side difference from asset offsetting**.

19 **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 (settlement amount). These securities are not tradable on an organized market in Germany pursuant to Art. 2 (5) of the applicable securities statute (WpHG).

20 **Special reserve item.** The special reserve item was formed in previous years entirely from Belgian advances on investment which will be set off against acquisitions in future. This item was retained in the fiscal year under review pursuant to Art. 67 (3) EGHGB.

21 **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) dated 30 April 1974. 85 percent of agent commissions and other compensation is classified as non-transferable parts of the revenues.

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

22 The **actuarial reserves in life insurance** – for individual endowment insurance policies (24.6 percent of total actuarial reserves) were calculated with an actuarial interest rate of 4.0 percent (rate structures 94/95 and 98), 3.25 percent (rate structure 2000), 2.75 percent (rate structure 2004) and 2.25 percent (rate structures 2007 and 2008), respectively, with a zillmerization rate of 33 per mil of the insured amount (rate structures 94/95, except for rates with higher death benefit) and 40 per mil of the insured amount (rate structures 98, 2000, 2004, 2007 und 2008), respectively, and mortality rates in accordance with mortality table DAV 1994 T, separately for men and women.

For individual pension insurance policies (21.7 percent of total actuarial capital), the following calculation principles were applied until 2004: actuarial interest rates of 4.0 percent, 3.25 percent and 2.75 percent, respectively, zillmerization rate of 33 per mil of the capital settlement (rate structure 94/95) respectively 40 per mil of the premium amount (rate structures 98, 2000 and 2004), and mortality rates in accordance with mortality table DAV 1994 T, separately for men and women. In accordance with the change in the regulations governing the actuarial reserve dated 1 March 2011, an additional actuarial reserve (interest supplement reserve) was created for the first time for rates whose guaranteed actuarial interest rate exceeded the reference interest rate of 3.92 percent applicable for fiscal 2011. This interest supplement reserve totals € 5.5 million. Studies of the German association of actuaries Deutsche Aktuarvereinigung (DAV) with respect to longevity trends reveal that the mortality table DAV 1994 R is no longer appropriate for determining pension insurance reserves. In its directive dated 21 June 2004, the DAV published new mortality tables for both new business (mortality table DAV 2004 R) and existing pension insurance portfolios (mortality table DAV 2004 R-Bestand respectively R-B20). 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 2011 and a positive difference of € 9.5 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 actuarial interest rates of 2.75 percent (rate structure 2004) and 2.25 percent (rate structures 2007 and 2008), respectively.

Insofar as claims against policyholders exist for actuarial costs of sales which could not be offset against the actuarial reserve, they were capitalized after deduction of general bad debt charges in the amount of the anticipated defaults under item D. I. No. 1b.

For the generally marketed supplementary invalidity insurance rates, the invalidity tables DAV 1997 I with an actuarial interest rate of 2.25 percent (rate structure 2008) were used. The company has performed a verification calculation for new supplementary invalidity insurance policies using older calculation bases according to the current calculation basis of the German Association of Actuaries. This revealed a follow-on reserve requirement of € 0.8 million.

The health insurance actuarial reserve was calculated according to the actuarial principles defined in the technical calculation principles individually for each insurance policy on the basis of the respective policy data. The transfer values contained in the actuarial reserve were determined pursuant to Art. 13a Calculation Regulation (KalV).

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.

23 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 property insurers was reduced by claim reimbursement receivables of € 637,819.50 expected to be realized in future.

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

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

Additional provision was made for claims from the fiscal year under review not yet reported as of the date of accounting (late claims) in life insurance 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 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.

The provision for health insurance claims reported but not yet settled as of the date of accounting was determined on the basis of claims disbursements in the fiscal year under review for the previous year under consideration of the increase in volume. Special effects compared to the previous year were taken into account separately. The expenses for settling these insurance benefits expected to be incurred for previous years after the date of accounting were also provided for in accordance with tax regulations pursuant to Art. 341g (1) HGB on the basis of the Coordinated Regulations of the Federal States from 2 February 1973. Receivables from regress were subtracted from the reserve in the amount of € 360,377.71.

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

25 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 motor vehicle legal insurance are calculated on the basis of anticipated requirements.

26 Pension reserves were calculated according to the internationally customary projected unit cost method in conjunction with Art. 253 (1) sen. 2 HGB on the basis of Prof. Dr. Klaus Heubeck's table 2005G, respectively the local mortality tables, which accurately reflect life expectancy. In addition to current facts, future developments with respect to salaries, pensions and fluctuation were also taken into account. Discounting was performed on the basis of the average interest rate of the last seven years published by the Bundesbank in accordance with the applicable regulation (RückAbzinsV) with an assumed residual term of 15 years pursuant to Art. 253 (2) sen. 2 HGB.

The following actuarial parameters were applied in determining the obligations: pension age: age 65; salary dynamic: Germany and Austria 2.50 percent, Netherlands 2.25 percent, Spain 3.00 percent, Slovenia 3.50 percent, pension dynamic: 1.50 percent – 3.50 percent, interest rate: 5.13 percent (exceptions: Spain 2.00 percent, Slovenia 4.80 percent).

The fluctuation taken into account corresponds to the generally observed, age-dependent average of the industry and has only a negligible effect on the settlement amount.

The initial difference resulting from the new valuation requirements of Art. 253 (1) sen. 2, (2) HGB as of 1 January 2010 amounts to € 17,524,490.00. Of this, € 13,080,022.00 was transferred to the reserve in fiscal 2010 and € 994,479.00 in fiscal 2011, so that € 3,449,989.00 (previous year: € 4,444,468.00) remains to be transferred in future.

As of 2010, assets that are beyond the reach of all other creditors and serve solely to settle debts from pension obligations are offset with the obligation. This line item is thus calculated as follows as of 31 December 2011:

Net pension reserves

(in euros)	2011	2010
Settlement amount of vested claims	262,688,148.92	268,899,298.52
Offset assets (present value)	-51,646,049.39	-61,027,047.52
Not yet transferred pursuant to Art. 67 (1) EGHGB	-3,449,989.00	-4,444,468.00
Balance-sheet statement	**207,592,110.53**	**203,427,783.00**

In the fiscal year under review, € 116,986.63 in interest earnings from the covering fund assets was set off against interest charges from the transfer of the obligation to the Statement of Profit and Loss.

The discretionary right of Art. 28 (1) EGHGB to waive the establishment of pension reserves for prior commitments was not exercised.

27 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 reserve was set up in accordance with the senior 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 interest rate of 5.13 percent for discounting purposes. The reserve concept takes into account the natural staff turnover and the probability that those candidates with whom no specific agreement has yet been reached will make use of the early retirement provisions. Investment fund shares intended as insolvency security for balances of employees' work hour accounts pursuant to Art. 7e (2) German Social Code IV were offset against the obligation from senior part-time agreements at the market value of € 775,388.61. The purchase costs of the investment fund shares amount to € 782,569.34. The settlement amount of the offset debts is € 999,955.00. The expense from the increase in debt of € 358,120.60 and the expense from the drop in the market value of the investment fund shares of € 9,051.20 had an effect on earnings in the fiscal year under review.

The other reserves are set at the level which is deemed necessary to meet the obligation 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 in accordance with the partial value, whereby a term-appropriate discount factor of 5.13 percent was assumed. The anticipated employee fluctuation was taken into account in the form of a general deduction on the cash value.

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

29 Liabilities from the self-contracted insurance business and from reinsurance settlements are stated at the settlement value (par value).

30 Liabilities toward lending institutions essentially derive from the property development business and have a remaining term of less than one year. They are valued at the settlement amount and secured by liens on properties intended for sale in the amount of € 8,903,170.81 (previous year: € 13,624,600.47).

Liabilities with a remaining term of more than five years exist in the amount of € 1,689,190.06 (previous year: € 1,934,937.48) from premium deposits in life insurance.

31 Accrued and deferred items contain differences in accordance with Art. 341c (2) sen. 1 HGB in the amount of € 541,341.22 (previous year: € 1,087,217.25).

32 **Group equity** A detailed representation of the Group's equity is presented on pages 82 and 83. 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 DRSC regulations 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.

33 II. Source of Insurance Business by Premiums Written

Country/origin (in euros)	Legal insurance	Property and accident insurance	Health insurance	Life insurance	Legal insurance	Property and accident insurance
				Self-contracted business		Assumed reinsurance business
Germany	286,520,525	180,667,423	309,397,224	218,099,151	10,341,270	384,209
Spain	48,407,901	37,378,769			25,950,820	
Netherlands	84,176,142				36,345,574	
Austria	54,504,848	20,645			70,407	
USA	53,781,950				3,816,473	
Italy	34,411,719				58,530,217	
Belgium	19,762,036				383,502	
Greece	3,672,692				596,522	
Slovenia	2,152,577					
Total	**587,390,390**	**218,066,837**	**309,397,224**	**218,099,151**	**136,034,785**	**384,209**

Associated companies The total of all goodwill from inclusion of associated companies under application of the equity method was completely offset as of 31 December 2011 (previous year: € 1,159,202.70). In the fiscal year under review, a total of € 1,159,202.70 (previous year: € 1,159,202.71) of the goodwill of the associated companies was depreciated in an income-relevant manner.

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

1. HELP Forsikring AS

(in thousand NOK)	2011	2010
A. Capital investments	173,919	129,231
B. Accounts receivable	29,862	24,152
C. Other assets	33,892	25,288
D. Accrued and deferred items	760	502
Balance sheet assets	**238,433**	**179,173**
A. Equity	60,115	46,006
B. Underwriting reserves	153,343	116,306
C. Liabilities	1,605	727
D. Accrued and deferred items	23,370	16,134
Balance sheet liabilities	**238,433**	**179,173**
I. Underwriting result	11,033	-2,656
II. Income from capital investments	2,243	200
III. Other income/expenses	340	816
IV. Tax expenditure	0	0
V. Net income/loss	**13,616**	**-1,640**

2. AXA-ARAG Rechtsschutzversicherung

(in thousand CHF)	2011	2010
A. Capital investments	166,631	155,753
B. Accounts receivable	5,509	15,437
C. Other assets	18,477	6,793
D. Accrued and deferred items	4,623	4,152
Balance sheet assets	**195,240**	**182,135**
A. Equity	31,236	27,604
B. Underwriting reserves	141,231	135,410
C. Other provisions	3,734	3,981
D. Liabilities	6,226	4,113
E. Accrued and deferred items	12,813	11,027
Balance sheet liabilities	**195,240**	**182,135**
I. Underwriting result	7,849	7,291
II. Income from capital investments	3,136	3,380
III. Other income/expenses	-30	-49
IV. Tax expenditure	-2,323	-2,260
V. Net income	**8,632**	**8,362**

34 III. Development of Assets B., C. I. through IV. in Fiscal 2011

Development of assets

(in thousand euros)	Balance-sheet values 1 January 2011	Purchases	Added/removed from scope of consolidation	Transfers
B. Intangible assets				
1. Purchased goodwill	33,901	104		
2. Other intangible assets	15,793	7,992		
Total B.	**49,694**	**8,096**		
C. I. Real estate, comparable rights and buildings including those on third-party property	**217,994**	**2,560**		
C. II. Capital investments in affiliated companies and shareholdings				
1. Shares in affiliated companies	2,838	490		
2. Lending to affiliated companies	650			
3. Shareholdings	74,223	7,490		
4. Lending to companies with which a shareholding relationship exists	112			
5. Total C. II.	**77,823**	**7,980**		
C. III. Other capital investments				
1. Stocks, investment fund shares and other non-fixed interest securities	2,028,706	370,269		
2. Bearer bonds and other fixed-interest securities	534,006	429,006		
3. Mortgages receivable, other similar rights and fixed-interest debts	204,110	9,400		
4. Other lending				
a) Registered debentures	917,591	60,396		
b) Promissory notes and loans	900,305	49,796		
c) Loans and advance disbursements on insurance policies	72,693	7,585		
d) Remaining lending	41,681	5,149		
5. Bank deposits	279,084	16,953		
6. Other capital investments	890			
7. Total C. III.	**4,979,065**	**948,553**		
Total C. I. through C. III.	**5,274,882**	**959,093**		
C. IV. Portfolio receivables from assumed reinsurance business	**11,074**	**5,669**		
Total capital investments C. I. through C. IV.	**5,285,956**	**964,762**		

Real estate, comparable rights and buildings including those on third-party property with a balance-sheet value of € 142,075,653.91 (previous year: € 145,769,661.98) were used by the Group's insurance companies for their own operations.

Sales	Currency rate adjustments	Write-ups	Write-downs	Balance-sheet values 31 December 2011	Present values according to German statutory provisions (Art. 54 RechVersV)	Hidden reserves
			7,229	26,776		
	21		5,793	18,013		
	21		**13,022**	**44,789**		
7,689			**5,458**	**207,407**	**313,795**	**106,388**
1,139			55	2,134	3,704	1,570
650				0	0	0
17,222		864	2,598	62,758	92,149	29,390
1				111	111	0
19,012		**864**	**2,653**	**65,003**	**95,964**	**30,960**
182,815	148	4,978	29,319	2,191,967	2,156,573	-35,394
250,520	1,107	3,063	11,129	705,533	704,155	-1,377
19,425		174	142	194,116	216,603	22,487
82,273				895,714	1,011,402	115,688
283,439				666,662	719,405	52,744
11,800				68,478	68,478	0
21,648				25,182	25,182	0
	217			296,254	296,254	0
233			342	315	315	0
852,154	**1,472**	**8,215**	**40,932**	**5,044,219**	**5,198,367**	**154,148**
878,855	**1,472**	**9,079**	**49,043**	**5,316,629**	**5,608,126**	**291,496**
450				**16,294**	**16,294**	**0**
879,304	**1,472**	**9,079**	**49,043**	**5,332,923**	**5,624,420**	**291,496**

Information on investment assets The capital investment portfolio contains the following investment assets of which over 10 percent is held by the Group:

Special investment funds

(in euros)	Book value 31 December 2011	Market value 31 December 2011	Dividend 2011
ADRERENT Rentenfonds	63,626,228.56	62,946,753.68	3,195,444.24
ATRI gemischter Fonds	183,608,985.04	177,578,373.81	5,972,903.30
ARRE-MF gemischter Fonds	196,507,224.27	191,543,560.33	6,112,652.96
ARI 1 Dachfonds	96,355,320.30	96,359,496.01	4,676,841.21
ALLTRIRENT Rentenfonds	60,203,091.03	61,941,295.44	2,406,056.64
ALLTRI gemischter Fonds	123,309,671.73	119,221,370.80	3,580,294.03
ADZ gemischter Fonds	97,900,000.00	99,136,668.90	0.00
SIVE Aktienfonds	47,607,540.05	44,692,845.71	1,467,102.95
EMA Aktienfonds	48,052,932.27	47,728,227.09	1,029,971.83
AKR gemischter Fonds	184,841,411.21	179,947,216.60	7,894,831.57
Borgia Rentenfonds	174,812,145.47	173,000,435.29	6,993,193.95
ALP Rentenfonds	100,297,486.41	100,297,488.29	2,734,501.27
ALF 2 Rentenfonds	103,490,552.16	103,490,522.00	3,393,278.56
ALF 1 gemischter Fonds	280,723,211.33	273,498,235.90	6,755,260.75
ALM gemischter Fonds	167,144,953.23	166,840,933.38	6,669,162.43
AAF Aktienfonds	78,925,911.72	75,201,991.88	2,561,714.75
Protect 80 Dachfonds	4,664,500.00	4,664,500.00	0.00
VM Sterntaler gemischter Fonds	4,750,650.00	4,750,650.00	21,142.91
MUZINICH-AMERICAYLD.EO I. High Yield Fonds	2,580,310.04	2,695,098.93	177,316.99

The investment objectives of the funds, which are exchange-tradable with notice, are oriented toward the respective benchmark requirements derived from the strategic capital investment structure.

The option of valuation according to the modified lower of cost or market principle in accordance with Art. 341b (2) 2nd clause HGB was exercised for those special investment fund shares that have been designated for permanent use in the working capital of the Group. The book value of this portfolio amounts to € 1,746,271,920.00, and the exchange price is € 1,705,315,455.89. Extraordinary write-downs totaling € 40,956,465.99 were avoided through the assignment to investment assets.

Due to the high volatility of the capital markets, the principles for determining the value to be reported within the meaning of Art. 253 (3) sen. 3 HGB were established through an agreement between the German Federal Financial Supervisory Authority BaFin and the German Insurance Association GDV. These principles were observed in valuation according to the regulations for investment assets. The book value statements may thus exceed the market values of the capital investments valued as investment assets by not more than 20 percent.

35 **Explanation of deferred taxes** The deferred taxes stated in the balance sheet result from differences between the commercial balance sheet and tax valuations and relate to the following line items:

Balance sheet line item

(in thousand euros)	31 December 2011	31 December 2010
Intangible assets	1,175	1,469
Capital investments	6,289	3,865
Accounts receivable	1,276	989
Other assets	1,089	2,085
Accrued income	-14	-369
Special reserve item	-1,231	-1,108
Underwriting reserves	43,714	36,948
Other reserves	11,299	11,262
Other liabilities	85	350
Deferred liabilities	0	0
Losses carried forward	127	116
	63,809	**55,607**

The balance as of 31 December 2011 contains deferred taxes in the amount of € 127,178.00 (previous year: € 116,146.70) due to losses carried forward in the amount of € 635,892.31 (previous year: € 580,733.49).

IV. Additional Information

36 Unrealized gains from capital investments The figure stated here represents the difference between the present value of capital investments at the beginning, respectively the acquisition values, 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".

37 Extraordinary operating result The extraordinary income and expenses were due mainly to the application of the transitional provisions of the German Accounting Law Modernization Act (BilMoG) of 25 May 2009 for the valuation of pension and senior part-time obligations.

38 Taxes on income and earnings The income taxes in the Statement of Profit and Loss are explained as follows:

Income taxes

		2011		2010
	(in percent)	(in euros)	(in percent)	(in euros)
Operating result before taxes (commercial balance sheet)		47,740,517.09		54,451,397.97
Expected income tax expenditure according to tax rate	31.2	**14,906,976.46**	31.2	**17,002,449.02**
Actual taxes		32,087,545.52		38,592,560.00
Deferred taxes		-8,201,832.16		-34,235,462.04
Stated income tax expenditure		**23,885,713.36**		**4,357,097.96**
Effective tax rate	50.0		8.0	
Other taxes		1,166,112.30		108,272.33
Tax expenditure according to Statement of Profit and Loss		**25,051,825.66**		**4,465,370.29**

The difference between the anticipated and the effective tax expenditure results mainly from tax-free income and non-deductible expenses, the net losses with no tax effect at some Group subsidiaries and the change in temporary differences in the capital investments and reserves.

Other financial obligations within the meaning of Art. 285 no. 3 HGB In the real estate 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 € 8,445,050.27.

Warranty obligations from the property development business additionally exist toward customers; a suitable provision has been formed for this.

On the basis of a loan granted to an insurance broker, an obligation exists as of 1 January 2012 to pay out a further partial loan installment of € 4,500,000.00.

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:

Outstanding contributions

Name of company	(in euros)
INVESCO Beteiligungsverwaltungs GmbH & Co. KG	1,229,721.45
RREEF Pan European Infrastructure Feeder GmbH & Co. KG	1,933,136.41
ACF V Growth Buy-out Europe GmbH & Co. KG	9,571,129.56

None of these outstanding contributions has been called in. It is expected that RREEF Pan-European Infrastructure Feeder GmbH & Co. KG and ACF V Growth Buy-out Europe GmbH & Co. KG will call in contributions in the near future. The remaining outstanding contributions are not being called in for the time being.

Liability relationships Pursuant to Art. 124 ff. of the German Insurance Supervisory Act VAG, the Group is a member of the guarantee fund for life insurers. On the basis of the relevant official regulation (Sicherungsfonds-Finanzierungs-Verordnung (Leben)), the guarantee fund charges annual contributions of no more than 0.2 per mil of the total of net underwriting reserves until a security fund of one per mil of the total net underwriting reserves has been formed. No future obligations based on this exist. The security fund can also levy extraordinary contributions in the amount of a further 1 per mil of the total net underwriting reserves; this is equivalent to an obligation of € 3,355,292.36. Additionally, the Group has undertaken to provide the security fund or alternatively Protektor Lebensversicherungs-AG with funds should the resources of the security fund prove inadequate in the event of a reorganization. This obligation amounts to one percent of the total net underwriting reserves 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 € 30,377,536.69.
The Group is also a member of the guarantee fund for health insurers pursuant to Art. 124 ff. VAG. The guarantee fund can levy contributions in the amount of up to 2 per mil of the total net underwriting reserves in the health insurance (€ 2,210,075.18).
The risk of availment from these obligations is considered extremely slight, as no insurance insolvencies have occurred in Germany to date.

Auditor's fee The firm of PricewaterhouseCoopers AG, Düsseldorf, acted as the auditor of the Consolidated Financial Statements. The German Group subsidiaries reserved € 730,178.07 (previous year: € 717,382.00) for financial-statement auditing services including expenses and the non-deductable value-added tax. A total of € 10,000.00 (previous year: € 950.00) was expended for other consulting services. The auditor of the Consolidated Financial Statements did not perform any other services.

39

Gross cost of insurance business

(in euros)	2011	2010
Cost of sales of insurance policies	311,096,736.87	277,732,810.32
Cost of administration of insurance policies	215,070,668.35	212,937,450.78
Total costs	**526,167,405.22**	**490,670,261.10**

40

Costs for premium rebates for own account

(in euros)	2011	2010
Costs for profit-linked premium rebates	37,272,455.03	52,730,675.95
Costs for non-profit-linked premium rebates	1,663,119.35	3,240,441.07
Total costs	**38,935,574.38**	**55,971,117.02**

Commissions and other compensation for insurance representatives, employee costs

(in euros)	2011	2010
1. Commissions of all types for insurance representatives within the meaning of Art. 92 HGB for self-contracted insurance business	259,033,222.29	233,029,186.15
2. Other compensation for insurance representatives within the meaning of Art. 92 HGB	10,948,424.43	8,222,433.74
3. Wages and salaries	185,278,175.79	173,421,629.48
4. Social security and support expenses	29,969,661.06	29,313,264.02
5. Expenses for pension plans	12,850,035.73	20,268,695.50
6. Total costs	**498,079,519.30**	**464,255,208.89**

Average employment for year On average over the entire year, the companies completely included in the Consolidated Financial Statements employed 3,482 (previous year: 3,447) persons. As of 31 December 2011, the ARAG Group employed a total of 3,506 persons (previous year: 3,460 persons).
The insurance companies employed 3,150 (previous year: 3,109) persons on average. On average, 332 persons (previous year: 338) were employed in the management and service companies. The German Group subsidiaries additionally employed some 29 (previous year: 38) vocational trainees.

Compensation of the Supervisory Board and Board of Management of ARAG Holding SE
Compensation for the Supervisory Board amounted to € 221,057.37.
The compensation for the Board members of the parent company of all Group subsidiaries amounted to € 1,491,742.32. There are no current pensions or vested pension rights for former Board members or their survivors.

Düsseldorf, 27 April 2012

Board of Management

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

Statement of Consolidated Cash Flow for Fiscal Year 2011

Consolidated cash flow statement

(in euros)	2011	2010
I. Cash flow from current business		
Net income	23,854,804	46,068,022
Change in net underwriting reserves	132,556,223	163,308,884
Change in portfolio receivables and liabilities and settlement assets and liabilities	-29,402,288	-14,037,721
Change in other assets and liabilities	-27,491,739	2,798,609
Profit/loss from sale of capital investments	-35,590,810	-28,161,957
Change in deferred taxes	-8,201,832	-35,048,613
Changes in other assets and liabilities	-42,429,100	61,914,718
Depreciation on intangible assets	13,022,173	12,272,765
Write-downs on capital investments	59,345,166	31,132,858
Write-ups on capital investments	-9,403,712	-37,297,635
Effects of currency exchange rates	-393,065	436,994
Cash flow from current business	**75,865,820**	**203,386,924**
II. Cash flow from investment activities		
Payments received from sale and maturity of other capital investments	914,445,453	768,268,590
Disbursements for the purchase of other capital investments	-959,093,252	-923,794,448
Payments received from the sale of capital investments of mutual fund-linked life insurance	4,028,718	46,591,099
Disbursements for the sale of capital investments of mutual fund-linked life insurance	-26,152,329	-68,152,318
Other payments received	0	2,093,097
Other disbursements	-8,096,301	-6,730,889
Cash flow from investment activities	**-74,867,711**	**-181,724,869**
III. Cash flow from financing activities		
Shareholder contributions	0	0
Dividend payments	-10,000,000	-10,000,000
Payments and disbursements from other financing activities	0	0
Cash flow from financing activities	**-10,000,000**	**-10,000,000**
Effective changes in cash reserves	**-9,001,891**	**11,662,055**
Cash reserves at start of fiscal year	81,164,386	69,502,331
Cash reserves at end of fiscal year	72,162,495	81,164,386
Change in cash reserves in fiscal year	**-9,001,891**	**11,662,055**

41 Statement of Equity

Development over the course of the fiscal year

(in euros)	Subscribed capital	Unpaid 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 2010	200,000,000.00	0.00	87,032,444.28	1,005,563.38	288,038,007.66
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			0.00		0.00
Other changes			3,031.84	1,055,271.99	1,058,303.83
Group profit/loss for year			22,313,758.54		22,313,758.54
Other Group profit/loss					0.00
Overall Group profit/loss for year			22,313,758.54	0.00	22,313,758.54
Status as of 31 December 2011	**200,000,000.00**	**0.00**	**99,349,234.66**	**2,060,835.37**	**301,410,070.03**
II. Minority shareholders					
Status as of 31 December 2010	0.00	0.00	32,503,598.63	64,255.23	32,567,853.86
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			-867,818.85		-867,818.85
Changes in the scope of consolidation			0.00		0.00
Other changes			-91,056.69	44,443.49	-46,613.20
Group profit/loss for year			1,541,045.19		1,541,045.19
Other Group profit/loss					0.00
Overall Group profit/loss for year			1,541,045.19	0.00	1,541,045.19
Status as of 31 December 2011	**0.00**	**0.00**	**33,085,768.28**	**108,698.72**	**33,194,467.00**
III. Group equity					
Status as of 31 December 2010	200,000,000.00	0.00	119,536,042.91	1,069,818.61	320,605,861.52
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			-10,867,818.85		-10,867,818.85
Changes in the scope of consolidation			0.00		0.00
Other changes			-88,024.85	1,099,715.48	1,011,690.63
Group profit/loss for year			23,854,803.73		23,854,803.73
Other Group profit/loss					0.00
Overall Group profit/loss for year			23,854,803.73	0.00	23,854,803.73
Status as of 31 December 2011	**200,000,000.00**	**0.00**	**132,435,002.94**	**2,169,534.09**	**334,604,537.03**

Development in previous year

(in euros)	Subscribed capital	Unpaid 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 2009	200,000,000.00	0.00	49,432,605.04	-2,057,188.39	247,375,416.65
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			760,799.66		760,799.66
Other changes			771,017.51	3,062,751.77	3,833,769.28
Group profit/loss for year			46,068,022.07		46,068,022.07
Other Group profit/loss					0.00
Overall Group profit/loss for year			46,068,022.07	0.00	46,068,022.07
Status as of 31 December 2010	**200,000,000.00**	**0.00**	**87,032,444.28**	**1,005,563.38**	**288,038,007.66**
II. Minority shareholders					
Status as of 31 December 2009	0.00	0.00	30,411,887.49	-97,210.50	30,314,676.99
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			-835,702.95		-835,702.95
Changes in the scope of consolidation			-1,098,863.85		-1,098,863.85
Other changes			0.00	161,465.73	161,465.73
Group profit/loss for year			4,026,277.94		4,026,277.94
Other Group profit/loss					0.00
Overall Group profit/loss for year			4,026,277.94	0.00	4,026,277.94
Status as of 31 December 2010	**0.00**	**0.00**	**32,503,598.63**	**64,255.23**	**32,567,853.86**
III. Group equity					
Status as of 31 December 2009	200,000,000.00	0.00	79,844,492.53	-2,154,398.89	277,690,093.64
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			-10,835,702.95		-10,835,702.95
Changes in the scope of consolidation			-338,064.19		-338,064.19
Other changes			771,017.51	3,224,217.50	3,995,235.01
Group profit/loss for year			50,094,300.01		50,094,300.01
Other Group profit/loss					0.00
Overall Group profit/loss for year			50,094,300.01	0.00	50,094,300.01
Status as of 31 December 2010	**200,000,000.00**	**0.00**	**119,536,042.91**	**1,069,818.61**	**320,605,861.52**

Segment Reporting – Balance Sheet

	Legal insurance		Composite insurance		Health insurance	
(in thousand euros)	2011	2010	2011	2010	2011	2010
A. Intangible assets	**15,989**	**14,145**	**0**	**0**	**185**	**85**
B. Capital investments	**1,729,367**	**1,729,224**	**471,451**	**524,018**	**1,118,196**	**1,000,459**
I. Real estate and buildings including those on third-party property	82,764	85,658	30,337	31,673	0	0
II. Capital investments in affiliated companies and shareholdings	460,926	436,552	40,336	79,537	14,996	16,972
III. Other capital investments	1,169,384	1,195,940	400,778	412,808	1,103,200	983,487
IV. Portfolio receivables from assumed reinsurance business	16,294	11,074	0	0	0	0
C. Capital investments for the account and risk of life insurance policyholders						
D. Other assets by sector	**284,554**	**235,474**	**21,113**	**22,023**	**41,464**	**37,445**
Total segment assets	**2,029,911**	**1,978,843**	**492,564**	**546,041**	**1,159,845**	**1,037,988**
A. Underwriting reserves	**1,152,687**	**1,124,763**	**323,578**	**335,228**	**1,105,038**	**985,379**
I. Unearned premiums	167,055	171,626	40,813	40,886	10,756	1,481
II. Actuarial reserves	0	0	1	2	966,391	866,290
III. Provision for outstanding claims	978,375	951,102	251,945	271,175	43,952	42,075
IV. Provisions for premium rebates	0	21	0	0	83,224	74,882
V. Fluctuation provision	0	0	62,738	59,212		
VI. Other underwriting reserves	6,449	2,384	2,046	2,215	715	652
VII. Reinsurers' share of underwriting reserves	808	-370	-33,965	-38,262	0	0
B. Underwriting reserves in the life insurance segment, insofar as the investment risk is borne by the policyholders	**0**	**0**	**0**	**0**	**0**	**0**
C. Other liabilities by sector	**333,535**	**344,330**	**42,030**	**48,490**	**12,749**	**11,381**
Total sector liabilities	**1,486,222**	**1,469,093**	**365,607**	**383,718**	**1,117,787**	**996,761**
Equity*						
Total liabilities						

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

This segment reporting has been largely adapted to conform with applicable German regulatory requirements and accounting standard DRS 3-20 of the German Standardization Council (DSR). The segment figures are represented 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
– Health insurance
– Life insurance
– Services and asset management

Life insurance		Services and asset management		Total		Consolidation		Group total	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
179	202	5,062	5,036	21,415	19,467	23,374	30,226	44,789	49,694
2,549,443	2,585,408	338,661	337,719	6,207,118	6,176,829	-874,195	-890,873	5,332,923	5,285,956
88,071	94,586	7,313	7,155	208,485	219,072	-1,078	-1,078	207,407	217,994
145,527	158,103	276,336	276,454	938,121	967,619	-873,118	-889,795	65,003	77,823
2,315,846	2,332,719	55,012	54,111	5,044,219	4,979,065	0	0	5,044,219	4,979,065
0	0	0	0	16,294	11,074	0	0	16,294	11,074
98,514	86,368			98,514	86,368	0	0	98,514	86,368
122,699	95,893	74,485	84,118	544,315	474,952	-1,903	-4,037	542,412	470,914
2,770,835	2,767,871	418,207	426,874	6,871,362	6,757,617	-852,724	-864,684	6,018,638	5,892,933
2,435,112	2,438,487	0	0	5,016,414	4,883,858	0	0	5,016,414	4,883,858
5,431	5,857	0	0	224,055	219,849	0	0	224,055	219,849
2,322,694	2,321,488	0	0	3,289,086	3,187,780	0	0	3,289,086	3,187,780
21,510	18,200	0	0	1,295,782	1,282,553	0	0	1,295,782	1,282,553
141,238	156,401	0	0	224,462	231,305	0	0	224,462	231,305
0	0	0	0	62,738	59,212	0	0	62,738	59,212
119	95	0	0	9,328	5,345	0	0	9,328	5,345
-55,879	-63,554	0	0	-89,037	-102,186	0	0	-89,037	-102,186
98,514	86,368	0	0	98,514	86,368	0	0	98,514	86,368
133,354	141,113	52,655	62,230	574,323	607,544	-5,874	-6,100	568,449	601,444
2,666,980	2,665,968	52,655	62,230	5,689,251	5,577,770	-5,874	-6,100	5,683,377	5,571,670
								335,261	321,262
								6,018,638	5,892,933

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 also includes those companies active as service providers in the life insurance sector without themselves being insurers. Due to the transition to the "temporary concept" method for the amortization of deferred taxes, the Statement of Profit and Loss is only broken down as far as the operating result before taxes.

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

	Legal insurance		Composite insurance		Health insurance	
(in thousand euros)	2011	2010	2011	2010	2011	2010
Underwriting result						
Gross premiums written	**713,885**	**706,525**	**227,991**	**229,945**	**309,397**	**286,789**
Self-contracted business	587,390	583,511	218,067	221,165	309,397	286,789
Assumed business	126,495	123,014	9,924	8,780	0	0
Premiums for reinsured business	-3,338	-1,929	-6,111	-5,757	-8	-5
Change in net unearned premiums	2,673	-985	-408	-794	-9,275	-1,161
Earned premiums for own account	**713,221**	**703,612**	**221,471**	**223,393**	**300,114**	**285,623**
Premiums from gross provisions for premium rebates	0	0	0	0	8,002	12,944
Assigned capital gains from underwriting account	0	0	607	574	51,529	45,174
Unrealized profits from capital investments	0	0	0	0	0	0
Other underwriting result for own account	2,517	2,073	886	1,110	1,178	1,530
Total underwriting result	**715,738**	**705,685**	**222,963**	**225,078**	**360,823**	**345,271**
Underwriting costs						
Cost of claims for own account	-399,603	-435,733	-101,173	-111,245	-170,172	-158,843
Change in other net underwriting reserves	22	191	783	-137	-100,163	-97,194
Costs for premium rebates	21	-13	0	0	-23,632	-29,471
profit-linked portion	0	0	0	0	-21,990	-26,244
non-profit-linked portion	21	-13	0	0	-1,642	-3,227
Unrealized losses from capital investments	0	0	0	0	0	0
Cost of insurance business	-320,519	-307,169	-83,121	-83,375	-46,355	-43,679
share attributable to accounting costs	-181,231	-169,197	-25,489	-25,646	-37,386	-35,417
share attributable to administrative costs	-139,635	-137,934	-58,186	-58,529	-8,972	-8,262
reinsurance portion	347	-38	554	801	3	0
Assigned capital expenditures from underwriting account	0	0	0	0	-8,650	-4,116
Other underwriting costs for own account	-4,923	0	-1,622	-1,265	-2,097	-2,022
Total underwriting costs	**-725,001**	**-742,724**	**-185,132**	**-196,023**	**-351,069**	**-335,325**
Subtotal	**-9,263**	**-37,039**	**37,831**	**29,055**	**9,754**	**9,947**
Change in fluctuation reserve and similar provisions	0	3,455	-3,526	2,767	0	0
Underwriting result for own account	**-9,263**	**-33,584**	**34,306**	**31,821**	**9,754**	**9,947**
Income from capital investments	56,679	76,125	19,076	29,601	51,529	45,174
Costs of capital investments	-28,644	-24,613	-5,661	-3,592	-8,650	-4,116
Income from capital investments	**28,036**	**51,512**	**13,415**	**26,008**	**42,879**	**41,057**
Capital investment income assigned to underwriting account	0	0	-607	-574	-42,879	-41,057
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	22,149	24,646	1,015	1,164	900	495
Other costs	-38,863	-40,231	-6,823	-8,167	-2,786	-1,923
Other income/expenses	**-16,714**	**-15,586**	**-5,808**	**-7,004**	**-1,886**	**-1,429**
Profit on ordinary business	**2,059**	**2,342**	**41,306**	**50,252**	**7,868**	**8,518**
Extraordinary operating result	**0**	**-6,369**	**0**	**-1,813**	**-40**	**-179**
Operating result before taxes	**2,059**	**-4,027**	**41,306**	**48,439**	**7,828**	**8,339**
Tax expenditure						
Net income						
External portions						
Group profit/loss for year						

Life insurance		Services and asset management		Total		Consolidation		Group total	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
218,099	**206,628**	**0**	**0**	**1,469,373**	**1,429,887**	**0**	**0**	**1,469,373**	**1,429,887**
218,099	206,628	0	0	1,332,954	1,298,094	0	0	1,332,954	1,298,094
0	0	0	0	136,419	131,794	0	0	136,419	131,794
-3,007	-2,602	0	0	-12,464	-10,293	0	0	-12,464	-10,293
76	423	0	0	-6,935	-2,516	0	0	-6,935	-2,516
215,167	**204,450**	**0**	**0**	**1,449,973**	**1,417,078**	**0**	**0**	**1,449,973**	**1,417,078**
14,212	14,922	0	0	22,214	27,866	0	0	22,214	27,866
133,282	132,389	0	0	185,418	178,137	0	0	185,418	178,137
325	8,618	0	0	325	8,618	0	0	325	8,618
29,443	21,022	0	0	34,024	25,736	0	0	34,024	25,736
392,430	**381,401**	**0**	**0**	**1,691,954**	**1,657,435**	**0**	**0**	**1,691,954**	**1,657,435**
-231,504	-221,677	0	0	-902,452	-927,498	0	0	-902,452	-927,498
-21,991	-41,440	0	0	-121,349	-138,580	0	0	-121,349	-138,580
-15,282	-26,487	0	0	-38,893	-55,971	0	0	-38,893	-55,971
-15,282	-26,487	0	0	-37,272	-52,731	0	0	-37,272	-52,731
0	0	0	0	-1,620	-3,240	0	0	-1,620	-3,240
-10,303	-2	0	0	-10,303	-2	0	0	-10,303	-2
-69,031	-54,958	0	0	-519,026	-489,181	0	0	-519,026	-489,181
-66,992	-47,473	0	0	-311,097	-277,733	0	0	-311,097	-277,733
-8,277	-8,212	0	0	-215,071	-212,937	0	0	-215,071	-212,937
6,237	727	0	0	7,142	1,490	0	0	7,142	1,490
-31,483	-18,610	0	0	-40,133	-22,727	0	0	-40,133	-22,727
-7,286	-9,902	0	0	-15,928	-13,189	0	0	-15,928	-13,189
-386,882	**-373,075**	**0**	**0**	**-1,648,084**	**-1,647,147**	**0**	**0**	**-1,648,084**	**-1,647,147**
5,548	**8,326**	**0**	**0**	**43,870**	**10,288**	**0**	**0**	**43,870**	**10,288**
0	0	0	0	-3,526	6,222	0	0	-3,526	6,222
5,548	**8,326**	**0**	**0**	**40,344**	**16,509**	**0**	**0**	**40,344**	**16,509**
133,282	132,389	1,877	1,895	262,444	285,183	991	-1,781	263,435	283,402
-31,609	-18,610	-333	-5,282	-74,897	-56,214	0	0	-74,897	-56,214
101,673	**113,779**	**1,544**	**-3,388**	**187,546**	**228,969**	**991**	**-1,781**	**188,538**	**227,188**
-101,799	-113,779	0	0	-145,284	-155,410	0	0	-145,284	-155,410
0	0	81,522	96,139	81,522	96,139	-39,725	-38,282	41,797	57,857
0	0	-79,293	-96,914	-79,293	-96,914	39,725	38,282	-39,568	-58,632
0	**0**	**2,229**	**-775**	**2,229**	**-775**	**0**	**0**	**2,229**	**-775**
1,604	1,800	3,091	9,588	28,759	37,692	-10,966	106	17,792	37,798
-5,536	-2,903	-3,958	-1,603	-57,966	-54,828	4,247	-6,233	-53,718	-61,061
-3,932	**-1,104**	**-867**	**7,985**	**-29,207**	**-17,136**	**-6,719**	**-6,127**	**-35,926**	**-23,263**
1,490	**7,222**	**2,906**	**3,823**	**55,629**	**72,157**	**-5,728**	**-7,907**	**49,901**	**64,250**
-197	**-338**	**-758**	**-991**	**-994**	**-9,690**	**0**	**0**	**-994**	**-9,690**
1,293	**6,884**	**2,149**	**2,832**	**54,634**	**62,467**	**-5,728**	**-7,907**	**48,907**	**54,560**
								-25,052	-4,465
								23,855	**50,094**
								-1,541	-4,026
								22,314	**46,068**

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

	Domestic	
(in thousand euros)	2011	2010
Underwriting result		
Gross premiums written	**1,005,430**	**977,721**
Self-contracted business	994,705	969,852
Assumed business	10,725	7,869
Premiums for reinsured business	-9,232	-8,471
Change in net unearned premiums	-5,510	634
Earned premiums for own account	**990,688**	**969,883**
Premiums from gross provisions for premium rebates	22,214	27,866
Assigned capital gains from underwriting account	185,418	178,137
Unrealized profits from capital investments	325	8,618
Other underwriting result for own account	33,327	25,462
Total underwriting result	**1,231,971**	**1,209,966**
Underwriting costs		
Cost of claims for own account	-648,403	-661,322
Change in other net underwriting reserves	-121,970	-138,305
Costs for premium rebates	-38,914	-55,958
profit-linked portion	-37,272	-52,731
non-profit-linked portion	-1,642	-3,227
Unrealized losses from capital investments	-10,303	-2
Cost of insurance business	-302,788	-285,317
share attributable to accounting costs	-159,609	-134,102
share attributable to administrative costs	-149,975	-152,455
reinsurance portion	6,795	1,240
Assigned capital expenditures from underwriting account	-40,133	-22,727
Other underwriting costs for own account	-10,716	-13,189
Total underwriting costs	**-1,173,227**	**-1,176,819**
Subtotal	**58,745**	**33,147**
Change in fluctuation reserve and similar provisions	-3,526	2,767
Underwriting result for own account	**55,219**	**35,914**
Income from capital investments	235,296	253,692
Costs of capital investments	-62,886	-45,353
Income from capital investments	**172,411**	**208,339**
Capital investment income assigned to underwriting account	-145,284	-155,410
Revenues	81,522	96,139
Production costs	-79,293	-96,914
Gross operating result	**2,229**	**-775**
Other earnings	19,817	28,810
Other costs	-54,043	-49,664
Other income/expenses	**-34,226**	**-20,854**
Profit on ordinary business	**50,349**	**67,214**
Extraordinary operating result	**-994**	**-9,690**
Operating result before taxes	**49,354**	**57,524**
Tax expenditure	0	0
Net income	**49,354**	**57,524**
External portions	0	0
Group profit/loss for year	**49,354**	**57,524**

International		Total		Consolidation		Group total	
2011	2010	2011	2010	2011	2010	2011	2010
463,942	**452,166**	**1,469,373**	**1,429,887**	**0**	**0**	**1,469,373**	**1,429,887**
338,249	328,242	1,332,954	1,298,094	0	0	1,332,954	1,298,094
125,694	123,924	136,419	131,794	0	0	136,419	131,794
-3,232	-1,821	-12,464	-10,293	0	0	-12,464	-10,293
-1,424	-3,150	-6,935	-2,516	0	0	-6,935	-2,516
459,285	**447,195**	**1,449,973**	**1,417,078**	**0**	**0**	**1,449,973**	**1,417,078**
0	0	22,214	27,866	0	0	22,214	27,866
0	0	185,418	178,137	0	0	185,418	178,137
0	0	325	8,618	0	0	325	8,618
697	274	34,024	25,736	0	0	34,024	25,736
459,983	**447,469**	**1,691,954**	**1,657,435**	**0**	**0**	**1,691,954**	**1,657,435**
-254,049	-266,177	-902,452	-927,498	0	0	-902,452	-927,498
620	-275	-121,349	-138,580	0	0	-121,349	-138,580
21	-13	-38,893	-55,971	0	0	-38,893	-55,971
0	0	-37,272	-52,731	0	0	-37,272	-52,731
21	-13	-1,620	-3,240	0	0	-1,620	-3,240
0	0	-10,303	-2	0	0	-10,303	-2
-216,238	-203,864	-519,026	-489,181	0	0	-519,026	-489,181
-151,488	-143,631	-311,097	-277,733	0	0	-311,097	-277,733
-65,096	-60,483	-215,071	-212,937	0	0	-215,071	-212,937
346	250	7,142	1,490	0	0	7,142	1,490
0	0	-40,133	-22,727	0	0	-40,133	-22,727
-5,213	0	-15,928	-13,189	0	0	-15,928	-13,189
-474,857	**-470,328**	**-1,648,084**	**-1,647,147**	**0**	**0**	**-1,648,084**	**-1,647,147**
-14,875	**-22,859**	**43,870**	**10,288**	**0**	**0**	**43,870**	**10,288**
0	3,455	-3,526	6,222	0	0	-3,526	6,222
-14,875	**-19,404**	**40,344**	**16,509**	**0**	**0**	**40,344**	**16,509**
27,147	31,491	262,444	285,183	991	-1,781	263,435	283,402
-12,012	-10,861	-74,897	-56,214	0	0	-74,897	-56,214
15,136	**20,630**	**187,546**	**228,969**	**991**	**-1,781**	**188,538**	**227,188**
0	0	-145,284	-155,410	0	0	-145,284	-155,410
0	0	81,522	96,139	-39,725	-38,282	41,797	57,857
0	0	-79,293	-96,914	39,725	38,282	-39,568	-58,632
0	**0**	**2,229**	**-775**	**0**	**0**	**2,229**	**-775**
8,942	8,882	28,759	37,692	-10,966	106	17,792	37,798
-3,923	-5,164	-57,966	-54,828	4,247	-6,233	-53,718	-61,061
5,019	**3,718**	**-29,207**	**-17,136**	**-6,719**	**-6,127**	**-35,926**	**-23,263**
5,280	**4,943**	**55,629**	**72,157**	**-5,728**	**-7,907**	**49,901**	**64,250**
0	**0**	**-994**	**-9,690**	**0**	**0**	**-994**	**-9,690**
5,280	**4,943**	**54,634**	**62,467**	**-5,728**	**-7,907**	**48,907**	**54,560**
0	0	0	0	-25,052	-4,465	-25,052	-4,465
5,280	**4,943**	**54,634**	**62,467**	**-30,779**	**-12,373**	**23,855**	**50,094**
0	0	0	0	-1,541	-4,026	-1,541	-4,026
5,280	**4,943**	**54,634**	**62,467**	**-32,321**	**-16,399**	**22,314**	**46,068**

Auditor's Report*

We have examined the Consolidated Financial Statements of ARAG Holding SE, Düsseldorf – consisting of the balance sheet and 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 2011. The Board of Management of the Group 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 convey 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 overall of the condition of the Group, and accurately represents the opportunities and risks attendant on in its future development.

Düsseldorf, 27 April 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Alexander Hofmann	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 advised the Board of Management. To this end, six meetings of the Supervisory Board were held. 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 top-level company and the affiliated companies included in the Consolidated Financial Statements, 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 Group 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.

In the reporting period, the Supervisory Board considered the process of transformation into a European company and resolved to approve this transformation. Additionally, consultations were conducted on the restructuring of the Group through the transformation from formerly legally independent subsidiaries to branches. The appropriateness of Board compensation and the compensation system for employees were also discussed. Reports and discussions regarding the business development of the Group and its shareholdings took place on a regular basis. Questions respecting the Group risk strategy, the ARAG brand strategy and ARAG Compliance were dealt with. Consultations were held on the regularly submitted risk report. Staffing matters and the granting of special powers of attorney were voted on. The development of the capital market was discussed. The current situation of individual foreign subsidiaries was explored. Additionally, the strategic planning for the coming three years was ratified. 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) AktG, in particular through the inspection of the books and correspondence of the Group subsidiaries. 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 Group 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 Consolidated Financial Statements as of 31 December 2011 under consideration of our accounting, and the 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, 14 May 2012

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. Dres. 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 in view of its core competence in legal insurance, ARAG's information offerings would of course be incomplete without a range of selected tips and guides on legal questions. 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 SE
Corporate Communications/Marketing
ARAG Platz 1
40472 Düsseldorf
Germany

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:

www.ARAG.com

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* DIVE INTO YOUR LIFE

You grab the chance each and every day
Like gusty wind blows in another way
Inner voices
Someone's choices

You wanna feel what you wanna feel
You gonna be what you wanna be
There's a rock you gonna climb
There's a path you gonna find

You're sheltered and you're full of drive
So free, come dive into your life
You have a voice
Go and make a choice

Like the air you always breathe
Every goal you will achieve
It is your choice, you arrive
You'll get there, it's your life

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www.diveintoyourlife.de

Parent company of the ARAG Group

ARAG Holding SE
ARAG Platz 1
40472 Düsseldorf
Germany
www.ARAG.com