ARAG HOLDING SE
ANNUAL REPORT 2013 CONSOLIDATED FINANCIAL STATEMENTS

Growing. Together.

The ARAG Group at a glance

Premium revenues/sales:

€ 1.58 billion

Previous year: € 1.55 billion

Combined ratio:

93.7 %

Previous year: 93.4 %

Underwriting result for own account:

€ 52.5 million

Previous year: € 64.2 million

Equity (tier 1):

€ 394 million

Previous year: € 361 million

Profit on ordinary business:

€ 76.1 million

Previous year: € 92.0 million

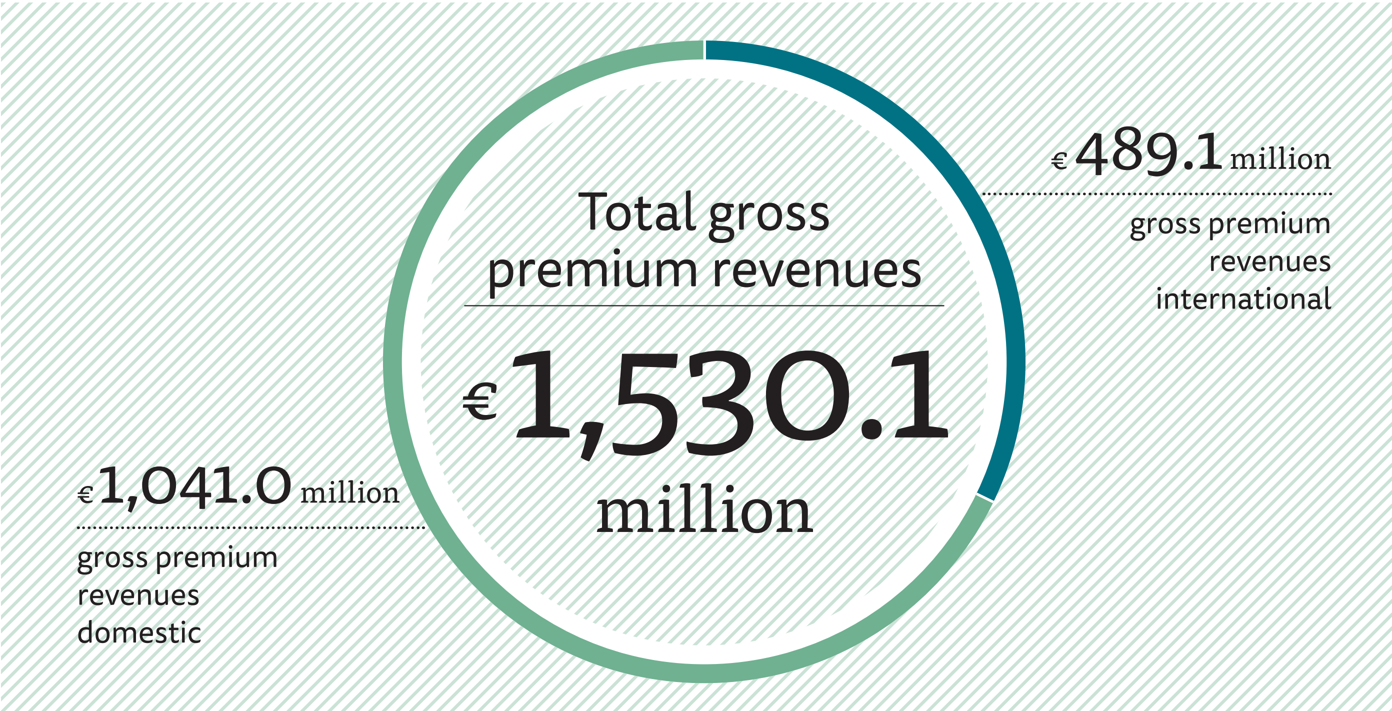
Net income before external components:

€ 48.8 million

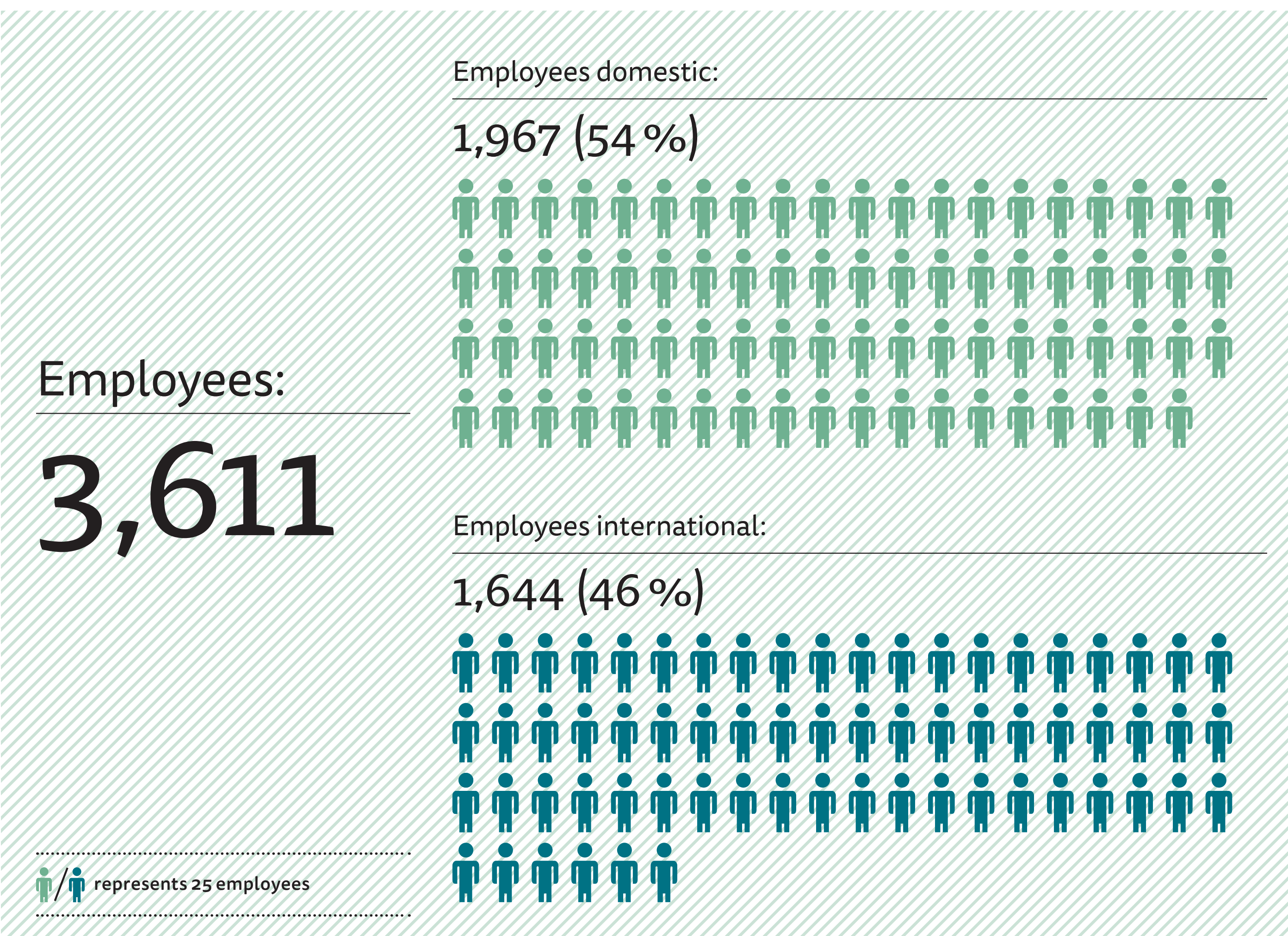
Previous year: € 39.2 million

Growing. Together.
ARAG continues to grow. Our premium revenues grew by 1.4 percent last year. The dynamic of the European business and the diversification of our offering in various markets and segments played a particularly important part in this performance. In the future we intend to increase more than our revenue from premiums; we will create greater use value for consumers and pledge an even greater social commitment. This is an obligation we feel to be an integral part of our corporate responsibility: in the interest of maintaining ongoing growth – in values, trust and quality.

Gross premium revenues by domestic and international business



Employees number and distribution



Structure of the ARAG Group

The ARAG Group

Asset and Shareholding Management

ARAG Holding SE

Operative Group Holding Company and Legal Insurance

ARAG SE

- 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)
- Internationale Subsidiaries (Legal Insurance/ Legal Services)

Service Companies

- ARAG IT GmbH (IT Services for the ARAG Group)
- Cura Versicherungsvermittlung GmbH (Brokerage Firm)
- ARAG Service Center GmbH (Emergency Telephone Service)

Insurance segments of the ARAG Group and its managing companies

Legal insurance
ARAG SE

€ 747 million*

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

Composite insurance
ARAG Allgemeine Versicherungs-AG

€ 227 million*

Liability insurance, home effects insurance, accident insurance, accident disability pension, Top Special Service Package, building insurance, business insurance, sport insurance

* Gross premium revenues

ARAG 2020 Strategy for long-term success

Germany

Growth
with market

In these segments:

LI
CI
HI
LI

International

Continuation
of dynamic expansion
of existing markets

In this segment in each country:

LI
LI
LI
LI

Stepping up global
growth

In this segment:

LI

Legal insurance · Composite insurance · Health insurance · Life insurance

Health insurance
ARAG Krankenversicherungs-AG

€ 332 million*

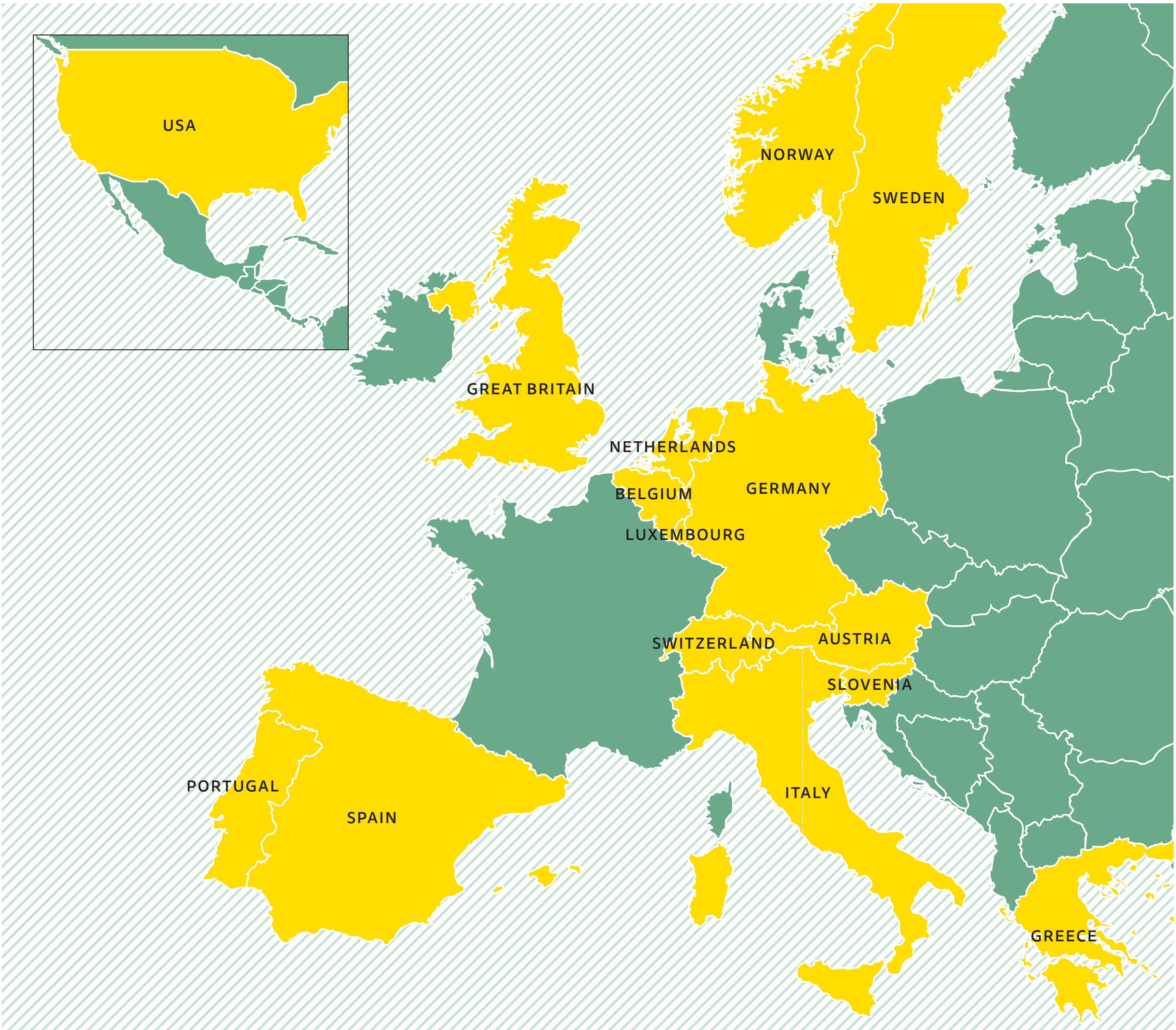
Private full-coverage health insurance, supplementary health insurance, long-term care insurance, supplementary care insurance, foreign-travel health insurance

Life insurance
ARAG Lebensversicherungs-AG

€ 225 million*

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

ARAG Group locations



Selected awards won by the ARAG Group

"Favorite supplementary health insurer":
AssCompact, the trade magazine for brokers, conducted another survey among brokers in 2013. They voted ARAG Krankenversicherung as their favorite supplementary health insurer in the **"AssCompact Awards"** as well as in the **"AssCompact Trends"** survey – for the 24th time in succession! At the same time, the company was awarded **"Brokers' Favorite"** for supplementary insurance by the financial magazine Procontra.

TÜV service certificate:
The quality of service provided by ARAG Rechts Service (ARAG SE) and by ARAG Schaden Service (ARAG Allgemeine/ Interlloyd) was rated **"very good"** by TÜV Saarland in 2013. Both units work closely with their customers and the monitoring organization commended their high levels of customer satisfaction and excellent service quality.

"Best Places to Work in Insurance":
The trade publication Business Insurance awarded ARAG North America this accolade for the fifth year in a row. And Benchmark-Portal recognized the customer service of ARAG North America as a **"Center of Excellence"** for the seventh year running. The ARAG "Free Will Day" enables people on low incomes to receive free legal advice – earning it a number of **awards from the communications sector**.

Triple winner:
British subsidiary ARAG plc was named **"ATE Insurer of the Year"** for the third time at the 2013 Personal Injury Awards and was **"Legal Insurance Team of the Year"** at the Underwriting Service Awards. Furthermore, the independent research institute Defaqto gave ARAG plc's landlord insurance plan its **top rating of 5 stars**.

Stella Award for HELP Forsikring:
In 2012 over 1,500 tear-off strips appeared all over Oslo bearing the words "Father Missing" or "Mother Missing". The unusual recruitment campaign was instigated by HELP Forsikring to boost the numbers of its team of attorneys. In 2013 the campaign was recognized with a **"Stella Award"** from the Norwegian PR sector.

Contents

Overview

Key Figures ARAG Holding SE – Consolidated Financial Statements

(in million euros)	2013	Change	2012	2011
Sales				
Gross premiums written	**1,530.1**	**1.4 %**	1,508.9	1,469.4
Earned premiums for own account	**1,516.4**	**1.3 %**	1,496.5	1,450.0
Sales revenues of non-insurance subsidiaries	**50.2**	**22.7 %**	40.9	41.8
Costs				
Cost of claims for own account	**935.7**	**4.8 %**	892.9	902.5
Claims ratio (basis: earned premiums)	**61.7 %**	**2.0 % pts.**	59.7 %	62.2 %
Cost of insurance business for own account	**485.4**	**– 3.9 %**	505.1	519.0
Cost ratio (basis: earned premiums)	**32.0 %**	**– 1.8 % pts.**	33.8 %	35.8 %
Overview of profit and loss				
Underwriting result for own account	**52.5**	**– 18.2 %**	64.2	40.3
Income from capital investments	**222.6**	**– 6.6 %**	238.2	188.5
portion included in the underwriting result	**163.0**	**– 2.3 %**	166.9	145.3
Other income/expenses	**– 41.8**	**– 10.3 %**	– 46.6	– 35.9
Profit on ordinary business	**76.1**	**– 17.3 %**	92.0	49.9
Net income before external components	**48.8**	**24.5 %**	39.2	23.9
Underwriting reserves/earned premiums (net)	**351.6 %**	**7.3 % pts.**	344.3 %	346.0 %

Profile of the ARAG Group

An overview

The ARAG Group is the largest family company in the German insurance industry, and is one of the three leading providers of legal insurance world-wide. Founded over 75 years ago as a legal insurance company, ARAG is positioning itself today as an internationally successful quality insurer. Together with its expansion across all insurance lines in the German market, the company is also targeting potential areas for growth in the international legal insurance business. Outside Germany, the ARAG Group is active in 13 other European countries and the US, with branches, subsidiaries and holdings. With over 3,600 employees, the Group generates sales and premiums totaling over €1.5 billion.

ARAG SE is responsible for strategic Group management and the operational legal insurance business in Germany and abroad. The other ARAG insurance and service subsidiaries are responsible for the operational management of their respective lines of business. The asset-management company ARAG Holding SE forms the corporate umbrella of the 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 field of business for some years now. Consequently, the operational Group holding company in Düsseldorf was transformed into a European joint stock company, ARAG SE, at the end of 2011. In 2012, six foreign subsidiaries were folded into ARAG SE as branches. These steps enhance ARAG's effectiveness even further.

Composite insurance

In a highly competitive market, our composite insurer ARAG Allgemeine is proving itself to be an attractive provider of property, liability and accident insurance that has achieved many top rankings in independent performance comparisons. In addition, this subsidiary is Europe's largest sport insurer, covering around 20 million leisure and competitive athletes. The subsidiary Interlloyd supplements the Group's portfolio as a brokerage specialist in the commercial 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. With their modern, customer-oriented portfolio of offerings, the two subsidiaries are growing above the market average and continually rank at the top in product ratings.

Dr. Paul-Otto Faßbender

Foreword

Since the beginning of fiscal year 2013, the ARAG Group has been operating with a new business and management structure, a refined strategy and a thoroughly modernized brand constellation. Within this context, we have brought all essential work processes in line with our increasingly international orientation. This has required an extraordinary effort for an enterprise of our size. Ultimately, however, we had no alternative. International business accounts for 32 percent of our total revenues, which makes ARAG one of Germany's most internationalized insurers. The shareholders and the Board are proud to have been able to rely completely on our excellent management team and highly motivated employees in Germany and our international markets.

We have thoroughly modernized our enterprise and met the essential prerequisites for the successful future development of the ARAG Group. Our job now is to put life into the newly created structures and procedures, and thus we have no reason to take things easier in the future.

We have created a strategic framework that will determine how we proceed from here. We plan to develop new legal insurance markets at the international level in order to reduce our dependence on individual national markets. Yet we will also be aiming for dynamic growth in our existing markets. We will continue to work with our proven segment mix in Germany and expect to keep pace with market growth, at the very least. This model ensures that the success of the Group rests on multiple pillars, and that creates long-term stability.

The success achieved in fiscal year 2013 attests to the strengths of the ARAG Group. All segments are making positive contributions to earnings. Along with our composite business, the legal insurance segment is one of our biggest earnings drivers. With a combined ratio of 93.7 percent, ARAG continues to demonstrate a high level of operational efficiency. Net income increased substantially by nearly 25 percent to just under € 49 million.

The shareholders are very pleased with the Group's progress. Fiscal year 2013 is already history in our dynamic markets, however, and the seeds of future success must be sown now rather than later. Our approach is not to wait and see but to be proactive in pursuit of future success for ARAG and in the interest of our customers.

Paul-Otto Faßbender

Dr. Paul-Otto Faßbender

Group Management Report

Development of premium income and sales

(in million euros)	2013	2012	2011
Legal insurance	**746.9**	**720.4**	**713.9**
share Germany	300.6	296.9	296.9
share international	446.3	423.5	417.0
Composite insurance	**226.5**	227.6	228.0
share Germany	183.7	181.1	181.1
share international	42.8	46.5	46.9
Life insurance	**225.0**	229.6	218.1
Health insurance	**331.7**	331.3	309.4
Service companies	**50.2**	40.9	41.8
Total	**1,580.3**	1,549.8	1,511.2

- ARAG Group shows 2.0 percent growth and is set for further expansion
- Return to growth for German legal insurance business
- Cost ratio falls again
- Significant 25 percent rise in net income
- International legal insurance business and German composite insurance business are biggest earners

Group Management Report

I. Principles of the Group

The ARAG Group is the largest family-owned insurer in Germany, and is one of the leading providers of legal insurance world-wide. As a versatile quality insurer, ARAG offers its customers in Germany needs-based products and services through its strong subsidiaries in the composite, health and life insurance segments, as well as its core legal insurance business.

The Group's product range focuses on modern insurance plans for private and corporate customers. The modular structure means that customers and consumers can obtain coverage that precisely fits their individual needs. Increasingly, the products are supported by complementary services extending beyond the core risk coverage provided. One current example is the new ARAG Aktiv Immobilie legal insurance cover. Not only is it the first pure legal insurance plan on the market to provide coverage for building owners, it also includes a building owners' phone service and offers help for landlords faced with loss of rent or disputes with nomadic tenants. This approach to products is also equally effective in the other segments, for example with the inclusion of attractive emergency assistance benefits in ARAG Existenzschutz, the new invalidity insurance policy from ARAG Allgemeine, and in ARAG Individualpflege, the new daily nursing care benefit from ARAG Krankenversicherung.

Over 50 years ago, ARAG began to develop new markets outside of Germany. At first, the main idea was to give ARAG's German legal insurance customers support with claims through the company's own locally-based subsidiaries abroad. As it became clear that there was demand for legal insurance as such in these countries, the local business models were adapted accordingly. Today, ARAG is successfully active in 14 European markets including Germany, as well as in the US.

Thanks not least to our sustained success in our international business in particular, ARAG is increasingly growing beyond the parameters of a medium-sized enterprise. Group management systematically exploited the great opportunities that resulted for the continuing development of the entire Group. In 2011, the operational Group holding company ARAG Allgemeine Rechtsschutz-Versicherungs-AG was transformed into a European joint stock company (Societas Europaea) under the name ARAG SE, and the Group's management and structure were adapted accordingly. As the next logical step, ARAG's six European subsidiaries in Belgium, Italy, the Netherlands, Austria, Slovenia and Spain were transformed into branches within ARAG SE at the beginning of fiscal year 2013. The international branches continue to conduct their operational business in their national markets independently, just as before – under consideration of the specific features of each nation.

With this step, the ARAG Group was able to adapt its enterprise structure to meet future challenges while at the same time responding to its continuing internationalization.

II. Business Report

Overall economic and industry conditions

Overall, the business situation in the European markets remained tense in 2013. The recession may have bottomed out in 2012 but the economic situation in the southern European countries remained under pressure. The German economy recorded growth of 0.4 percent in the last year, but the upward trend in domestic demand was not enough to fully offset the negative momentum in the major export markets. However, the German economy proved to have a sound foundation and to be extremely competitive. After the number of people in work had risen to a new record high in the third quarter, unemployment rose slightly at the end of the year. In 2013, an average of 41.78 million people were in gainful employed – an increase of 0.6 percent on the previous year. At the end of December 2013 the unemployment rate was 6.7 percent. The 2.3 percent rise in base pay ensured further growth in prosperity in Germany. According to these indicators, private consumption will continue to be a factor in the revival of the economy in the near future.

In 2013, the rate of inflation was 1.5 percent. The European Central Bank had reduced the main refinancing rate in two stages to 0.25 percent. As a consequence of the low interest rate, share values rose to new all-time highs. The German stock index DAX recorded gains of over 24 percent. Prices of shares listed in the Euro Stoxx 50 index increased by about 14 percent.

The healthy economic situation in Germany has had an impact on the insurance business. Gross premiums written in the self-contracted property and accident insurance business rose by 3.2 percent year on year according to extrapolations by the German Insurance Association (GDV). Premium growth was more moderate in the legal insurance business, at around 2.0 percent. In health insurance, the industry saw premium income rise by 1.5 percent. The life insurance sector continued to perform in a difficult environment and now faces the additional challenge of continuing to generate the guaranteed interest return during the sustained period of low interest rates.

Some areas of the property insurance segment recorded increased claims expenditures. The composite residential building insurance business was hardest hit, with floods in June, hail damage in July and Hurricane Christian in October resulting in claims expenses of approximately € 5 billion in 2013. The cost of claims has gone up significantly in the legal insurance business. The main reason for this was the increase in attorneys' and court fees implemented on 1 August 2013.

Development of business

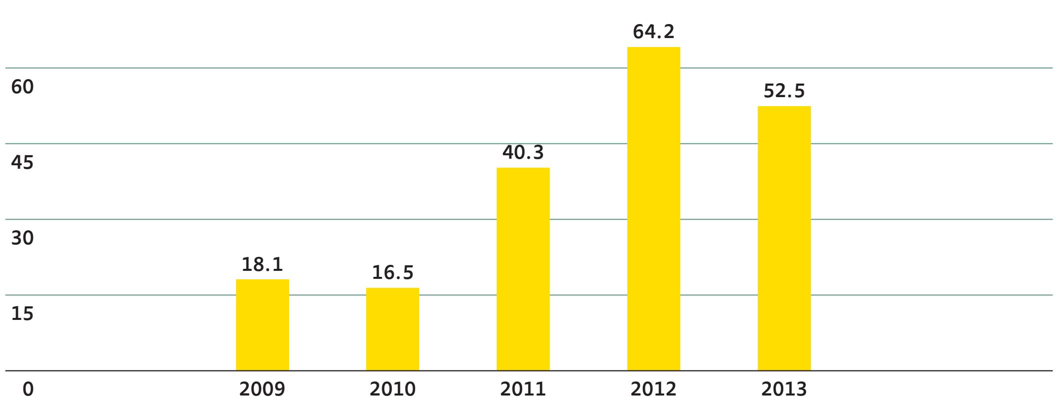
The scope of consolidation was extended in the fiscal year under review by the acquisition of the remaining shares in HELP Forsikring AG in Norway. This purchase means that the operational area covered by the uniform leadership of the ARAG Group now includes Norway and Sweden. It enabled the Group to strengthen its market position in Europe and continue to increase its revenues in spite of the difficult economic parameters.

In the domestic market in Germany, the effects of the modern product range and initiatives introduced in Sales in recent years were evident: After a period of several years during which premium revenues had been in steady decline, attrition was not only halted in the fiscal year under review but a moderate organic growth was achieved in this business area.

As expected, the ARAG Group's underwriting result did not match the excellent value of the previous year. However, the underwriting profit of €52.5 million achieved was very satisfactory, especially in the context of numerous external influences such as the increase in court and attorneys' fees in Germany by an average of 16 percent, the imposition of VAT on attorney services in Belgium and the implementation of the principle of free choice of attorney in the Netherlands. Taking into account the income from capital investments, which remained high and continued to benefit from an upward trend in the capital markets in 2013, the Group achieved a healthy profit on ordinary business of €76.1 million after a record result of €92.0 million in the previous year.

Development of the underwriting result

(in million euros)



Underwriting result of the ARAG Group

Premium revenues in the Group's insurance business grew by 1.4 percent overall (previous year: 2.7 percent) to € 1,530.1 million. The legal insurance segment produced the biggest contribution to growth, with a plus of 3.7 percent. In the German market, ARAG's premium revenues expanded slightly, by 0.2 percent across all segments. The main impetus for growth came from the composite insurance business in Germany.

For the reasons stated above, the cost of claims rose by 4.8 percent over the previous year. This increase already takes into account relief due to the improved claims management in German legal insurance and altered parameters in the Austrian market for possibly faulty investment consultations by financial service companies.

Expenditures for the insurance business fell from € 505.1 million to € 485.4 million. In the previous year, extensive new business in the life insurance segment led to rises in commission expenses. This growth normalized during the fiscal year under review, so that closing and administrative costs fell by 31.8 percent in the life insurance segment alone. Increases in capacity in sales and in risk management at headquarters were offset by savings on marketing expenses and the reduction in external consultancy services. The net cost ratio of the ARAG Group fell significantly in the fiscal year under review from 33.8 percent to 32.0 percent.

Due to persistently low interest rates on low-risk investments, income from capital investments fell to € 222.6 million (previous year: € 238.2 million). This development was partially offset by write-ups made in the amount of € 22.7 million.

The extraordinary operating result of – € 0.2 million (previous year: – € 3.3 million). relates to the application of the transitional regulations in the Introductory Law to the German Commercial Code (EGHGB) with respect to accounting for pension obligations. The figure for the previous year also included costs for the restructuring of Sales in Spain.

Net income after external components of € 46.8 exceeds the previous year's already high figure of € 37.3 million.

The ARAG Group will continue to fulfill the expectations of its customers and owners now and in future. To this end, the Group will continue to pursue its existing strategy and remain true to its conservative business principles.

Premiums/sales The premium revenues of the insurance companies of the ARAG Group in the fiscal year under review rose again despite the continuing recession in Spain and Italy by 1.4 percent, increasing from €1.51 billion to €1.53 billion.

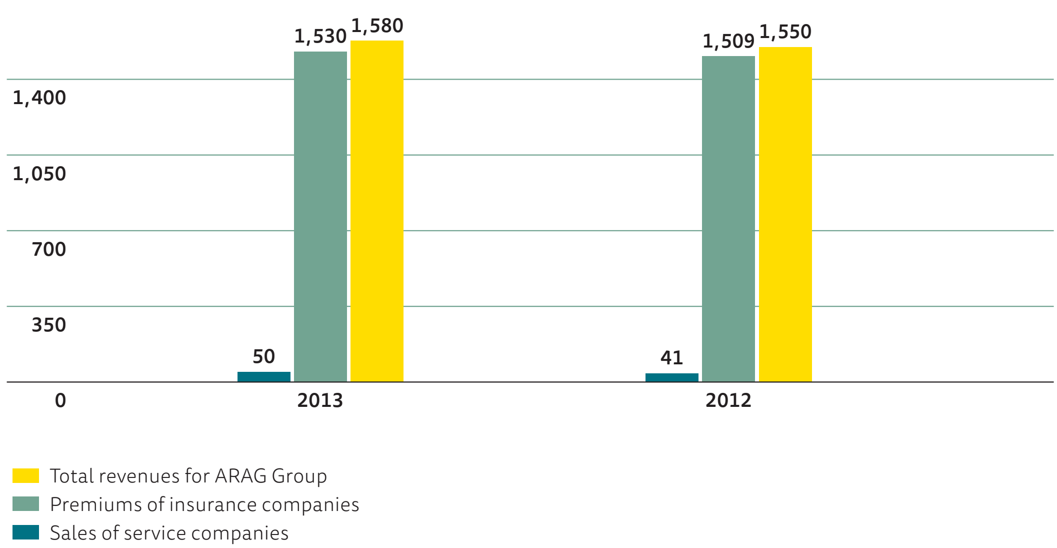
The biggest growth in the Group was achieved in the international legal insurance business, with a rise in premium revenues in the amount of €22.8 million. This rise resulted primarily from the expansion of the operational area to include Norway and Sweden thanks to the acquisition of majority interest in HELP Forsikring AS.

In the highly competitive German market, the ARAG Group achieved growth of 0.2 percent despite the decline in new business in the life insurance segment. Overall premium revenues in Germany amounted to €1.04 billion. The domestic legal insurance business posted an increase in premium revenues of €3.7 million. In a difficult market environment, the health insurance business showed a moderate increase from €331.3 million to €331.7 million. The market for German life insurance was equally tough. As a result, the life insurance business of the ARAG Group posted a fall in premium revenues of €4.6 million. Sales of the Group's service subsidiaries increased from €40.9 million to €50.2 million.

All in all, the premium revenues and sales of the ARAG Group rose by 2.0 percent from €1.55 billion in the previous year to €1.58 billion in the fiscal year under review.

Overall

(in million euros)



The Group's portfolios comprise 18.6 million policies. Our international business accounts for 17.3 million of these. This figure includes 12.9 million short-term travel insurance policies. The domestic sports business (composite segment) comprises a further 20.9 million insured risks, which enjoy the benefits of ARAG insurance cover through group policies with 18 state sports associations.

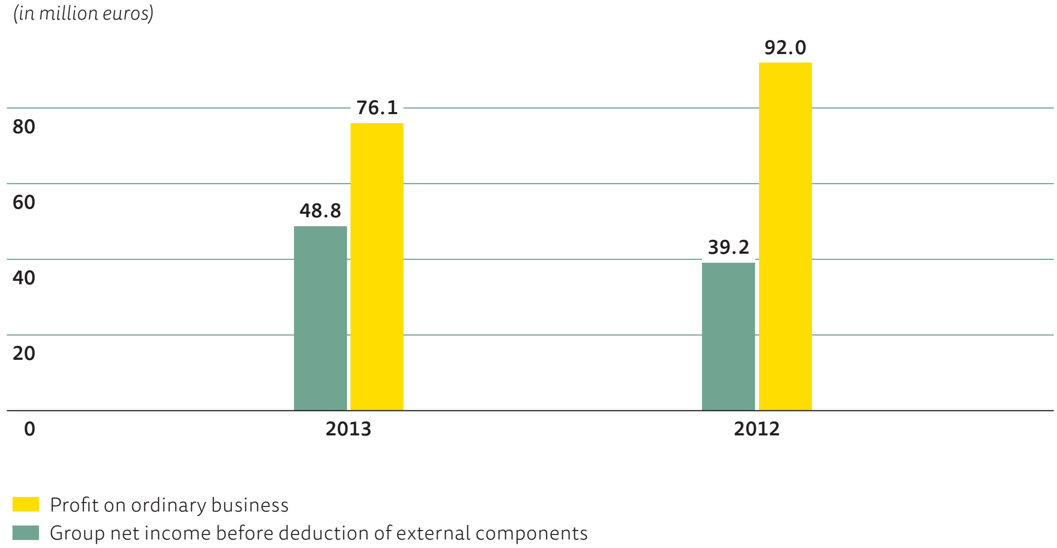
Earnings situation

After the record result of the previous year, the ARAG Group once again demonstrated excellent earning power. As expected, the underwriting result fell from € 64.2 million in 2012 to € 52.5 million. The Group was obliged to bear additional burdens here. In the fiscal year under review ARAG was faced with additional external burdens, including the increased cost of German court and attorneys' fees, the imposition of VAT on attorneys' services in Belgium as of 2014, and the extended right to free choice of attorney in the Netherlands. However, the effects of these burdens were less than had at first been expected. Ameliorating factors included the decline in commission expenses in the life insurance business.

Due to the burdens stated above, there was a year-on-year increase in the cost of insurance claims from € 892.9 million to € 935.7 million. The composite insurance business also contributed to this development. Claims payments rose in this segment as a result of storm events in 2013. The Group's claims ratio therefore increased from 59.7 percent to 61.7 percent.

Group performance

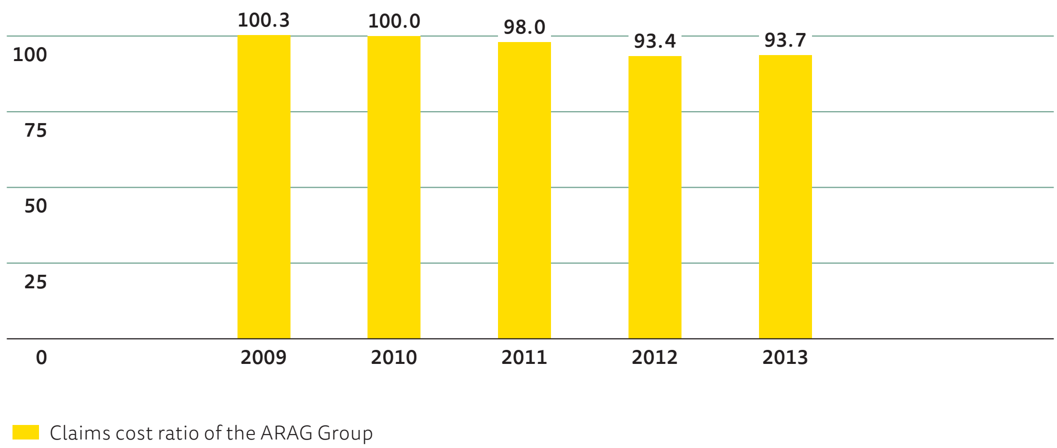
(in million euros)



On the other hand, costs for insurance business fell after showing a sharp increase in commission expenses in the previous year due to the large amount of new business in the life insurance segment. The cost ratio for fiscal 2013 therefore declined noticeably, from 33.8 percent to 32.0 percent. The Group's combined ratio of 93.7 percent was almost the same as the previous year's value of 93.4 percent.

Development of combined ratio

(in percent)



It was not possible to offset the fall in ordinary earnings with the balance of write-ups due to recoveries in value and write-downs because of permanent impairment. As a result, income from capital investment fell to € 222.6 million (previous year: € 238.2 million).

In the previous year, other income and expenses were affected by the additional costs for the completed restructuring of the ARAG Group. Net expenses fell accordingly from € 46.6 million in the previous year to € 41.8 million.

Despite all of these factors, the profit on ordinary business still showed a slight decrease, from € 92.0 million to € 76.1 million.

In the previous year, extraordinary expenses of € 0.3 million were incurred on account of the revaluation of pension reserves and old-age part-time obligations due to application of the transitional regulation of the German Accounting Law Modernization Act (BilMoG). In the previous year, restructuring of satellite offices of the Spanish branch additionally impacted this line item with expenses amounting to € 2.5 million.

Overall, earnings before taxes and external components decreased over the previous year, from € 88.7 million to € 75.8 million. In view of these burdens, this result is once again at a good level. Tax expenditures in the fiscal year under review decreased significantly over the previous year from € 49.5 million to € 27.1 million. Thus after deduction of taxes and external components, Group net income showed a clear increase of 25.5 percent from € 37.3 million to € 46.8 million.

Financial situation

The objective of financial management is to ensure that all obligations from the insurance business can be fulfilled at all times and not merely to meet the regulators' capital requirements for insurance companies, but to achieve a surplus cover through sufficient capital and liquidity controlling. The lower-ranking liabilities reported in the balance sheet qualify as own funds within the meaning of the German insurance oversight law (Art. 53 c (3) No. 3 b 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 3.5 percent, from € 5.15 billion to € 5.33 billion. The ratio of underwriting reserves to earned premiums showed a correspondingly marked rise from 344.2 percent to 351.6 percent.

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

Development of own funds

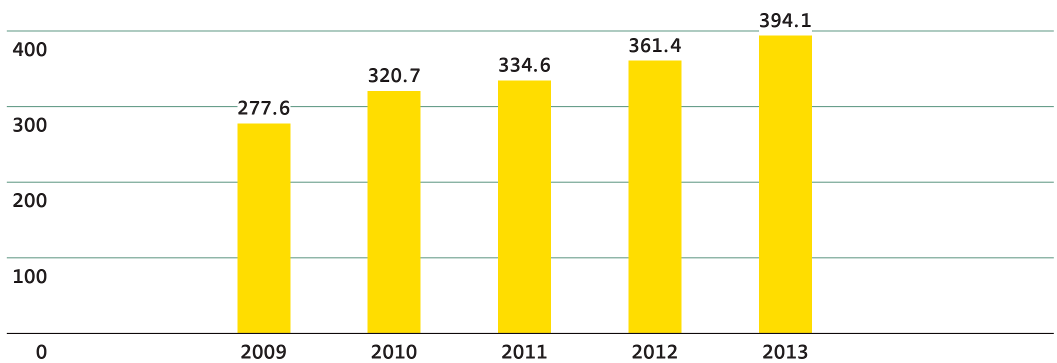
(in million euros)	**2013**	**2012**
Subscribed capital – paid in	200.0	200.0
Reserves	114.5	90.3
Capital shares of minority shareholders	32.8	33.8
Group net profit after external components	46.8	37.3
Total equity	**394.1**	**361.4**
Lower-ranking bond	50.0	50.0
Own funds	444.1	411.4
Underwriting reserves	5,330.9	5,151.7
Guarantee funds	**5,775.0**	**5,563.1**

The guarantee funds are covered by capital investments in the amount of € 5,702.8 million (previous year: € 5,503.6 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 and cash on hand amounting to € 132.6 million (previous year: € 104.9 million), in particular capital investments that can be liquidated on the capital and financial markets on short notice.

For further details of 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, page 87.

Development of equity

(in million euros)



Asset Situation

The capital investment portfolio of the Group grew in fiscal 2013 by 3.6 percent, from €5,503.6 million to €5,702.8 million. The present values of these capital investments amounted to €6,087.4 million (previous year: €6,034.9 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)		2013		2012	
I.	Real estate and buildings	219.7	3.9 %	223.6	4.1 %
II.	Shares in affiliated companies and holdings	38.6	0.7 %	58.6	1.1 %
III.	Lending to affiliated companies and holdings	0.0	0.0 %	0.1	0.0 %
IV.	Stocks and investment fund shares	2,323.0	40.7 %	2,317.7	42.1 %
V.	Bearer bonds	1,206.6	21.1 %	865.5	15.7 %
VI.	Mortgages receivable and other similar rights	154.9	2.7 %	174.2	3.2 %
VII.	Registered debentures, promissory notes	1,304.9	22.9 %	1,430.2	26.0 %
VIII.	Bank deposits	332.3	5.8 %	313.1	5.6 %
IX.	Other lending	15.1	0.3 %	32.0	0.6 %
X.	Other capital investments	81.2	1.4 %	66.5	1.2 %
XI.	Portfolio receivables	26.5	0.5 %	22.1	0.4 %
Total		**5,702.8**	**100.0 %**	**5,503.6**	**100.0 %**

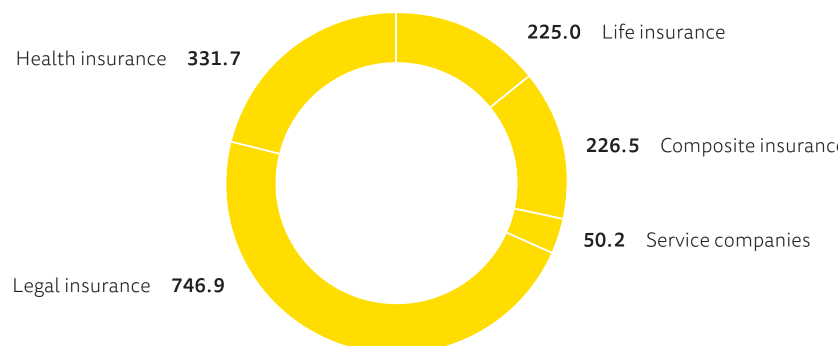
Segment Reporting

The Group comprises the operational segments

- Legal insurance business
- Composite insurance business
- Health insurance business
- Life insurance business
- Services and asset management

Premiums and revenues by segment 2013

(in million euros)



Gross premium revenues

(in million euros)	2013	2012
Legal insurance	747	720

Legal insurance business

The state of the legal insurance segment was healthy and robust during the fiscal year under review. Expanding the operational area to include Norway and Sweden generated growth in the legal insurance segment which more than offset the weaker market development in Spain and Italy.

The increase in gross premiums written was greater than in the previous year, showing a rise of 3.7 percent, from €720.4 million to €746.9 million. The share of premiums attributable to international legal insurance business again grew slightly in comparison with German legal insurance, and now constitutes 59.8 percent (previous year: 58.4 percent) of all legal insurance business.

The cost of insurance claims in the entire legal insurance segment rose from €384.8 million to €419.7 million. The main reasons for this were the increase in court and attorneys' fees in Germany, the imposition of VAT on attorneys' services in Belgium and the ruling in the Netherlands concerning the right of policyholders to free choice of attorney. The claims ratio rose from 53.6 percent to 56.4 percent as a result of these changes in framework conditions. The cost ratio fell, however, from 43.5 percent to 42.4 percent. After an underwriting profit of €21.6 million in the previous year, a profit of €12.7 million was posted for the entire legal insurance segment in the fiscal year under review.

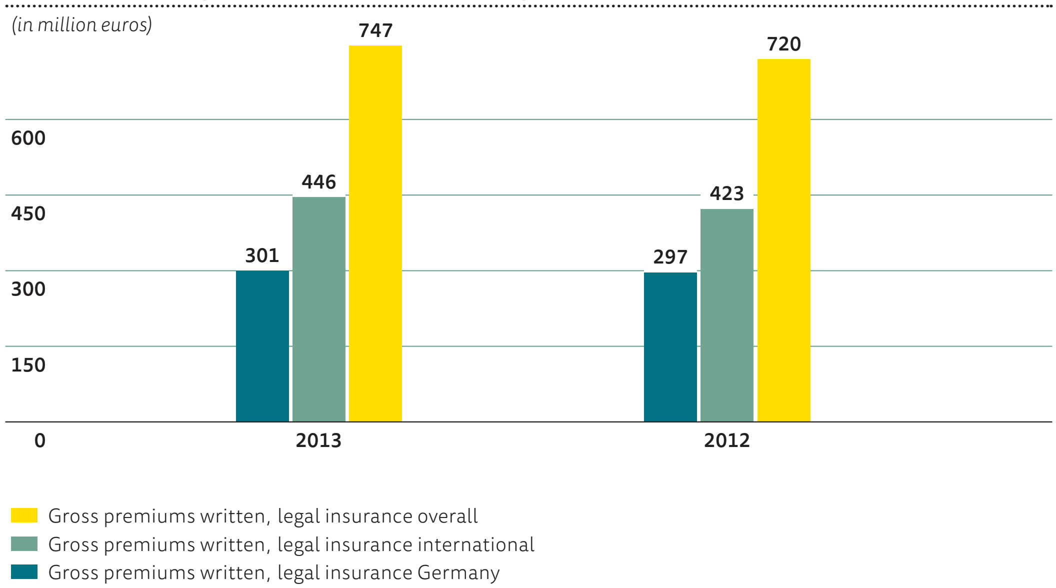
Income from capital investments for the entire legal insurance segment totaled €48.3 million, following €55.4 million in the previous year. Under consideration of the €0.2 million greater negative net expenses in the balance of €24.4 million in other income and expenses, profit on ordinary business amounted to €36.6 million (previous year: €52.9 million). In addition, extraordinary expenses in the amount of €2.5 million had accrued due to the restructuring of Sales in Spain.

The **international legal insurance business** was affected by the very difficult conditions in southern Europe. However, business performance was positive overall. This was also due to the expansion of business into Norway and Sweden thanks to the acquisition of a majority interest in HELP Forsikring AS. The ARAG Group is thus actively serving customers in 13 European nations outside Germany as well as in the US. The largest branches are located in Spain, the Netherlands and Italy.

The gross premiums written in the international legal insurance segment, today the Group's largest area of business, grew by 5.4 percent in the fiscal year under review, from €423.5 million in the previous year to €446.3 million.

In line with expectations, premiums fell in Spain by 11.0 percent. In the other European markets the level of premiums was maintained at the same amount as in the previous year, or higher. In Italy, growth of 3.8 percent was achieved, primarily as a result of expanding the assumed reinsurance business. The strongest growth momentum came from Norway and Sweden. Due to the first-time consolidation of HELP Forsikring AS, the Group's revenue from premiums increased by an additional €25.4 million.

Uninterrupted growth in international legal insurance business



Further premium revenues of € 42.8 million were generated by the comparable special service package business conducted in the Spain and Italy branches. These are reported in the composite segment. Including this figure, total revenues achieved in the international legal insurance business amounted to € 489.1 million.

In the fiscal year under review, the cost of claims in the international legal insurance business increased from € 209.8 million to € 230.5 million. This rise is primarily attributable to the imposition of VAT on attorney services in Belgium from 1 January 2014 and to the increase in the portion of external claim settlement in the Netherlands. This was caused by the new ruling concerning the right of policyholders in the Netherlands to free choice of attorney.

The combined ratio in international legal insurance business increased due to the effects described from 95.2 percent to 96.5 percent. In the fiscal year under review, the international legal insurance business posted a profit on ordinary business of € 30.9 million (previous year: € 46.3 million). This segment is thus the largest single profit engine within the Group.

The 2013 fiscal year marked a turning point for the **legal insurance business in Germany**. As a result of the attractive additions to the product range in recent years and the bolstering of long-term sales capacity, the Group succeeded in ending years of attrition of premiums in the German legal insurance business and achieved a slight growth in premiums of 0.2 percent. In addition to the expansion of assumed business, gross premiums written of € 300.6 million were generated (previous year: € 296.9 million).

The cost ratio in the German legal insurance business rose from 59.0 percent in the previous year to 62.8 percent in the fiscal year under review. This increase was partly the result of the rise in attorneys' and court fees effective from 1 August 2013 and partly due to the adjustment of the provisions for outstanding claims for the assumed reinsurance business in line with the principles that apply to self-contracted business.

The net cost ratio in the fiscal year under review fell to 39.6 percent (previous year: 40.8 percent). By implementing savings on marketing costs and reducing the cost of external consultancy it was possible to offset the additional commission expenses incurred by the increase in new business. In addition, the fluctuation reserve was completely dissolved in the fiscal year under review, to the amount of € 0.5 million.

Overall, the German legal insurance business recorded an underwriting loss of € 5.4 million, following a profit of € 1.6 million in the previous year. Income from capital investments was slightly higher than in the previous year at € 30.6 million. Under consideration of the € 5.4 million decrease in negative net expenses in the balance of other income and expenses, profit on ordinary business amounted to € 5.7 million (previous year: € 6.6 million).

Composite insurance business

Gross premium revenues

(in million euros)	2013	2012
Composite insurance	227	228

Gross premium revenues in the composite segment came to €226.5 million in the fiscal year under review (previous year: €227.6 million). This slight decline is due to the recession in Spain. There, sales of assistance products fell once again due to declining vehicle registrations.

By contrast, premium revenues in this segment showed an increase of 1.4 percent in Germany. During the fiscal year under review, a number of storms occurred, leading to a rise in the cost of claims in the residential building insurance business. The cost of claims was therefore slightly above the very good level of the previous year, resulting in a claim ratio of 46.1 percent (previous year: 45.6 percent). The cost ratio increased slightly from 40.4 percent to 40.6 percent. This increase is largely due to the decline in premiums in Spain caused by the recession there, to structural changes in Italy and to the slight increases in commissions for the higher volume of new business in Germany. The underwriting result before fluctuation reserve fell correspondingly from €31.0 million in the previous year to €29.3 million. After adjustment of the fluctuation reserves by €6.8 million, the underwriting result came to €22.5 million (previous year: €29.1 million). Under consideration of the 28.2 percent decline in income from capital investments and the 7.1 percent improvement in other income and expenses, the composite business achieved a profit on ordinary business of €28.1 million (previous year: €38.0 million), making it the Group's second-strongest earner after the legal insurance segment.

Health insurance business

Gross premium revenues

(in million euros)	2013	2012
Health insurance	332	331

After a period of continual healthy growth lasting 15 years, the health insurance business of the ARAG Group recorded a pause in growth, with gross premiums written showing a year-on-year growth of 0.1 percent. A significant factor in this was consumer insecurity over the possible introduction of a "Bürgerversicherung" (flat-rate health insurance) in the election year of 2013. This uncertainty also had a negative impact on demand for ARAG full-coverage health insurance products. On the other hand, revenues from premiums for supplementary health insurance did show a marked increase, and so ARAG was able to further expand this traditionally strong area of business. The decision to guarantee stable premiums for customers with ARAG supplementary insurance up to 2015 was a significant factor in the expansion.

On the benefits side, the increased cost of insurance claims and the reduction in transfers to actuarial reserves amounted to a total of €285.1 million compared with €290.2 million in the previous year. Income from capital investment grew by €2.5 million, from €47.1 million to €49.6 million. Under consideration of the other expense and income items and transfer to provisions for premium rebates, earnings before taxes remained stable compared with the previous year at €10.6 million (previous year: €10.7 million).

Gross premium revenues

(in million euros)	2013	2012
Life insurance	225	230

Life insurance business

In the fiscal year under review, the economic conditions affecting the life insurance segment suffered under the impact of low interest rates. ARAG Lebensversicherungs-AG continued to be a high-quality partner for its customers and reinforced its position in the market with attractive products – particularly the successful family of ARAG fund-linked policies, FoRte 3D. Gross premium revenues were slightly down at €225.0 million (previous year: €229.6 million) because of the challenging conditions affecting the segment. Growth was achieved in certain individual areas, however, such as the Riester pension plan, for example. This showed an increase in premiums of 6 percent to €86.3 million, which accounts for 40 percent of current premiums. Due to the high volatility of the capital markets, a conscious decision was made not to sell policies on the basis of so-called short-term single premiums.

On the benefits side, the cost of insurance claims as well as the change in the underwriting reserve over the previous year resulted in an increase of €15.2 million to €298.8 million. Commissions and administrative costs declined over the previous year by 31.8 percent to €40.7 million due to the smaller amount of new business. Income from capital investments fell by €6.5 million, from €119.2 million to €112.7 million. Under consideration of other expenses, and income items and the tax charge, this segment generated a gross profit of €11.0 million. This enabled €11.0 million (previous year: €22.9 million) to be transferred to the reserve for premium rebates. A pretax profit of €0.7 million remained for the Group net profit, following a €3.3 million loss in the previous year.

Revenues

(in million euros)	2013	2012
Service companies	50	41

Services and asset management

This segment bundles all subsidiaries of the Group that perform central services outside of the pure insurance business or conduct non-insurance-related business – such as providing IT services or running a central customer emergency hotline for ARAG customers or the property development business for third parties. It also includes the holding companies, of which ARAG Holding SE is one. The agency subsidiary of the Group, Cura Versicherungsvermittlung GmbH, the insurance agent for the British reinsurance business and a 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 increased to €90.4 million. After adjusting for intra-Group revenues of the service companies, external sales amounted to €50.2 million as opposed to €40.9 million in 2012. Earnings before taxes totaled €4.1 million (previous year: €4.4 million).

Non-financial performance indicators

Product development and other performance factors The ARAG Group is a versatile quality insurer operating on an international scale, as is shown by the new brand presence and the slogan "ARAG. Dive into Life" and is also reflected in the comprehensive product portfolio and the Group's unique services. The Group companies demonstrated their impressive capacity for innovation in fiscal 2013 by continuing to develop their range of insurance products and services.

As always, the focus remains clearly on the customer's individual needs. In the spirit of the new brand strategy, ARAG's customers should be able to enjoy life to the fullest, make the most of their opportunities and see their plans reach fulfillment. ARAG gives them the freedom to do this by taking care of their risks. As an innovative and modern quality insurer, ARAG provides them with appropriate insurance and service – from a single source that covers all segments in Germany and by focusing on the traditional core business of legal insurance in its international markets.

At the beginning of 2013 the German insurance business implemented the biggest product launch in the Group's history, with over 20 redesigned and newly developed legal insurance policies. The highlights included ARAG web@aktiv, the first-ever comprehensive insurance coverage against losses in the Internet anywhere in Germany, after its successful launch for private customers offered to self-employed people as well. Also new on the market and unique in their scope were the ARAG JuraCheck and ARAG JuraCheck Plus legal services policies which provide a review of contract clauses or one's personal website by attorneys – online or by phone. The new ARAG Aktiv Premium legal insurance rounds out the range of legal insurance products appropriately: It complements the Basis and Komfort versions which were themselves extended in terms of the services provided and adds many unique product features, such as cost coverage for legal disputes involving university admissions or false consultation concerning stocks or pensions. In addition, the revised ARAG manager and company contract legal insurance has also been available to commercial customers since the beginning of 2013.

During the fiscal year under review further refinements made to the product portfolio were designed specifically to optimize insurance cover for customers and consumers. At the heart of this endeavor was the new ARAG Aktiv Immobilie legal insurance for real estate, which was launched in February 2014 as part of the 2014 cross-segment product offensive. This is a first for a legal insurance product, in that it provides cover for costs resulting from disputes concerning the construction or purchase of properties. Tenants, property owners and landlords can choose the coverage that suits them best from three available rates. Other new features include the option for landlords to insure against loss of rent or to receive benefits in the event of nomadic tenants.

In the ARAG Group's international legal insurance markets, the branches and subsidiaries have also extended their range of products and services to meet new market and customer requirements. In Great Britain, for example, ARAG plc in Bristol revised more than 60 percent of its product portfolio. The company needed to adapt over half of its policies to comply with changes in the legislation governing legal costs in the UK. In addition to a new personal injury product which provides cover against hospital malpractice and occupational illness, a new business product was also developed. In 2013, ARAG Belgium launched the Internet legal insurance ARAG web@aktiv, which had already been successfully positioned on the German and Austrian markets. The Italian ARAG branch also updated its product portfolio quite extensively, to include legal insurance for SMEs, legal insurance for home owners and a product aimed specifically at a target group of doctors and other healthcare professionals. ARAG Austria is now also offering its customers the new ARAG Online Rechtsservice, which is automatically incorporated into all new policies. Like its German predecessor, the Online Rechtsservice offered by ARAG Austria gives its customers free access to a legal database of over 1,000 templates for contracts and sample forms and letters. The Spanish branch also added extensions to the range of products and services on the agenda during the fiscal year under review, with additions to its business product for SMEs. ARAG Netherlands set up a new direct distribution channel for its products and legal services. These are now available online and at the company website, which was completely redesigned.

In the Group's composite insurance segment, led by ARAG Allgemeine Versicherungs-AG, the ARAG Top Special Service Package was completely revised during the fiscal year under review. New and existing customers alike were able to profit from the improved scope of benefits. A major area of focus in 2013 was the development of an innovative insurance solution dedicated to invalidity cover. The new ARAG Existenz-Schutz protection plan was launched during the February 2014 product offensive and offers extensive protection against the consequences of an accident or serious illness. As a first in the German market, the product combines accident, long-term care and legal insurance services. The scope of the innovative ARAG Existenz-Schutz goes considerably beyond the market norm, including the services of a rehabilitation consultant and extended outpatient assistance and care benefits. ARAG Business Aktiv, the insurance package for commercial customers, was launched in a completely revised form in February. It includes an even more extensive range of property and liability cover, supplemented by benefits such as extended product liability coverage and an online accounts receivable management system. The new products reflect the successful approach of offering customers additional appropriate services and assistance over and above the core risk coverage so that there is always help on hand if worse comes to worst.

In the health insurance segment the range of high-quality products was supplemented by the extensively revised foreign travel health insurance package. In addition, the development and placement of its own product line for employer-financed company health insurance (bKV) has positioned ARAG Krankenversicherung in a new, strategically important business area: the bKV product family ARAG Business Line was launched in the fiscal year under review with two rates containing extensive health benefits in the areas of pensions and supplementary dental care insurance. The range was later rounded off with attractive insurance plans for inpatient treatment costs. Also during the fiscal year under review, two new daily nursing care plans were developed and introduced in February 2014: ARAG FörderPflege offers the customer solid basic cover with no health-check requirement, plus entitlement to the full state contribution to private care insurance (Pflege Bahr). This offer can be supplemented by the new ARAG IndividualPflege care plan, a flexible high-performance plan that can be adapted to the needs of the individual.

In the life insurance segment, ARAG's line of flexible fund-linked pension plans, FoRte 3D, built on its success in the fiscal year under review. To increase the attractiveness of the range even further, ARAG Lebensversicherungs-AG added some innovative strategic funds to the selection. With its offering of net rates for fee-based consultancy, the life insurance business is positioning itself in a new business area, and in 2013 recruited further fee-only advisers of significance. The focus in product development during the fiscal year under review was on the insurance of biometric risks. In February 2014, the new ARAG term life insurance was introduced. It features individualized premiums and the option of changing benefits during the life of the policy. One particularly innovative feature is the option to select advance payment of death benefits. The new term life insurance plan offers customers additional financial leeway where circumstances are particularly extreme. This offering is tailored to young target groups by the addition of a new type of occupational disability insurance with death benefit.

The innovative strength, quality and superior performance of ARAG and its product range is affirmed once again through outstanding product ratings, test results and awards given by independent third parties: In the legal, composite and personal insurance businesses alike, ARAG succeeded in making a favorable impression on ratings agencies, financial and consumer testers, industry experts and insurance brokers, gaining a number of top rankings. In early 2013, ARAG also achieved a top ranking in a study comparing the comprehensibility of the product and customer information given by German insurance companies. Certifications from TÜV Saarland also attest to the quality of the service provided by the ARAG Group: The service quality of the Group's ARAG Legal Service (ARAG SE) and ARAG Claims Service (ARAG Allgemeine/Interlloyd) units was rated as "very good". Both units work closely with their customers and were commended for high levels of customer satisfaction and the excellent quality of their service. The best result to date among the insurers recognized by TÜV Saarland was once again achieved by ARAG Claims Service.

Employees and employee qualification As of the end of fiscal 2013, the ARAG Group employed a total of 1,967 persons (previous year: 1,928) in Germany. A further 1,644 people were employed in the international branches and subsidiaries (previous year: 1,637). ARAG additionally provides vocational education as certified professionals in insurance and finance. In addition to vocational training, continuing employee education also enjoys a high priority at ARAG. ARAG aims to remain one of the best insurers on the market. To achieve that goal, all employees must be able to keep their knowledge and skills up to date. The Internet-based qualification platform ARAG IQ was created for this purpose. Conventional in-person seminars and sessions are supplemented and enhanced through e-learning. ARAG employees around the world can take advantage of this qualification portal. The subjects of the qualification program cover a full range including executive programs, Office courses, project management training, coaching offerings and foreign languages.

A further key component of efforts to retain qualified employees in the Group is the internal talent management program ARAG myCareer. Launched in 2011, this offers an expanded qualification toolset for human resources selection, development and qualification. It thus supports employees in their development and career planning and at the same time serves to retain professional and generalist knowledge in the Group.

The ARAG sales training program assures continual, high-quality qualification actions for ARAG sales partners. This unit covers the entire spectrum of knowledge relating to the sale and the superior performance of ARAG products with a broad spectrum of specially tailored seminars.

In the fiscal year under review, the ARAG Essentials – our corporate vision for the ARAG Group – and the ARAG Leadership Standards derived from them were further embedded in our day-to-day operations. The ARAG AWARD has been presented on an annual basis since 2012. The award honors independently conducted employee team projects that implement the ARAG Essentials in day-to-day work in an exemplary manner, in three categories: Germany, International and (German) Sales. The 2013 winners were honored at the ARAG Group Management Conference in January 2014.

The ARAG Group is considered a challenging employer with high performance expectations for its employees. In return, ARAG invests in an extensive range of employee benefits. One key element is the Group health management program ARAGcare. This focuses on the personal health of employees and on a better balance of career and family. In the competition for the 2013 Corporate Health Award, ARAGcare was accorded the Seal of Excellence for the fourth year in a row. ARAG thus continues to maintain its place at the forefront of the industry.

As a responsible employer, ARAG is expanding the broad offerings of ARAGcare. In addition to regular newsletters, ARAG also offers a wide range of company sports opportunities, regular medical care and "anti-stress courses," such as yoga. Since January 2014 the Düsseldorf location has been joined by Munich in having a fully equipped parent-child office available for employees and their children in the event of unplanned child care bottlenecks. Since the end of 2012, an extensive online health check is available to all employees in Germany.

The ARAG Group is always prepared to meet the challenges of a changing society head-on. Since 2013, a cross-sectional project team has been heavily involved in tackling the topic of gender diversity. The key objective is to set a good example by putting the principles of diversity into practice. For example, age, nationality, personal circumstances and family status should not have any part to play in influencing a person's career. There is much more to the gender diversity project than promoting women's interests. The actions recommended by the project group in close coordination with the Works Council are later put into effect through existing human resource programs such as ARAGcare. One of the main objectives is to improve recruitment and retention and raise levels of employee satisfaction and productivity.

ARAG would like to thank its customers for the trust they have placed in us. We are also grateful to our sales and administrative employees for their exceptional dedication and their highly motivated implementation of the new requirements. Our gratitude extends to the Works Council as well for its loyal and constructive cooperation.

Employees

(permanent employment contracts)	**2013**	**2012**
Consolidated companies	3,605	3,559
Entire Group	3,611	3,564

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, 3,611 persons were employed as of 31 December 2013 (previous year: 3,564). As of 31 December 2013, a total of 3,605 persons were employed in the consolidated companies on a permanent basis (previous year: 3,559). During the reporting period, 45.5 percent of all ARAG Group employees worked outside of Germany (previous year: 45.9 percent).

III. Supplementary Report

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

IV. Outlook, Opportunity and Risk Report

Outlook Report

Today, ARAG is successfully active in Germany and 13 other European markets as well as in the US. Because of its high degree of internationalization, the pattern of economic development within Europe is of particular importance to the Group.

In the European economic area, forecasts about the German market and the other countries in Europe continue to be varied. Nonetheless, there are increasing indications of a slow economic recovery, even in the southern European markets hardest hit by the sovereign debt crisis. Spain appears to be coming out of recession. The European Commission expects moderate growth there for the first time again in 2014. Other economies are also recovering from the financial crisis, and having an impact on the figures for the European Union as a whole. For example, Ireland has left the bailout mechanism and is refinancing itself once again in the capital market. Even in Greece the dramatic recessionary trend has begun to slow down. Most recently, Greece has been very successful in refinancing itself in the capital market.

In November 2013, the European Central Bank responded to the low inflation rate of 0.7 percent by lowering the base interest rate to 0.25 percent. The US Central Bank also seems set to continue its policy of increasing the supply of money. There is therefore no reason to expect interest rates to rise in the medium term. Despite the EU Commission revising its economic growth forecast for the eurozone in 2014 down to 1.1 percent, stock prices are rising again and have already reached record levels.

Germany's economy proved to be in a very robust condition last year. It was bolstered both by a healthy export economy and strong domestic demand. The moderate recovery in Europe gives rise to expectations of further healthy growth for the German economy in the forecasting period. Whether the burden on the German budget caused by planned pension reforms will lead to tax increases still remains to be seen. Any tax rises or legislation mandating a national minimum wage could have a dampening effect on the domestic economy. Nevertheless, after two years of moderate growth rates, the German economy will expect to see growth at a rate of 2 percent during 2014 as long as framework conditions remain generally favorable.

For the German insurance industry, a decline in sales of around 1.6 percent is anticipated in 2014. This decrease only affects life insurance policies (– 5.9 percent). The period of low interest rates is continuing to have a negative impact on the appeal of private pension plans in the eyes of consumers. The reverse is true for property and accident insurance, however. In these segments the continuing rise in private household incomes, which account for two thirds of demand in this area, has had a tangible effect. The German Insurance Association GDV anticipates a 2.3 percent increase in sales here.

The impending transition from the current supervisory system (Solvency I) to the new Solvency II system will lead to fundamental changes in the insurance industry in the European Union. After agreement by the European Parliament, Commission and Council, the new standards are to take effect on 1 January 2016. However, they will have a significant influence on how supervision is practiced in 2014 and 2015, before the actual implementation date. The new standards mean more stringent requirements concerning capital, risk management and reporting for all insurance companies. Reports on the status of preparations will have to be submitted to the supervisory bodies even during the preparation phase.

Due to its transnational positioning, the ARAG Group intensively tracks the parameters of its business in Europe. With an international business share of 32 percent of total revenues, ARAG is one of Germany's most internationalized insurers.

The ARAG Group anticipates continued positive business development in the forecasting period. The Group will continue to grow in 2014, demonstrate a healthy earnings situation and be solidly financed. The advantages of the new structure (branches instead of subsidiaries) and ARAG's differentiated strategies for domestic and international diversification will be instrumental in achieving these targets. The Group's strategic direction was defined in specific term, targeting growth in line with the market for the four segments in Germany and expansion of the international legal insurance business on a worldwide basis.

At the same time, the ARAG Group acknowledges the challenges of a changing society and is prepared to meet these head-on. A responsible approach to business has been a significant factor in the Group's success. Entrepreneurial spirit and social awareness go hand in hand. Customers, business partners and employees are all increasingly alert to the additional benefits to society that ARAG is prepared to provide. A proper understanding of social responsibility entails long-term activities with sustainable outcomes. As an independent family enterprise, ARAG can put this into practice in a genuine manner.

In principle, the Group will remain true to its conservative, earnings-oriented business policy.

The expectations for each Group segment vary for the forecasting period.

In the legal insurance segment, the Company expects slight growth in gross premium revenues in spite of the continuing difficult market conditions in many European countries.

In the German market, ARAG SE has succeeded in halting premium attrition in its legal insurance business for the first time in some years. The continuing portfolio growth in this area is evidence of the turnaround achieved by ARAG SE. The combination of innovative product development, high quality claims processing and service and a long-term sales strategy ensures that the foundations are firmly in place for continued successful performance. Accordingly, ARAG anticipates a moderate increase in premiums for 2014.

ARAG anticipates moderate growth in the international markets during the forecasting period. Market conditions continue to be very demanding and are taken into account here.

The increase in attorneys' and court fees in Germany will continue to place a burden on profits in the segment in 2014. As a result, an increase in claims expenses in the German legal insurance business is anticipated.

The cost ratio will not change significantly after conclusion of the restructuring measures in the wake of the change in corporate structure in 2012.

The composite segment bundles ARAG's property, liability and accident insurance business outside of the legal insurance segment. A smaller portion is the legal insurance-related special service package business in the Spanish and Italian markets, which is stated here. These markets remained slow. The Group anticipates a moderate increase in premiums on the German market in this segment. The measures already in place to increase portfolio stability and new business will continue to be effective during the forecasting period. The composite segment focuses clearly on the private customer and is characterized by its highly efficient claims management. As a result, this segment is among the most profitable units in the ARAG Group. Assuming that no relevant major losses occur, this segment can achieve a claims ratio of significantly under 100 percent in the forecasting period. The Group expects the very good earnings situation in this segment to continue.

ARAG's health insurance business is well positioned with respect to the ongoing political discussion regarding the future of private health insurance in Germany. This is due to the excellent portfolio in the health insurance segment with a high percentage of cost-share insurance. The systematic reinforcement of this already dominant business area will continue during the forecasting period as on consideration of all health policies it constitutes a growth market. The Group expects the growth trend in supplementary and full-coverage insurance to continue, although the increase in growth during the forecasting period will be less than in previous years. The Group is taking the continual increase in the cost of medical care into account in this reduction in growth in order to ensure the profitability of this business.

As an additional area of business, the health insurance segment will reinforce its business with employer-funded company health insurance. As an effective and renowned provider of cost-share insurance, ARAG is in a position to offer attractive benefits for employers and their staffs. ARAG Krankenversicherungs-AG sees long-term care insurance as another business area with future potential and one of increasing importance to customers. In this area, two new daily nursing care plans were developed and launched as part of the ARAG product offensive in February 2014. In fiscal 2014, gross premium revenues will show a moderate year-on-year increase. For the forecasting period as a whole, ARAG anticipates a stronger upturn in business again. The profit situation in the health insurance segment will remain stable.

After posting very high premium growth in the years preceding the fiscal year under review, with more than €1 billion face amount in new business in each, premium revenues in ARAG's life insurance business will remain stable in the forecasting period. In order to process the rapid growth of recent years, ARAG has slowed its generation of new business considerably. In this current phase, the segment is focusing on developing its product portfolio. This will include making further improvements to the multiple award-winning ARAG FoRte 3D family of products. With its high-performance fund-linked policies, ARAG is in a strong position in this current period of low interest rates. More than 80 percent of new policies fall into this category. To increase the attractiveness of this range even further, some innovative strategic funds were added to the selection during the fiscal year under review. In this segment, ARAG will also intensify work on expanding its product portfolio for insuring biometric risks.

In the life insurance business, ARAG will continue to adhere to its strategy of refraining from volatile short-term single-premium business. In the future, premium revenues in this segment will again come almost exclusively from policies with regular premiums. For 2014, the Group anticipates gross premium revenues at the current level. Face amount of new business is expected to be €700 million. In view of the persistently of low interest rates, ARAG anticipates another transfer to the interest supplement reserve.

The level of income for the 2014 fiscal year is expected to be comparable with that of the fiscal year under review.

The net income of the ARAG Group before taxes and external components amounted to €75.8 million in fiscal year 2013. The Group has once again proven to be extremely profitable. The basis for this continues to be ARAG's good to excellent operational efficiency. This is reflected in the underwriting result. The Group also anticipates further stable and positive performance in the forecasting period. The ARAG Group will therefore be able to post a good result at approximately the same level as in the fiscal year under review. The largest family enterprise in the German insurance industry traditionally concentrates on strengthening its underwriting performance capability so as to remain more independent of fluctuations in the capital markets.

At the moment it is virtually impossible to reliably forecast the development of the capital markets. The interactions between the effects of austerity measures on interest rates and purchases of sovereign bonds of overindebted nations by the ECB cannot be realistically estimated for the forecasting period. The ARAG Group is thus assuming unchanged parameters and a continuation of the low-interest phase. Given these assumptions, the Group expects income from capital investment to remain at the level of the fiscal year under review.

Under consideration of the identifiable opportunities and risks, solid and stable business development is anticipated for 2014. Overall, the Group anticipates further growth and income at approximately the level of the fiscal year under review.

Opportunity report

The opportunities and risks for the future development of the ARAG Group have already been addressed at various points in the Management Report. Over 32 percent of the Group's premium revenues are generated in international business. ARAG is thus one of Germany's most highly internationalized insurers. The opportunities and risks for the Group derive from this orientation.

The broad international positioning of ARAG makes it less dependent on developments in national markets. This is particularly true for the extremely mature German legal insurance market, which offers very few true growth perspectives. However, its prime significance for ARAG as its original home market remains unchanged. The strategy of ARAG SE as a leading enterprise in the legal insurance business is based on the international diversification of this Group segment.

This international diversification is the logical entrepreneurial consequence of the high saturation of the German market. Outside of Germany, the legal insurance markets offer incomparably greater growth potential. ARAG is exploiting this with great dedication in order to further the Group's development. ARAG places a high priority on taking the respective national market features into account. The division of labor within the entire ARAG Group is such that the position of the ARAG brand on the German market is strengthened through reinforcement of the insurance segments besides legal insurance. This two-dimensional diversification strategy makes ARAG SE more independent of its original, tightly focused position as a purely German niche provider. A pure specialist insurer is much more crisis-prone on account of its monoculture. ARAG's strategic approach is thus one of active risk reduction, and is based on distributing risks more evenly across markets and segments.

To help corporate management control the international structure of ARAG SE, a Group Executive Committee (GEC) was formed. This body is made up of the Group Board of Management and representatives of the main European branches as well as representatives of the other German insurance segments. The Committee will improve the interchange of information between the branches and the German insurance companies in the ARAG Group. One of the main objectives of the GEC is to transform innovations and market changes more quickly into practical business processes, both internationally and in Germany, when clear opportunities are spotted for developing the Group.

Altogether, the new European management structure will enable ARAG SE to better take advantage of the many and varied opportunities in Germany and abroad. At the same time, the initial experience of the new structure is demonstrating that market risks are more readily transparent through all levels of management from the top down and that the Group can respond much more quickly as a result.

ARAG SE is responding to the challenges of the markets consistently and with full commitment. ARAG Holding SE is creating scope for the further successful development of its business in a challenging and heterogeneous market environment.

Risk Report

Risk management system

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 creates sustained enterprise value for its 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 the ARAG Group.

The risk management guidelines of ARAG are:

- Risks are managed where they occur.
- All identified risks are monitored 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 is designed so that local and global risks are holistically controlled, while simultaneously ensuring that the overall risk profile remains in line with Group risk strategy.

The Group Board of Management establishes the business-policy objectives, the risk strategy as well as the capital requirements and limits of the Group. The Supervisory Board deliberates on this and regularly receives reports regarding compliance with the risk strategy and limits.

Within the Group, the Chief Risk Officer of ARAG SE is responsible for the central communication of risk-relevant issues by reporting to the Board of Management and Supervisory Board of ARAG on a regular basis, at least quarterly or as required. This officer is also responsible for inter-divisional planning, controlling and monitoring of the entire risk architecture.

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

Decisions regarding the 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, 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 also responsible for developing models for determining the risk-bearing capacity, risk capital and risk capital allocation.

Risk control for capital investments has an independent function which includes analyzing and monitoring market price risks. This focuses not only on the asset- and liability-side economic and balance-sheet risks from interest-bearing items, but on the detailed analysis of risk drivers for the various categories of capital investment as well.

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 integral 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 system, 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 assessment, risk capital allocation, 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. For example, risks associated with 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 within existing limit and monitoring processes.

Risk 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. Such losses in value may result from unfavorable developments on the capital investment side or an unexpected development in insurance business.

The methods are audited on a regular basis. The risk positions also undergo a stress test, back testing and a validation test on an ongoing basis.

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 capital allocation The risk-bearing capacity of the Group is determined based on the aggregated risk capital allocation and the available cover assets. This takes into account regulatory and internal minimum cover requirements. Free risk capital is allocated through the use of a limit system, by means of which the overall limit defined in the risk strategy is allocated to the types of risks identified.

Risk controlling The risk management functions at the Group and segment levels define suitable strategies and concepts for overseeing both the informed 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 and risk-bearing capacity at all times.

Risk monitoring and risk report 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.

Internal control system The internal control system (ISKS) ensures that the internal and external requirements set for the ARAG Group are observed. The controls relate to operational processes, the business and central areas and the governance system. The internal controls are continually reviewed for their effectiveness. The aim is to ensure the continuing adaptation of the controls to the changing parameters, internal processes and risk profile of the Company.

Focus issue

Project Solvency II

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

After the successful completion of the project phase in preparation for Solvency II, the rest of the tasks were transferred to the line organization. This also involved the transition from the development phase for the partial internal model to the trial and implementation phase. The trial provides evidence of the extensive use made of the partial internal model within the Group and the importance of its role in management.

The certification process for the partial internal model was also continued. As part of this pre-application process, the ARAG Group is in regular communication with the German Federal Financial Supervisory Authority (BaFin).

Risks

Underwriting risks in property, liability and accident insurance

The main underwriting risks in ARAG property, liability and accident insurance are:

- Premium risk: understood to mean the loss that occurs when the premium revenues of the coming fiscal year are not sufficient to cover all claims of this year.
- Reserve risk: understood to mean the loss that occurs when the provisions formed for losses occurring in the past are not sufficient.

To assess the premium and reserve risks, historical claims are compiled into homogeneous risk groups according to fixed criteria. On this basis, the risk capital requirement is determined for each identified risk. The risks are stated as both gross and net values (i.e. after reinsurance).

Due to the product and client structure, our insurance portfolio holds no extraordinary risks regarding possible major claims that would endanger the Group's continued existence. The claims situation is actually influenced more by the effects of changing legal, economic, social and climate 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.

ARAG applies various measures to control and monitor underwriting risks. Insurance rates and terms are adapted where necessary and the claims reserves provide for sufficient safety margins. Additionally, relevant legal and social developments are constantly monitored and their effects on the insurance portfolio are analyzed.

The actuarial department ensures that sufficient provisions are formed for the obligations arising from the claims according to actuarial principles so as to ensure that future obligations are met.

Additionally, reinsurance contracts exist for major risks and facultative contributions are made to various reinsurance companies, so that only a reasonable own portion remains which does not endanger the Group's existence. Settlement claims from reinsurance business exist in the amount of €29.8 million. All German reinsurers who assume insurance business from ARAG have a Standard & Poor's rating of at least A–.

The table below illustrates the stability of our insurance business in Germany and the consistently adequate allocation of claims reserves by summarizing the claim development trend of self-contracted business over the last ten fiscal years.

Development of claims

Fiscal year	Gross claims ratio, total		Settlement result
	Ratio for FY	*Balance*	*as % of initial reserve*
2013	61.3	53.3	5.9
2012	62.6	50.9	7.0
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

The tasks of the actuarial function enumerated in Art. 48 of the Solvency II Directive are performed primarily by Group Risk Management. The functional separation of sales-related areas up to the level of the Board of Management ensures the independence of the actuarial function in performing the tasks pursuant to Art. 48 of the Solvency II Directive.

Underwriting risks in life insurance and health insurance

The main underwriting risks in life and health insurance at ARAG are:

- Interest guarantee risk: understood to mean the loss incurred when the actuarial interest rate used for calculation of the actuarial reserves cannot be earned through capital investments.
- Biometric risks: understood to mean the loss incurred when the mathematical bases used for premium calculation deviate from the subsequently observed parameters.
- Cost risk: understood to mean the loss incurred when the actual costs deviate from the calculated costs.
- Cancellation risk: understood to mean the loss incurred when an insurance policy is terminated before the policy expiration date.

Interest guarantee risk So-called actuarial reserves are created for the benefits guaranteed to customers from their life insurance. In particular, the customer is guaranteed an annual capital return resulting from the investment of this actuarial reserve. The guaranteed capital return is calculated using the so-called actuarial interest rate, which represents the return from interest on the liabilities side and is an element of the insurance benefits. This benefit guaranteed to the customer is always compared with the returns actually attainable in the capital markets. In principle there is a risk that the return on the capital investments is lower than the amount guaranteed. In order to achieve the guaranteed minimum return, ARAG Lebensvericherungs-AG pursues a differentiated allocation of its capital investments with respect to term and debtor structure. The current portfolio of fixed-interest capital investments is earning a return above the current interest-rate level. New investments are made only in securities with a stated minimum rating and terms to maturity that match the interest rate developments expected by the company. Furthermore, ARAG Lebensvericherungs-AG is legally obliged to establish provisions and reserve further resources in order to ensure the fulfillment of guarantees. In a situation where low interest rates continue to prevail, these resources are transferred to the actuarial reserve as part of the interest supplement reserve.

Biometric risks For the biometric calculation basis in life insurance, ARAG uses both its own tables and those recommended by the German Association of Actuaries (DAV). These are submitted to the Federal Financial Supervisory Authority (BaFin) as legally required under Art. 13 d of the applicable statute (VAG); no requirement to amend them has so far been identified by BaFin. 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 plans, the assessment of the longevity risk is of major importance. At this point it should be noted that the ARAG Lebensvericherungs-AG portfolios are not big enough to quantify mortality trends. For this reason, the calculation of rates and the evaluation of the balance are based on the DAV 2004 R tables, which are recognized throughout the industry.

Additionally, for health insurance, the calculation bases established with security are verified by an independent trustee in accordance with the applicable calculation regulation KalV. Should the appropriateness of the calculation bases used for calculating premiums and forming reserves not be guaranteed, premiums will be adjusted in agreement with the trustee.

Cost risk The cost risk is taken into account through the cautious choice of cost assumptions in calculating the premiums. Additionally, the costs actually incurred are compared with the calculated costs on an annual basis. This enables unfavorable developments to be identified early on. Above and beyond the comparison of anticipated values with the actual claims, ARAG Lebensversicherungs-AG quantifies the effects of any negative deviations from the expected value (e.g. the occurrence of a pandemic) and ascertains that the company is in a position to pay the guaranteed benefits even in such an eventuality.

Cancellation risk In accordance with Art. 25 RechVersV, the actuarial reserve must be sufficient to ensure that at least the surrender value is reserved. In the case of capitalized receivables against policyholders the cancellation risk is taken into consideration by making appropriate value adjustments to these receivables. In view of the persistently low interest rates, the life insurance industry must consider the fact that if the capital markets move towards recovery, customers may cancel their life insurance policies in order to invest in the capital markets.

For the controlling and monitoring of underwriting risks in personal insurance, comprehensive underwriting guidelines and limits have been implemented. Additionally, reinsurance contracts have been concluded to reduce risk. All controlling and monitoring actions are subject to continual review by Internal Auditing. In accordance with Art. 11a VAG, the responsible actuary ensures that sufficient provisions are formed for the payment obligations of personal insurance according to actuarial principles so as to ensure that future obligations are met. The tasks of the actuarial function enumerated in Art. 48 of the Solvency II Directive are performed primarily by Group Risk Management. The functional separation of sales-related areas up to the level of the Board of Management ensures the independence of the actuarial function in performing the tasks pursuant to Art. 48 of the Solvency II Directive.

Risks 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.

Risks from capital investments Within the capital investment area, ARAG concentrates on assuring a market-appropriate level of return and a balance between the opportunity to achieve capital gains and the risk of write-downs.

ARAG's capital investments are subject to the risk of possible loss due to unfavorable market price developments. In addition to market price risks, the creditworthiness risk and liquidity risk are also significant.

Market price risks Market price risks comprise primarily the change in the level of interest rates, stock prices and exchange rates. Risks from real estate investments are relevant as well.

The **interest change risk** relates to the portfolio of fixed-interest securities and underwriting obligations. It is primarily caused by the changes in the interest rate level and premiums for the risk of default and insolvency. These changes can be countered by asset-liability controlling. An assumed rise or reduction of one percent in the general level of interest rates would either reduce or increase, respectively, the current value of fixed-interest securities (bearer bonds, registered debentures and promissory notes) by € 286.0 million.

Share price risks result from unfavorable changes in value in shares held in the portfolio. 6.3 percent of capital investments is subject to a share price risk. This risk is spread through systematic diversification in various industries and regions. A hypothetical drop of the stock market by 20 percent would result in a loss in current value of €71.6 million.

Currency risks are caused by fluctuations in exchange rates, particularly for different currencies of underwriting liabilities and capital investments. For fixed-interest securities, open currency positions are hedged to reduce the risk. The currency risk from fixed-interest securities is limited to a maximum of 5 percent of the investment volume. The 5 percent limit applies also on the special fund level and only for those special funds that are authorized to assume foreign-currency risks.

The focus in controlling and monitoring **market price risks** is on compliance with the regulatory investment regulations according to Art. 54 ff. of the German Insurance Oversight Act (VAG) and the investment regulations issued pursuant to the law. This achieves a high level of risk limitation with respect to the mixture and diversification of capital investment. 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 Group has also implemented investment rules which limit capital investment risks further. Derivative financial instruments are used solely to secure the price or interest change risks in funds. A further element is a risk-based controlling concept that enables an early warning system in conjunction with continuing market monitoring and timely reporting. Furthermore, the risk situation and the Group's financial stability are reviewed on a regular quarterly basis in the form of internal tests based on the same criteria as the stress tests required by financial regulators. The stress tests examine whether ARAG would be able to meet its obligations to its insurance customers in spite of extreme crisis situations in 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:

Stress-test scenarios

	R 10	A 22	RA 20	AI 25
Bonds	–10 %	–	–5 %	–
Stocks	–	–22 %	–15 %	–15 %
Real estate	–	–	–	–10 %

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

Credit risk The credit risk is greatly reduced through strict requirements respecting the financial strength of the debtors. The restriction of fixed-interest securities almost exclusively to investment-grade instruments is the logical consequence of this principle.

The credit risk is as follows: Of the fixed-interest securities – including those held indirectly through investment funds – approximately 35.3 percent are attributable to banks, 31.3 percent to public sector bonds and 33.4 percent to corporate bonds. Roughly 68 percent of the individual risks show a minimum rating of "A" according to Standard & Poor's or a comparable rating. ARAG 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	17.6
AA	27.9
A	23.1
BBB	26.5
BB	3.4
B	1.0
CCC	0.1
CC	0.0
C	0.0
NR	0.5

The Group holds sovereign debt of the GIIPS countries (Greece, Ireland, Italy, Portugal and Spain) including portfolios in special funds in the amount of €178.2 million (3.1 percent in relation to all capital investments). Of these, €6.9 million is attributable to Portugal, €85.4 million to Italy, €20.3 million to Ireland, €0.0 million to Greece and €73.5 million to Spain (by market values). The portfolio contains no participation certificates or high-risk ABS items.

Liquidity 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.

Operational risks Operational risks include all risks that pertain to staff, processes, organization, administration, IT, natural disasters, technology and external circumstances. Legal risks are also a part of operational risks. The portfolio of operational risks is updated on a quarterly basis.

Operational risks are managed on the basis of subjective estimates in connection with a quantifiable early-warning system. Individual risks in the operational departments are identified and assessed. A central software tool is used to register and administer these as well as for the corresponding reporting. The reports also contain detailed measures for fending off, avoiding or reducing the identified risks. Compliance with the control measures is regularly verified and is a part of the risk report.

We guard against the risk of administrative failures through rules and audits in the respective departments. Internal controlling measures and the continuing deployment of internal auditing minimize the risk of serious working errors and acts of embezzlement.

Risks endangering the existence of the Group No internal or external risks that can inflict long-term damage on the financial, asset or earnings situation of the Group exist. However, changes in the capital market environment and political decisions could affect specific industries in which the ARAG Group operates. At present, the overall risk situation does not indicate any trends that could endanger the existence of the Group or severely impair its financial, asset and earnings situation.

Risk situation The Group has sufficient own equity to meet the regulators' solvency requirements as per Art. 104g VAG. The Group solvency calculation as of 31 December 2013 shows sufficient equity fund coverage, amounting to approximately 150 percent of the requirement, despite the difficult framework conditions.

Consolidated Financial Statements

Consolidated Balance Sheet as of 31 December 2013

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. Policyholders
a) Claims due
b) Claims not yet due
2. Insurance agents Portion from affiliated companies € 0.00 (previous year: € 296.28)
II. Settlement receivables from reinsurance business
III. Other accounts receivable Portion from affiliated companies € 535,833.30 (previous year: € 1,187,624.47) Portion from companies with which a shareholding relationship exists: € 3,004,421.45 (previous year: € 3,050,001.31)
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				2013	2012
2 p. 66			26,097,333.16		14,964,793.52
3 p. 66			8,973,319.88		15,367,213.99
				35,070,653.04	**30,332,007.51**
34 p. 78					
4 p. 67			219,709,041.00		223,640,412.69
5 p. 67					
		1,989,922.95			1,898,499.99
		0.00			0.00
		9,856,583.95			13,768,365.56
		26,781,170.66			42,905,306.36
		0.00			110,988.69
			38,627,677.56		58,683,160.60
6 p. 67		2,323,012,082.59			2,317,683,233.96
7 p. 68		1,206,616,086.61			865,478,829.87
10 p. 68		154,881,763.47			174,195,500.18
9 p. 68					
	783,056,459.40				807,056,459.40
	521,809,901.11				623,113,521.43
	60,259,567.25				64,544,794.60
8 p. 68	15,052,446.16				32,034,555.32
		1,380,178,373.92			1,526,749,330.75
12 p. 68		332,304,063.29			313,088,724.48
		20,983,090.73			1,987,128.94
			5,417,975,460.61		5,199,182,748.18
			26,480,968.85		22,087,746.90
				5,702,793,148.02	**5,503,594,068.37**
11 p. 68				**216,937,371.42**	**150,544,464.30**
13 p. 68					
	46,614,820.54				46,070,384.56
	53,133,754.61				61,969,809.43
		99,748,575.15			108,040,193.99
		27,027,526.94			21,873,465.00
			126,776,102.09		129,913,658.99
			29,813,862.67		32,890,125.14
			52,931,975.52		49,688,213.54
				209,521,940.28	**212,491,997.67**
			44,573,254.98		32,195,486.76
14 p. 68 15 p. 68			30,721,202.64		31,065,300.54
			132,606,067.65		104,938,532.27
16 p. 68			71,056,951.10		65,370,798.20
				278,957,476.37	**233,570,117.77**
17 p. 69					
			55,535,665.09		53,326,891.85
			12,236,621.66		15,879,904.65
				67,772,286.75	**69,206,796.50**
18 p. 69 35 p. 81				**48,938,447.23**	**52,209,291.06**
19 p. 69				**140,255.94**	**33,774.03**
				6,560,131,579.05	**6,251,982,517.21**

Consolidated Balance Sheet as of 31 December 2013

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			2013	2012
	32 p. 75 40 p. 88				
			200,000,000.00		200,000,000.00
		8,329,091.00			7,636,471.00
		143,161,784.00			116,554,630.16
		–935,199.93			2,138,146.61
		–35,999,890.82			–35,999,890.82
			114,555,784.25		90,329,356.95
		46,798,955.18			37,299,773.84
			46,798,955.18		37,299,773.84
			32,758,595.03		33,792,532.03
				394,113,334.46	**361,421,662.82**
	1 p. 65			**656,541.97**	**656,541.97**
	20 p. 69			**50,000,000.00**	**50,000,000.00**
				0.00	**0.00**
	21 p. 69				
		223,036,451.96			223,350,516.24
		–2,411,712.34			–2,621,482.60
			220,624,739.62		220,729,033.64
	22 p. 70				
		3,501,787,543.15			3,400,242,173.36
		–46,360,660.00			–48,815,636.00
			3,455,426,883.15		3,351,426,537.36
	23 p. 72				
		1,338,244,085.09			1,293,675,109.19
		–31,747,620.30			–34,188,675.01
			1,306,496,464.79		1,259,486,434.18
			269,848,508.47		245,407,210.92
	24 p. 73		71,550,351.00		65,269,177.80
	25 p. 73				
		6,978,313.05			9,430,487.06
		0.00			0.00
			6,978,313.05		9,430,487.06
				5,330,925,260.08	**5,151,748,880.96**
			173,380,701.87		113,472,648.22
			43,556,669.55		37,071,816.08
				216,937,371.42	**150,544,464.30**
				5,992,632,507.93	**5,714,371,550.05**

Consolidated Balance Sheet as of 31 December 2013

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 € 13.21 (previous year: € 13.21)
II. Settlement liabilities from reinsurance business
III. Debts to banks
IV. Other liabilities portion attributable to taxes: € 18,788,186.28 (previous year: € 22,303,842.35) portion attributable to social security: € 1,492,162.34 (previous year: € 1,627,005.83) portion attributable to affiliated companies € 116,372.05 (previous year: € 342,277.24) portion attributable to companies with which a shareholding relationship exists: € 177,633.45 (previous year: € 161,050.58) portion secured by property lien: € 0.00 (previous year: € 0.00)
J. Accrued and deferred items
K. Liability-side deferred taxes
Total liabilities

Appendix			2013	2012
			5,992,632,507.93	**5,714,371,550.05**
26 p. 73		210,053,876.90		205,119,891.07
		20,787,852.56		18,670,803.49
27 p. 74		62,774,615.15		68,260,131.65
			293,616,344.61	**292,050,826.21**
28 p. 74			**49,598,670.48**	**52,461,579.72**
29 p. 74				
	48,807,864.57			46,882,710.24
	32,701,149.73			35,258,573.12
		81,509,014.30		82,141,283.36
29 p. 74		4,188,804.87		1,881,280.56
30 p. 74		26,300,885.79		20,998,188.70
		99,284,297.40		79,219,720.64
			211,283,002.36	**184,240,473.26**
31 p. 74			**13,001,053.67**	**8,858,087.97**
			0.00	**0.00**
			6,560,131,579.05	**6,251,982,517.21**

Consolidated Profit and Loss Statement for the period 1 January to 31 December 2013

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 underwriting 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			2013	2012
	33 p. 77	973,392,264.61			947,995,853.76
		−10,175,511.57			−9,548,767.22
			963,216,753.04		938,447,086.54
		2,220,497.02			1,487,118.45
		57,668.13			297,447.58
			2,278,165.15		1,784,566.03
				965,494,918.19	**940,231,652.57**
				616,940.00	**548,189.00**
				1,773,388.29	**2,715,394.98**
		502,495,873.59			487,077,315.84
		−6,408,890.15			−4,490,258.50
			496,086,983.44		482,587,057.34
		24,030,902.09			1,829,737.55
		1,989,570.00			1,659,679.64
			26,020,472.09		3,489,417.19
				522,107,455.53	**486,076,474.53**
			0.00		0.00
			3,037,206.05		−102,781.29
				3,037,206.05	**−102,781.29**
	39 p. 85			**0.00**	**0.00**
			407,243,122.92		403,669,570.13
			−1,591,972.42		−1,271,888.80
				405,651,150.50	**402,397,681.33**
				1,731,866.77	**1,718,669.12**
				41,431,979.73	**53,199,630.28**
				−6,281,173.20	**−2,528,907.31**
				35,150,806.53	**50,670,722.97**

Consolidated Profit and Loss Statement for the period 1 January to 31 December 2013

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: € 6,001,779.98 (previous year: € 6,713,161.39)
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
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 underwriting 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: € 17,864,720.19 (previous year: € 8,232,354.81)
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			2013	2012
	33 p. 77	556,687,928.05			560,872,051.02
		–5,593,196.18			–3,151,888.95
			551,094,731.87		557,720,162.07
		–62,477.24			–1,287,817.02
		–134,103.64			–97,603.72
			–196,580.88		–1,385,420.74
				550,898,150.99	**556,334,741.33**
				9,528,535.31	**19,904,034.41**
			311,255.40		347,463.70
			0.00		0.00
		10,023,572.22			10,376,415.03
		143,814,217.25			143,298,033.69
			153,837,789.47		153,674,448.72
			11,628,103.03		16,324,236.66
			24,961,551.23		14,997,689.08
				190,738,699.13	**185,343,838.16**
	36 p. 82			**28,502,200.91**	**12,139,855.59**
				6,474,183.03	**18,464,032.71**
		416,904,929.84			410,522,654.71
		–7,473,533.15			–7,238,070.19
			409,431,396.69		403,284,584.52
		–3,702,602.21			–2,918,888.90
		–462,244.50			–572,714.04
			–4,164,846.71		–3,491,602.94
				413,596,243.40	**406,776,187.46**
		–161,448,941.44			–158,124,365.22
		–2,454,976.00			–3,916,100.00
			–163,903,917.44		–162,040,465.22
			–6,365,652.47		–4,975,486.96
				–170,269,569.91	**–167,015,952.18**
	39 p. 85			**55,602,058.04**	**62,488,676.53**
		62,438,087.61			90,337,025.09
		17,531,497.15			17,619,923.44
			79,969,584.76		107,956,948.53
			–220,416.05		–5,222,934.45
				79,749,168.71	**102,734,014.08**
			6,295,196.98		7,524,957.11
			20,116,165.80		10,317,554.55
			1,992,697.67		1,193,715.16
				28,404,060.45	**19,036,226.82**
				915,179.98	**366,541.46**
				20,284,225.78	**20,254,954.13**
				17,321,263.10	**13,513,949.54**

Consolidated Profit and Loss Statement for the period 1 January to 31 December 2013

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: € 518,579.13 (previous year: € 109,000.00)
b) Earnings from associated companies
c) Income from other capital investments Portion from affiliated companies: € 150,581.09 (previous year: € 221,227.58)
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 for 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 € 7,726,033.90 (previous year: € 4,441,260.85)
c) Losses from sale of capital investments
d) Assumption of losses from associated companies 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: € 4,310,343.69 (previous year: € 11,986,370.33)
9. Non-underwriting result
10. Profit on ordinary business
11. Extraordinary earnings
12. Extraordinary costs
13. Operating result before taxes
14. Taxes on income and earnings Portion from change in accounting of deferred taxes: € 3,270,843.83 (previous year: € 11,599,544.71)
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				2013	2012
			35,150,806.53		50,670,722.97
			17,321,263.10		13,513,949.54
				52,472,069.63	**64,184,672.51**
		795,635.09			705,935.33
		2,826,676.07			3,730,711.84
	14,590,381.28				15,340,453.91
	48,764,835.00				54,652,358.39
		63,355,216.28			69,992,812.30
		11,096,091.33			9,508,606.76
		6,193,091.09			10,730,401.18
			84,266,709.86		94,668,467.41
		10,912,161.60			11,042,369.20
		11,011,561.79			7,876,878.25
		1,421,323.45			3,813,079.05
		0.00			0.00
			23,345,046.84		22,732,326.50
				60,921,663.02	**71,936,140.91**
				–616,940.00	**–548,189.00**
				50,213,703.19	**40,906,282.73**
				45,073,529.68	**37,888,265.82**
			24,495,582.69		19,284,934.07
			66,323,094.22		65,916,601.85
				–41,827,511.53	**–46,631,667.78**
				23,617,385.00	**27,774,301.04**
				76,089,454.63	**91,958,973.55**
37 p. 82			0.00		0.00
37 p. 82			266,844.00		3,285,099.34
				–266,844.00	**–3,285,099.34**
				75,822,610.63	**88,673,874.21**
38 p. 82			25,450,298.85		47,447,586.23
			1,599,766.92		2,039,296.75
				27,050,065.77	**49,486,882.98**
				48,772,544.86	**39,186,991.23**
			–4,448,422.64		–4,276,837.39
			2,474,832.96		2,389,620.00
				–1,973,589.68	**–1,887,217.39**
				46,798,955.18	**37,299,773.84**

Group Appendix

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

Legal basis for preparation of the Consolidated Financial Statements

The Consolidated Financial Statements of ARAG Holding SE 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. 341 i, 341 j HGB and Art. 58 to 60 RechVersV and the German accounting standards (DRS). The latter were applied only insofar as they do not impair the continuity of valuation, and insofar as they are 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 differ fundamentally from German accounting principles. A holding located in Switzerland prepared its annual financial statements according to the Swiss Code of Obligations. The requirement to adapt 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 reported on 31 (previous year: 31) subsidiaries in accordance with Art. 301 (1) HGB as of 31 December 2013. One company within the scope of consolidation was included as an associated company within the meaning of Art. 311 HGB.

As of 31 December 2013, the scope of consolidation not including associated companies comprises 7 insurance companies (previous year: 6), 2 service providers in the area of electronic data processing and business organization (previous year: 2), 3 real estate management companies (previous year: 4), 15 other service companies (previous year: 15) and 5 holding and asset management companies (including the top-level company, previous year: 5).

These figures do not include IGD Immobilien GmbH & Co. Dresden KG as it was dissolved without being liquidated and merged with ARAG SE as of 31 December 2013. The Consolidated Financial Statements do not include 24 (previous year: 24) 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	89.86
3	ALV Vermögens- und Beteiligungs-Verwaltungs AG, Munich	86.39
4	ARAG 2000 Beteiligungs-Gesellschaft mbH & Co. KG, Munich	86.39
5	ARAG 2000 Grundstücksgesellschaft bR, Düsseldorf	93.31
6	ARAG Holding SE, Düsseldorf, **Group Parent company**	100.00
7	ARAG SE, Düsseldorf	94.93
8	ARAG Allgemeine Versicherungs-AG, Düsseldorf	94.93
9	ARAG Association LLC, Des Moines, Iowa, USA	94.93
10	ARAG Insurance Company Inc., Des Moines, Iowa, USA	94.93
11	ARAG International Holding GmbH, Düsseldorf	94.93
12	ARAG IT GmbH, Düsseldorf	94.93
13	ARAG Krankenversicherungs-AG, Munich	88.53
14	ARAG Lebensversicherungs-AG, Munich	86.39
15	ARAG Liegenschaftsverwaltungs- und Beratungs-Gesellschaft mbH, Düsseldorf	94.93
16	ARAG Liegenschaftsverwaltungs- und Beratungs-GmbH & Co. Immobilien KG, Düsseldorf	94.93
17	ARAG LLC, Des Moines, Iowa, USA	94.93
18	ARAG North America Inc., Des Moines, Iowa, USA	94.93
19	ARAG Plc., Bristol, Great Britain	94.93
20	ARAG Service Center GmbH, Düsseldorf	94.93
21	ARAG Services LLC, Des Moines, Iowa, USA	94.93
22	ATE Limited, Bristol, Great Britain	94.93
23	CUR Versicherungsmakler GmbH, Düsseldorf	94.93
24	Cura Gesellschaft für Vermögensverwaltung und für Vermittlung mbH, Düsseldorf	94.93
25	Cura Versicherungsvermittlung GmbH, Düsseldorf	94.93
26	IGD Immobilien GmbH, Düsseldorf	94.93
27	Interlloyd Versicherungs-AG, Düsseldorf	94.93
28	HELP Forsikring AS, Oslo, Norway	94.93
29	ARAG Legal Services B.V., Leusden, Netherlands (formerly: Rechtswijzer B.V.)	94.93
30	SolFin GmbH, Düsseldorf	71.29
31	TERRA Gesellschaft für Finanzdienstleistungen und Beratung mbH, Düsseldorf	94.93
32	WOWOBAU Wohnungsbaugesellschaft mbH, Munich	86.39
	IGD Immobilien GmbH & Co. Dresden KG, Düsseldorf (to 31 December 2013)	90.09

The following companies were included as associated companies:

Name of company	Share held
	(in percent)
1 AXA-ARAG Rechtsschutzversicherungsgesellschaft, Zurich, Switzerland	29.17

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	Net profit/loss
	(in percent)	*(in euros)*	*(in euros)*
1 ABRAL Beteiligungsverwaltung GmbH, Munich	86.39	153,708.43	911.24
2 Agencia de Seguros Cap. ARAG S. A., Barcelona, Spain	94.93	170,104.15	100,855.10
3 ALVA Aktiengesellschaft, Munich	86.39	199,507.59	–16,096.78
4 ARAG Services Spain & Portugal S. L., Barcelona, Spain	94.93	337,564.48	105,050.59
5 ARAG-France S. A. R. L. Assistance et Règlement de Sinistres Automobiles et Généraux, Versailles, France	94.93	18,988.00	0.00
6 ARCA-A GmbH, Munich	86.39	18,668.83	–1,828.54
7 ARCA-B GmbH, Munich	86.39	18,644.73	–1,809.19
8 ARCA-C GmbH, Munich	86.39	18,326.60	–1,028.04
9 ARCA-D GmbH, Munich	86.39	18,695.90	–1,819.70
10 ARCA-F GmbH, Munich	86.39	18,695.49	–1,809.19
11 ARCA-G GmbH, Munich	86.39	18,683.79	–1,819.70
12 ARCA-H GmbH, Munich	86.39	18,700.98	–1,809.19
13 ARCA-I GmbH, Munich	86.39	18,618.38	–1,809.19
14 ARCA-J GmbH, Munich	86.39	18,350.96	–1,832.50
15 ARCANSA Beteiligungsverwaltung GmbH*, Munich	86.39	–205,294.39	95,449.50
16 ARCAP Beteiligungsverwaltung GmbH & Co. Columbus Immobilien Fonds VI "Berlin, Neue Grünstraße" KG, Munich	25.24	4,206,792.32	–42,824.07
17 ATE Group Services Limited, Bristol, Great Britain	94.93	92,292.53	92,035.41
18 Columbus Capital Service GmbH i. L., Munich	86.39	43,929.80	–20,212.03
19 Easy2claim Limited, Bristol, Great Britain	94.93	1.20	0.00
20 GWV-AVUS Beteiligungsmanagement GmbH*, Munich	86.39	760,453.53	22,734.70
21 Prinzregent Vermögensverwaltungs-GmbH, Munich	86.39	33,246.50	238.92
22 VIF Gesellschaft für Versicherungsvermittlung mit beschränkter Haftung, Düsseldorf	94.93	130,445.21	99,323.67

* Figures from 2012

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 2013 and is identical to all fiscal years of the subsidiaries involved.

The consolidation of capital was undertaken up to and including 2010 using the book-value method, thereafter using the revaluation 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 revenue reserves was performed in past years. Differences are now no longer offset against revenue reserves 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 reported 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. 341 j (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 offset 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 at 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. Valuation dates are 30 June, 30 September and 31 December: 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 –€3,073,346.54 was transferred to the revenue reserves in an income-neutral manner.

Appropriation, valuation and statement 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.

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 supplies 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 2013, goodwill values with a residual period of use of over five years exist in the amount of €24.1 million. 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 €8,973,319.88 breaks down as €6,805,398.61 for software, €2,116,634.27 from tenant improvements to business premises in Italy and Slovenia, €50,000.00 for two industrial property rights and €1,287.00 for a right of use. IT software is primarily depreciated linearly over five years. Tenant improvements are linearly depreciated over the remaining terms of the leases. No depreciation was taken against the industrial property rights. Right of use is linearly depreciated over the duration of its term. 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 real estate were necessary on account of anticipated permanent impairment in the fiscal year under review (previous year: €1,234,405.00). 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 of **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 €16,096.78 (previous year: €235,761.60). **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 amounted to €0.00 as of 31 December 2013 (previous year: €137,191.66).

Lending to affiliated companies not included in the scope of consolidation is stated at par value. In the case of permanent impairments, extraordinary write-downs are made at their fair value. No write-downs had to be made in the fiscal year under review (previous year: €0.00).

6 **Stocks, investment fund shares and other non-fixed-interest securities** are always valued in accordance with Art. 341 b (2) HGB 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 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. Accordingly, write-ups are only taken to insofar as the recovery in value is of a long-term nature. On 31 December 2013, the stock exchange value for special funds was adopted as the sustainable market value. In the fiscal year under review, write-downs in the amount of €17,824,254.86 (previous year: €1,736,792.58) were made 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 €21,693,842.84 (previous year: €20,807,699.48).

No hidden liabilities were created through the waiver of write-downs due to the designation of special fund shares for permanent use in business operations. As of 31 December 2013 the current value was not below the book value.

In accordance with Art. 8 a of the law governing senior part-time employment, investment-fund shares in the amount of €1,828,761.84 (previous year: €806,086.44) 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) 2nd clause, HGB, a partial portfolio was dedicated to permanent use in business operations. Hidden liabilities in the amount of €1.0 million (previous year: €0.0 million) were created against this partial portfolio, as no write-down was taken on account of the merely temporary nature of the reduction in value.

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.

10 **Mortgages receivable, other similar rights, fixed-interest debts and other capital investments** are reported at their acquisition costs or redemption values, respectively. Write-downs according to Art. 253 (3) sen. 3 HGB in the amount of €66,505.00 (previous year: €1,130,745.55) were taken.

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

12 **Bank deposits** are reported at par value. A fixed-term deposit account in the amount of €1,284,706.13 was pledged to Gladbacher Bank AG von 1922 as security for a bank aval.

13 **Accounts receivable** are always reported 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.

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

15 **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 €43,532,128.69 million (previous year: €31,065,631.29) of the Group's property development companies are encumbered with land charges or assignment of rights from sale in favor of the financing banks.

16 **Other assets** are reported 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.

17 **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. These also include asset-side differences of € 6,201,051.61 (previous year: € 7,559,698.32) from the difference determined according to Art. 341 c (2) sen. 2 HGB.

18 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 by the Group 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. Differences not expected to be compensated after five years are appropriately adjusted in a resulting asset-side deferred tax balance in order to take into account future uncertainties beyond the scope of individual enterprise planning.

19 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**.

20 **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 reported 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).

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 for life insurance** – for insured amounts and bonus sums – in the old (pre-deregulation) portfolio were calculated according to actuarial principles established in line with the business plan by the German Federal Financial Supervisory Authority (BaFin).

These actuarial reserves were calculated using the prospective method with implicit consideration of future costs on a policy-by-policy basis. In this process, the following calculation basis was used for the settlement groups for individual term insurance policies and endowment insurance policies (with a share of 36.9 percent of total actuarial reserves): actuarial interest rates of 3 percent and 3.5 percent, maximum zillmerization 35 per mil of insured amount (exception: rates with higher death benefit) as well as mortality rates according to the mortality tables ADSt 01/10 combined, ADSt 24/26 M, ADSt 60/62 mod. M and ADSt 1986, separate for men and women.

These actuarial reserves for new portfolio insurance plans subject to contributions were calculated using the prospective method with implicit consideration of future costs on a policy-by-policy basis. In calculating the surrender values and balance-sheet actuarial reserves from the 2008 rate structure onwards, the cost of sales was distributed over five years in accordance with the German Insurance Contract Act VVG. For non-contributory policies – in particular for bonus insured amounts and policies with an abbreviated contribution period – an explicit provision was formed for administrative costs in the non-contribution periods. The German Federal Supervisory Financial Authority has been informed of the calculation principles used in this calculation in compliance with Art. 13 d No. 6 VAG.

The actuarial reserves for individual endowment insurance policies (24.7 percent of total actuarial reserves) were calculated with an actuarial interest rate of 4 percent (rate structures 94/95 and 98), 3.25 percent (rate structure 2000), 2.75 percent (rate structure 2004), 2.25 percent (rate structures 2007 and 2008) and 1.75 percent (rate structure 2012 and 2013), 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 1998, 2000, 2004, 2007, 2008 and 2012), respectively and mortality rates in accordance with mortality table DAV 1994 T, separately for men and women. For the generally marketed 2013 unisex rate structure, in-house unisex tables based on the above-mentioned DAV 1994 T mortality tables were used.

For individual pension insurance policies (22.7 percent of total actuarial capital), the following calculation principles were applied until 2004: actuarial interest rates of 4 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 1998, 2000 and 2004), and mortality rates in accordance with mortality table DAV 1994 R, separately for men and women.

Studies by 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 guideline 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 2013 and a positive difference of €10.53 million between the old and new actuarial reserves was retroactively 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 basis with actuarial interest rates of 2.75 percent (rate structure 2004), 2.25 percent (rate structures 2007 and 2008) and 1.75 percent (rate structure 2012 and 2013), respectively. For the currently available 2013 unisex rate structures, in-house unisex tables based on the above-mentioned DAV 2004 R mortality tables were used.

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 rates whose guaranteed actuarial interest rate exceeded the reference interest rate applicable for fiscal 2013 of 3.41 percent for the new portfolio and 3.35 percent for the old portfolio. The total amount of this interest supplement reserve amounts to €47.25 million; the increase in the fiscal year under review is €23.08 million.

To the extent that claims against life insurance policyholders for accountable sales costs not yet redeemed could not be set off against the actuarial provision, these were reported under item E. I. No. 1 b after deduction of general bad-debt provisions in the amount of the expected bad debts.

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) respectively 1.75 percent (rate structure 2012) were used. For the 2013 unisex rate structure, in-house unisex invalidity tables based on the reinsurer's invalidity tables were used.

For invalidity insurance products with older calculation base closed for new policies, a verification calculation was performed according to the current calculation basis of the German Association of Actuaries. This revealed a follow-on reserve requirement of €0.98 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. 13 a Calculation Regulation (KalV). Actuarial reserves which became free due to changes to the emergency rate were treated as a lump sum.

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 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. For the business assumed by British primary insurers, the provisions were created according to the principles valid for self-contracted business with the exception of costs for claims adjustment.

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

The provisions for **life insurance claims and surrenders reported but not yet settled** as of the day of accounting were formed on the basis of the expected benefits to be paid. Additional provision was made for claims from the fiscal year under review not yet reported as of the date of accounting (late claims) 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 German Federal Court rulings of 12 October 2005 and 29 July 2012, an additional lump-sum increase to the actuarial reserve of € 2.9 million was made for the affected non-contributory policies. Also, a further provision in the amount of € 0.4 million was formed for surrenders that are affected and already canceled but not yet expired.

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 previous years 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.

24 The **fluctuation reserve** for the European business area with the exception of Norway and Sweden was formed in compliance with the provisions of Art. 341 h HGB in conjunction with Art. 29 RechVersV. For the business areas in the US, Norway and Sweden, the fluctuation reserve was formed in accordance with local supervisory regulations.

25 The **cancellation reserve** for discontinuation or reduction of the underwriting risk stated under the other underwriting reserves is calculated on the basis of anticipated requirements. The **provisions for impending losses** were formed in accordance with Art. 31 (1) No. 2 RechVers. This was done by examining the loss-making branches of the business with regard to policies already sold and producing long-term projections over a three-year time frame. The expected loss calculated was transferred to the provisions for impending losses.

26 **Pension reserves** were calculated according to the internationally customary projected unit cost method in conjunction with Art. 253 (2) sen. 2 HGB on the basis of Prof. Dr. Klaus Heubeck's table 2005G or 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: 2.5 percent; pension dynamic: 1.75 percent, Spain 2.5 percent, interest rate: 4.9 percent.

The fluctuation taken into account corresponds to the generally observed, age-dependent average of the industry (1.5 percent or scaled according to age) 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 and (2) HGB as of 1 January 2010 amounts to €17,524,490.00. Of this, €13,080,022.00 was transferred to the pension reserve in fiscal 2010, €994,479.00 in fiscal 2011 and €786,038.00 in fiscal 2012, so that €2,397,107.00 (previous year: €2,663,951.00) 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:

Net pension reserves

(in euros)	**2013**	**2012**
Settlement amount of vested claims	217,311,806.75	213,148,588.31
Offset assets (present value)	–4,860,822.85	–5,364,746.24
Not yet transferred pursuant to Art. 67 (1) EGHGB	–2,397,107.00	–2,663,951.00
Balance-sheet statement	**210,053,876.90**	**205,119,891.07**

In the fiscal year under review, €141,662.24 (previous year: €226,902.43) in interest earnings from the covering fund assets was offset 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 a term-appropriate interest rate of 5.06 percent for discounting purposes. The reserve concept takes into account 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. 8a of the German law governing senior part-time employment were offset against the obligation from senior part-time agreements at the market value of €1,828,761.84 (previous year: €1,434,156.29). The purchase costs of the investment fund shares amount to €1,835,777.51 (previous year: €1,367,795.96). The settlement amount of the offset debts is €2,262,113.00 (previous year: €1,746,673.00). In the fiscal year under review, expenses of €1,113,908.75 from the increase of the debt were dealt with as pension costs together with the expense of the decrease in the market value of the investment fund shares of €14,064.05.

The **other reserves** and the **reserve for taxes** are set at the level which is deemed necessary to meet the obligations 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 4.90 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 reported 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 €26,300,880.14 (previous year: €20,997,910.59).

Liabilities with a remaining term of more than five years exist in the amount of €1,269,471.84 (previous year: €1,484,762.60) 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 €859,515.60 (previous year: €454,557.36).

32 Group equity

A detailed representation of the Group's equity is presented on pages 88 and 89. This representation was compiled in compliance with DRS 7. The self-generated Group equity is defined 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 up.

Associated companies

The total of all goodwill from inclusion of associated companies under application of the equity method as of 31 December 2013 amounts to € 0.00 (previous year: € 137,191.66). In the fiscal year under review, a total of € 0.00 (previous year: € 9,146.11) of the goodwill of the associated companies was depreciated in an income-relevant manner.
Due to the purchase of the rest of its shares during the fiscal year under review, HELP Forsikring AS was treated as a fully consolidated company.

The financial statements of the only associated company presents the following picture:

AXA-ARAG Rechtsschutzversicherung

(in thousand CHF)	**2013**	**2012**
A. Capital investments	200,175	189,047
B. Accounts receivable	6,073	5,003
C. Other assets	13,892	7,819
D. Accrued and deferred items	4,761	4,328
Balance sheet assets	**224,901**	**206,197**
A. Equity	41,403	36,529
B. Underwriting reserves	153,254	148,279
C. Other provisions	665	2,990
D. Liabilities	16,010	5,846
E. Accrued and deferred items	13,569	12,553
Balance sheet liabilities	**224,901**	**206,197**
I. Underwriting result	10,010	8,871
II. Income from capital investments	4,939	4,833
III. Other income/expenses	– 115	– 10
IV. Tax expenditure	– 2,960	– 2,900
V. Net income	**11,874**	**10,794**

33 II. Source of Insurance Business by Premiums Written

Country/source		Self-contracted business			Assumed reinsurance business		Total business
(in thousand euros)	Legal insurance	Property and accident insurance	Health insurance	Life insurance	Legal insurance	Property and accident insurance	
Germany	283,573	183,292	331,694	224,994		171	1,023,724
The Netherlands	85,300				43,512		128,812
Austria	57,628						57,628
USA	54,782				4,221		59,003
Spain	40,549	30,861			15,770	7,186	94,366
Italy	25,545	4,822			66,647	123	97,137
Belgium	20,549				461		21,010
Norway	25,104						25,104
Greece	3,096				280		3,376
Slovenia	1,773						1,773
Portugal	287				479		766
Sweden	321						321
UK					17,060		17,060
Total	**598,507**	**218,975**	**331,694**	**224,994**	**148,430**	**7,480**	**1,530,080**

34 III. Development of Assets B., C. I. through IV. in Fiscal 2013

Development of assets

in thousand euros)		Balance-sheet values 1 January 2013	Purchases	Added/removed from scope of consolidation	Transfers
B.	**Intangible assets**				
	1. Purchased goodwill	14,965	15,784		
	2. Other intangible assets	15,367	3,105		
	Total B.	**30,332**	**18,888**		
C. I.	**Real estate, comparable rights and buildings including those on third-party property**	**223,640**	**6,928**		
C. II.	**Capital investments in affiliated companies and shareholdings**				
	1. Shares in affiliated companies	1,898	108		
	2. Lending to affiliated companies				
	3. Shareholdings	56,674	2,384		– 16,549
	4. Lending to companies with which a shareholding relationship exists	111			
	5. Total C. II.	**58,683**	**2,491**		**– 16,549**
C. III.	**Other capital investments**				
	1. Stocks, investment fund shares and other non-fixed interest securities	2,317,683	417,860	4,728	
	2. Bearer bonds and other fixed interest securities	865,479	437,326	26,859	
	3. Mortgages receivable, other similar rights and fixed-interest debts	174,196	1,649		
	4. Other lending				
	a) Registered debentures	807,056	38,000		
	b) Promissory notes and loans	623,114	83,980		
	c) Loans and advance disbursements on insurance policies	64,545	5,526		
	d) Remaining lending	32,035			
	5. Bank deposits	313,089	18,647	855	
	6. Other capital investments	1,987	2,601		16,549
	7. Total C. III.	**5,199,183**	**1,005,589**	**32,442**	**16,549**
	Total C. I. through C. III.	**5,481,506**	**1,015,008**	**32,442**	
C. IV.	**Portfolio receivables from assumed reinsurance business**	**22,088**	**4,399**		
Total capital investments C. I. through C. IV.		**5,503,594**	**1,019,408**	**32,442**	

Real estate, comparable rights and buildings including those on third-party property with a balance-sheet value of €140,090,460.25 were used by the Group's insurance companies for their own operations.

Sales	Exchange rate adjustments	Write-ups	Write-downs	Balance-sheet values 31 December 2013	Present values according to German statutory provisions (Art. 54 RechVersV)	Hidden reserves
	–19		4,632	26,097		
101			9,397	8,973		
101	**–19**		**14,029**	**35,071**		
5,322			**5,537**	**219,709**	**321,049**	**101,340**
			16	1,990	2,908	918
5,871				36,638	54,204	17,566
			111	0	0	0
5,871			**127**	**38,628**	**57,112**	**18,484**
420,835	–294	21,694	17,824	2,323,012	2,361,652	38,640
114,780	–1,743	1,028	7,552	1,206,616	1,265,433	58,816
20,899		3	67	154,882	166,168	11,286
62,000				783,056	880,974	97,917
185,284				521,810	576,751	54,941
9,811				60,260	60,260	0
16,982				15,052	15,052	0
	–286			332,304	332,304	0
133			21	20,983	24,114	3,131
830,725	**–2,323**	**22,724**	**25,464**	**5,417,975**	**5,682,707**	**264,731**
841,918	**–2,323**	**22,724**	**31,128**	**5,676,312**	**6,060,868**	**384,555**
6				**26,481**	**26,547**	**66**
841,924	**–2,323**	**22,724**	**31,128**	**5,702,793**	**6,087,416**	**384,621**

IV. Additional Information

Information on capital investments

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

Special investment funds

Name	Type of fund	Investment objective	Book value 31 Dec. 2013	Market value 31 Dec. 2013	Difference	Dividend 2013	Redemption
			(in euros)	*(in euros)*	*(in euros)*	*(in euros)*	
ADRERENT	Bond fund	Increased earnings	70,939,290.17	72,763,893.83	1,824,603.66	2,355,877.66	On demand
ATRI	Bond fund	Increased earnings	136,762,442.28	136,762,442.28	0.00	3,928,880.35	On demand
ARRE	Mixed fund	Increased earnings	216,946,082.91	218,667,918.29	1,721,835.38	5,689,105.20	On demand
ARI 1	Bond fund	Increased earnings	195,553,481.01	195,553,481.01	0.00	7,608,754.12	On demand
ALLTRIRENT	Bond fund	Increased earnings	63,498,777.03	69,416,620.28	5,917,843.25	2,163,179.52	On demand
ALLTRI	Mixed fund	Increased earnings	122,526,705.58	129,711,802.30	7,185,096.72	3,136,370.16	On demand
ADZ	Mixed fund	Increased earnings	108,268,308.85	108,268,308.85	0.00	9,981,517.20	On demand
EMA	Stock fund	Increased earnings	44,856,439.08	44,856,439.08	0.00	1,362,371.50	On demand
AKR	Mixed fund	Increased earnings	143,316,623.06	143,316,623.06	0.00	5,203,739.60	On demand
BORGIA	Bond fund	Increased earnings	191,235,389.88	191,235,389.88	0.00	8,582,721.57	On demand
ALP	Bond fund	Increased earnings	103,607,464.42	103,607,464.42	0.00	2,647,973.76	On demand
ALF 2	Bond fund	Increased earnings	108,280,697.05	108,280,697.05	0.00	4,231,918.82	On demand
ALF 1	Mixed fund	Increased earnings	275,729,064.93	275,729,064.93	0.00	8,067,860.68	On demand
ALM	Bond fund	Increased earnings	191,607,226.64	191,607,226.64	0.00	9,163,679.72	On demand
AAF	Stock fund	Increased earnings	73,453,074.79	73,709,420.32	256,345.53	3,952,583.31	On demand
Protect 80	Mixed fund	Increased earnings	5,000,000.00	5,612,500.00	612,500.00	0.00	On demand
VM Sterntaler	Mixed fund	Increased earnings	4,938,732.00	6,203,790.00	1,265,058.00	97,200.00	On demand
SIVE Fonds INKA	Stock fund	Increased earnings	79,996,308.53	87,400,546.48	7,404,237.95	1,347,521.64	On demand
AS1 Erste Sparinvest	Mixed fund	Increased earnings	58,737,836.79	58,737,836.79	0.00	1,402,071.30	On demand

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. 341 b (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 €2,006,798,846.93, and the market value is €2,023,760,553.26 (previous year: €1,842,529,851.43). No hidden liabilities were created through the transfer to investment assets.

Write-ups in accordance with Art. 253 (5) HGB were carried out on this portfolio in the fiscal year under review in the amount of € 21,170,847.00 (previous year: € 18,116,096.00). In the previous year, an exaggeration of the market values was assumed, and the write-up was only taken when the book values did not exceed the resulting market values after an assumed interest stress of 80 basis points.
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.

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)	**Deferred taxes 31 Dec. 2013**	**Deferred taxes 31 Dec. 2012**
Intangible assets	1,309	– 33
Capital investments	3,890	6,915
Accounts receivable	915	7
Other assets	1,243	1,502
Accrued income	– 22	– 623
Special reserve item	97	– 1,242
Underwriting reserves	32,777	36,573
Other reserves	8,739	11,280
Other liabilities	– 32	– 2,170
Deferred liabilities	0	0
Losses carried forward	22	0
	48,938	**52,209**

The balance for the previous year contains deferred taxes in the amount of € 22,439.45 due to losses carried forward in the amount of € 131,996.78. It will be possible to completely offset the losses carried forward against profits in the next five years.

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

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. In the previous year a restructuring was initiated in the sales sector which led to a reduction in the number of field offices in Spain. In this connection, €2.5 million was set aside in fiscal 2012 for severance settlements.

38 Taxes on income and earnings

The income tax charges in the Statement of Profit and Loss are arrived at as follows:

Income taxes

		2013		2012
	(in percent)	*(in euros)*	*(in percent)*	*(in euros)*
Operating result before taxes (commercial balance sheet)		75,822,610.63		88,673,874.21
Expected income tax expenditure according to tax rate	31.2	**23,675,610.17**	31.2	**27,688,417.22**
Actual taxes		22,179,455.02		35,848,041.52
Deferred taxes		3,270,843.83		11,599,544.71
Stated income tax expenditure		**25,450,298.85**		**47,447,586.23**
Effective tax rate	33.57		53.51	
Other taxes		1,599,766.92		2,039,296.75
Tax expenditure as per Statement of Profit and Loss		**27,050,065.77**		**49,486,882.98**

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. In the fiscal year under review, additional security discounts were taken on capitalized deferred taxes in the amount of €13.7 million (previous year: €13.7 million).

Other financial obligations within the meaning of Art. 285 (3) HGB

In the real estate development sector, the financial obligations from valid construction contracts of ongoing business operations for buildings under construction and from land purchase contracts amount to €6,401,434.48 (previous year: €4,780,780.69). Warranty obligations from the property development business additionally exist toward customers; a suitable provision has been formed for these obligations.

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	243,380.86
RREEF Pan European Infrastructure Feeder GmbH & Co. KG	1,096,713.52
ACF V Growth Buy-out Europe GmbH & Co. KG	6,432,000.00
AXA LBO Fund V Core	3,138,940.43
AXA LBO Fund V Supplementary	275,212.00
FOYER-ARAG S.A., Luxembourg	24,788.00

None of these outstanding contributions has been called in. It is expected that RREEF Pan-European Infrastructure Feeder GmbH & Co. KG, ACF V Growth Buy-out Europe GmbH & Co. KG and AXA LBO Fund V 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 € 3,472,462.34 (previous year: € 3,354,145.47). 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 € 31,252,161.06 (previous year: € 30,187,309.23).
Pursuant to Art. 124 ff. VAG, the Group is also a member of the guarantee fund for health insurers. The guarantee fund can levy contributions in the amount of up to 2 per mil of the total net underwriting reserves for health insurance (€ 2,800,000.00; previous year: € 2,479,220.73).
The risk of availment from these obligations is considered extremely slight, as no insurance insolvencies have occurred in Germany to date.

Auditor's fees

These Consolidated Financial Statements were audited by PricewaterhouseCoopers AG, Düsseldorf. The German Group subsidiaries reserved € 1,080,788.00 (previous year: € 846.181,20) for financial-statement auditing services including expenses and the nondeductable value-added tax. A total of € 96,746.32 (previous year: € 55.995,00) was expended for other consulting services. The auditor of the Consolidated Financial Statements did not perform any other services.

39 Costs for premium rebates for own account

(in euros)	2013	2012
Costs for profit-linked premium rebates	55,153,487.12	61,695,076.10
Costs for non-profit-linked premium rebates	448,570.92	793,600.43
Total expenditure	**55,602,058.04**	**62,488,676.53**

Commissions and other compensation for insurance representatives, employee costs

(in euros)	2013	2012*
1. Commissions of all types for insurance representatives within the meaning of Art. 92 HGB for self-contracted insurance business	204,883,113.60	281,203,691.77
2. Other compensation for insurance representatives within the meaning of Art. 92 HGB	13,461,102.37	13,806,258.02
3. Wages and salaries	209,954,405.13	190,986,451.35
4. Social security and support expenses	42,924,044.52	31,463,465.04
5. Expenditure for pension plans	18,327,933.37	16,890,655.84
6. Total expenditure	**489,550,598.99**	**534,350,522.02**

* Figure from the previous year contains commission from the transitory business conducted in the branches.

Average employment per year

On average over the entire year, the companies completely included in the Consolidated Financial Statements employed 3,586 (previous year: 3,544) persons. As of 31 December 2013 the ARAG Group employed a total of 3,611 persons (previous year: 3,564).

The insurance companies employed 3,177 (previous year: 3,210) persons on average. On average, 414 persons (previous year: 332) were employed in the management and service companies. The German Group subsidiaries additionally employed 20 (previous year: 22) vocational trainees.

Compensation for the Supervisory Board and Board of Management of ARAG Holding SE

The costs for compensation of the Supervisory Board totaled € 356,405.00.

The compensation for the Board members of the parent company of all Group subsidiaries amounted to € 1,558,903.50. There are no current pensions or vested pension rights for former Board members or their survivors.

Düsseldorf, 29 April 2014

Board of Management

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

Consolidated Cash Flow Statement for Fiscal Year 2013

Consolidated cash flow statement

(in euros)	2013	2012
I. Cash flow from current business		
Net income before external components	48,772,545	39,186,991
Change in net underwriting reserves	179,176,379	135,334,498
Change in portfolio receivables and liabilities and settlement assets and liabilities	–1,872,344	–9,757,893
Change in other assets and liabilities	24,628,800	–6,083,632
Profit/loss from sale of capital investments	–27,740,621	–22,721,296
Change in deferred taxes	3,270,844	11,599,545
Changes in other assets and liabilities	52,773,207	74,880,404
Depreciation on intangible assets	14,029,028	18,909,281
Write-downs on capital investments	32,042,908	18,560,974
Write-ups on capital investments	–51,226,395	–37,972,699
Effects of currency exchange rates	–802,030	666,809
Cash flow from current business	**273,052,321**	**222,602,982**
II. Cash flow from investment activities		
Disbursements for the purchase of consolidated companies and other business units	–32,441,896	0
Payments received from sale and maturity of other capital investments	869,658,430	729,303,462
Disbursements for the purchase of other capital investments	–1,015,008,409	–864,410,280
Payments received from the sale of capital investments of mutual fund-linked life insurance	142,555,338	65,621,344
Disbursements for the purchase of capital investments of mutual fund-linked life insurance	–181,361,224	–105,878,767
Other payments received	101,466	567,125
Other disbursements	–18,888,490	–5,029,829
Cash flow from investment activities	**–235,384,785**	**–179,826,945**
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	**27,667,536**	**32,776,037**
Cash reserves at start of fiscal year	104,938,532	72,162,495
Cash reserves at end of fiscal year	132,606,068	104,938,532
Change in cash reserves in fiscal year	**27,667,536**	**32,776,037**

40 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 2012	200,000,000.00	0.00	125,490,984.18	2,138,146.61	327,629,130.79
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			0.00	–3,073,346.54	–3,073,346.54
Group profit/loss for year			46,798,955.18		46,798,955.18
Other Group profit/loss					0.00
Overall Group profit/loss for year			46,798,955.18	0.00	46,798,955.18
Status as of 31 December 2013	**200,000,000.00**	**0.00**	**162,289,939.36**	**–935,199.93**	**361,354,739.43**
II. Minority shareholders					
Status as of 31 December 2012	0.00	0.00	33,694,028.96	98,503.07	33,792,532.03
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			–539,334.91		–539,334.91
Changes in the scope of consolidation			–2,397,052.36		–2,397,052.36
Other changes			0.00	–71,139.41	–71,139.41
Group profit/loss for year			1,973,589.68		1,973,589.68
Other Group profit/loss					0.00
Overall Group profit/loss for year			1,973,589.68	0.00	1,973,589.68
Status as of 31 December 2013	**0.00**	**0.00**	**32,731,231.37**	**27,363.66**	**32,758,595.03**
III. Group equity					
Status as of 31 December 2012	200,000,000.00	0.00	159,185,013.14	2,236,649.68	361,421,662.82
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			–10,539,334.91		–10,539,334.91
Changes in the scope of consolidation			–2,397,052.36		–2,397,052.36
Other changes				–3,144,485.95	–3,144,485.95
Group profit/loss for year			48,772,544.86		48,772,544.86
Other Group profit/loss					0.00
Overall Group profit/loss for year			48,772,544.86	0.00	48,772,544.86
Status as of 31 December 2013	**200,000,000.00**	**0.00**	**195,021,170.73**	**–907,836.27**	**394,113,334.46**

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 2011	200,000,000.00	0.00	99,349,234.66	2,060,835.37	301,410,070.03
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paidn			–10,000,000.00		–10,000,000.00
Changes in the scope of consolidation			0.00		0.00
Other changes			–1,158,024.32	77,311.24	–1,080,713.08
Group profit/loss for year			37,299,773.84		37,299,773.84
Other Group profit/loss					0.00
Overall Group profit/loss for year			37,299,773.84	0.00	37,299,773.84
Status as of 31 December 2012	**200,000,000.00**	**0.00**	**125,490,984.18**	**2,138,146.61**	**327,629,130.79**
II. Minority shareholders					
Status as of 31 December 2011	0.00	0.00	33,085,768.28	108,698.72	33,194,467.00
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			–889,412.27		–889,412.27
Changes in the scope of consolidation			0.00		0.00
Other changes			–389,544.44	–10,195.65	–399,740.09
Group profit/loss for year			1,887,217.39		1,887,217.39
Other Group profit/loss					0.00
Overall Group profit/loss for year			1,887,217.39	0.00	1,887,217.39
Status as of 31 December 2012	**0.00**	**0.00**	**33,694,028.96**	**98,503.07**	**33,792,532.03**
III. Group equity					
Status as of 31 December 2011	200,000,000.00	0.00	132,435,002.94	2,169,534.09	334,604,537.03
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			–10,889,412.27		–10,889,412.27
Changes in the scope of consolidation			0.00		0.00
Other changes			–1,547,568.76	67,115.59	–1,480,453.17
Group profit/loss for year			39,186,991.23		39,186,991.23
Other Group profit/loss					0.00
Overall Group profit/loss for year			39,186,991.23	0.00	39,186,991.23
Status as of 31 December 2012	**200,000,000.00**	**0.00**	**159,185,013.14**	**2,236,649.68**	**361,421,662.82**

Segment Reporting – Balance Sheet

(in thousand euros)	Legal insurance		Composite insurance		Health insurance	
	2013	2012	2013	2012	2013	2012
A. Intangible assets	**8,193**	**13,246**	**0**	**0**	**95**	**140**
B. Capital investments	**1,765,519**	**1,719,962**	**441,745**	**430,483**	**1,400,156**	**1,256,935**
I. Real estate and buildings including those on third-party property	68,997	81,231	38,039	29,492	7,622	7,427
II. Capital investments in affiliated companies and shareholdings	368,534	356,351	36,879	39,479	8,557	11,403
III. Other capital investments	1,303,487	1,260,292	364,847	361,511	1,383,976	1,238,105
IV. Portfolio receivables from assumed reinsurance business	24,501	22,088	1,980	0	0	0
C. Capital investments for the account and risk of life insurance policyholders	**0**	**0**	**0**	**0**	**0**	**0**
D. Other assets by segment	**266,413**	**244,295**	**21,149**	**14,715**	**39,009**	**41,783**
Total segment assets	**2,040,125**	**1,977,503**	**462,894**	**445,197**	**1,439,259**	**1,298,857**
A. Underwriting reserves	**1,216,146**	**1,158,012**	**301,143**	**312,781**	**1,376,559**	**1,239,610**
I. Unearned premiums	167,250	163,221	38,250	42,655	12,808	12,343
II. Actuarial reserves	0	0	5	1	1,174,619	1,074,494
III. Provision for outstanding claims	1,046,476	988,191	219,685	237,103	50,758	48,836
IV. Provisions for premium rebates	0	0	0	0	137,879	103,320
V. Fluctuation provision	0	2,931	71,550	62,338	0	0
VI. Other underwriting reserves	4,371	5,827	1,981	2,858	494	616
VII. Reinsurers' share of underwriting reserves	–1,950	–2,159	–30,328	–32,174	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 segment	**328,278**	**331,719**	**42,613**	**38,924**	**15,489**	**15,198**
Total segment liabilities	**1,544,424**	**1,489,731**	**343,756**	**351,705**	**1,392,048**	**1,254,808**
Equity*						
Total liabilities						

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

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
- Life insurance
- Health insurance
- Services and asset management

Life insurance		Services and asset management		Total		Consolidation		Group total	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
92	155	2,591	2,440	10,971	15,981	24,100	14,351	35,071	30,332
2,541,441	2,544,268	337,359	316,598	6,486,220	6,268,245	–783,427	–764,651	5,702,793	5,503,594
98,770	99,593	7,359	6,974	220,787	224,718	–1,078	–1,078	219,709	223,640
130,540	138,613	276,467	276,411	820,977	822,257	–782,349	–763,573	38,628	58,683
2,312,131	2,306,062	53,533	33,213	5,417,975	5,199,183	0	0	5,417,975	5,199,183
0	0	0	0	26,481	22,088	0	0	26,481	22,088
216,937	150,544	0	0	216,937	150,544	0	0	216,937	150,544
133,243	124,078	133,421	133,027	593,235	557,897	12,095	9,615	605,330	567,512
2,891,714	2,819,046	473,371	452,065	7,307,364	6,992,669	–747,232	–740,686	6,560,132	6,251,983
2,437,077	2,441,346	0	0	5,330,925	5,151,749	0	0	5,330,925	5,151,749
4,729	5,131	0	0	223,036	223,351	0	0	223,036	223,351
2,327,163	2,325,747	0	0	3,501,788	3,400,242	0	0	3,501,788	3,400,242
21,325	19,544	0	0	1,338,244	1,293,675	0	0	1,338,244	1,293,675
131,969	142,087	0	0	269,849	245,407	0	0	269,849	245,407
0	0	0	0	71,550	65,269	0	0	71,550	65,269
133	129	0	0	6,978	9,430	0	0	6,978	9,430
–48,242	–51,293	0	0	–80,520	–85,626	0	0	–80,520	–85,626
216,937	150,544	0	0	216,937	150,544	0	0	216,937	150,544
137,921	124,231	93,198	81,238	617,499	591,311	0	–3,700	617,499	587,611
2,791,936	2,716,122	93,198	81,238	6,165,362	5,893,604	0	–3,700	6,165,362	5,889,904
								394,770	362,078
								6,560,132	6,251,983

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 acting as service providers in the life insurance sector without themselves being insurers.

Due to the application of the "temporary concept" method for the amortization of deferred taxes, the Statement of Profit and Loss is only broken down by segments as far as the operating result before taxes.

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

(in thousand euros)	Legal insurance		Composite insurance		Health insurance	
	2013	2012	2013	2012	2013	2012
Underwriting result						
Gross premiums written	**746,938**	**720,408**	**226,455**	**227,588**	**331,694**	**331,290**
Self-contracted business	598,507	580,889	218,975	218,656	331,694	331,290
Assumed business	148,430	139,519	7,480	8,933	0	0
Premiums for reinsured business	– 2,869	– 2,850	– 7,307	– 6,699	– 15	– 8
Change in net unearned premiums	– 419	550	2,697	1,235	– 465	– 1,588
Earned premiums for own account	**743,650**	**718,108**	**221,845**	**222,124**	**331,215**	**329,694**
Premiums from gross provisions for premium rebates	0	0	0	0	1,018	10,996
Assigned capital gains from underwriting account	0	0	617	548	56,956	51,952
Unrealized profits from capital investments	0	0	0	0	0	0
Other underwriting result for own account	1,291	1,818	482	898	1,649	1,886
Total underwriting result	**744,941**	**719,926**	**222,945**	**223,570**	**390,837**	**394,527**
Underwriting costs						
Cost of claims for own account	– 419,743	– 384,769	– 102,364	– 101,307	– 185,112	– 182,153
Change in other net underwriting reserves	2,380	– 399	657	297	– 100,003	– 108,005
Costs for premium rebates	0	0	0	0	– 44,556	– 39,612
profit-linked portion	0	0	0	0	– 44,107	– 38,818
non-profit-linked portion	0	0	0	0	– 449	– 794
Unrealized losses from capital investments	0	0	0	0	0	0
Cost of insurance business	– 315,489	– 312,586	– 90,162	– 89,811	– 39,062	– 43,064
portion attributable to accounting costs	– 94,232	– 113,913	– 21,550	– 32,495	– 29,458	– 33,401
portion attributable to administrative costs	– 222,107	– 199,296	– 69,354	– 57,965	– 9,610	– 9,666
reinsurance portion	850	623	742	649	6	3
Assigned capital expenditures from underwriting account	0	0	0	0	– 7,358	– 4,881
Other underwriting costs for own account	0	0	– 1,732	– 1,719	– 1,754	– 3,358
Total underwriting costs	**– 732,852**	**– 697,755**	**– 193,601**	**– 192,541**	**– 377,845**	**– 381,072**
Subtotal	**12,089**	**22,171**	**29,343**	**31,029**	**12,992**	**13,455**
Change in fluctuation reserve and similar provisions	562	– 560	– 6,843	– 1,969	0	0
Underwriting result for own account	**12,650**	**21,611**	**22,500**	**29,060**	**12,992**	**13,455**
Income from capital investments	66,640	74,873	16,380	18,428	56,956	51,952
Costs of capital investments	– 18,358	– 19,423	– 5,245	– 2,917	– 7,358	– 4,881
Income from capital investments	**48,281**	**55,449**	**11,134**	**15,511**	**49,598**	**47,071**
Capital investment income assigned to underwriting account	0	0	0	– 548	– 49,598	– 47,071
Revenues	0	0	0	0	0	0
Production costs	0	0	0	0	0	0
Gross operating result	**0**	**0**	**0**	**0**	**0**	**0**
Other earnings	20,441	19,381	617	2,245	406	359
Other costs	– 44,796	– 43,561	– 6,178	– 8,228	– 2,784	– 2,620
Other income/expenses	**– 24,355**	**– 24,180**	**– 5,560**	**– 5,983**	**– 2,378**	**– 2,261**
Profit on ordinary business	**36,577**	**52,881**	**28,074**	**38,039**	**10,614**	**11,194**
Extraordinary operating result	**0**	**– 2,499**	**0**	**0**	**0**	**– 519**
Operating result before taxes	**36,577**	**50,381**	**28,074**	**38,039**	**10,614**	**10,674**
Tax expenditure						
Net income						
External portions						
Group profit/loss for year						

Life insurance		Services and asset management		Total		Consolidation		Group total	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
224,994	**229,582**	**0**	**0**	**1,530,080**	**1,508,868**	**0**	**0**	**1,530,080**	**1,508,868**
224,994	229,582	0	0	1,374,170	1,360,416	0	0	1,374,170	1,360,416
0	0	0	0	155,910	148,451	0	0	155,910	148,451
-5,578	-3,144	0	0	-15,769	-12,701	0	0	-15,769	-12,701
268	202	0	0	2,082	399	0	0	2,082	399
219,684	**226,641**	**0**	**0**	**1,516,393**	**1,496,566**	**0**	**0**	**1,516,393**	**1,496,566**
8,511	8,908	0	0	9,529	19,904	0	0	9,529	19,904
133,783	133,392	0	0	191,356	185,892	0	0	191,356	185,892
28,502	12,140	0	0	28,502	12,140	0	0	28,502	12,140
4,825	16,579	0	0	8,248	21,179	0	0	8,248	21,179
395,305	**397,659**	**0**	**0**	**1,754,027**	**1,735,682**	**0**	**0**	**1,754,027**	**1,735,682**
-228,484	-224,623	0	0	-935,704	-892,853	0	0	-935,704	-892,853
-70,267	-59,011	0	0	-167,232	-167,119	0	0	-167,232	-167,119
-11,046	-22,877	0	0	-55,602	-62,489	0	0	-55,602	-62,489
-11,046	-22,877	0	0	-55,153	-61,695	0	0	-55,153	-61,695
0	0	0	0	-449	-794	0	0	-449	-794
-915	-367	0	0	-915	-367	0	0	-915	-367
-40,687	-59,670	0	0	-485,400	-505,132	0	0	-485,400	-505,132
-32,980	-56,936	0	0	-178,220	-236,745	0	0	-178,220	-236,745
-7,921	-7,954	0	0	-308,992	-274,881	0	0	-308,992	-274,881
214	5,220	0	0	1,812	6,495	0	0	1,812	6,495
-21,046	-14,156	0	0	-28,404	-19,036	0	0	-28,404	-19,036
-18,530	-16,897	0	0	-22,016	-21,974	0	0	-22,016	-21,974
-390,976	**-397,600**	**0**	**0**	**-1,695,274**	**-1,668,968**	**0**	**0**	**-1,695,274**	**-1,668,968**
4,330	**59**	**0**	**0**	**58,753**	**66,714**	**0**	**0**	**58,753**	**66,714**
0	0	0	0	-6,281	-2,529	0	0	-6,281	-2,529
4,330	**59**	**0**	**0**	**52,472**	**64,185**	**0**	**0**	**52,472**	**64,185**
133,783	133,392	1,247	1,916	275,005	280,560	0	-548	275,005	280,012
-21,046	-14,156	-358	-392	-52,366	-41,769	0	0	-52,366	-41,769
112,737	**119,236**	**889**	**1,524**	**222,639**	**238,792**	**0**	**-548**	**222,639**	**238,244**
-112,737	-119,236	0	0	-162,335	-166,856	0	0	-162,335	-166,856
0	0	90,364	79,967	90,364	79,967	-40,150	-39,061	50,214	40,906
0	0	-85,223	-76,949	-85,223	-76,949	40,150	39,061	-45,074	-37,888
0	**0**	**5,140**	**3,018**	**5,140**	**3,018**	**0**	**0**	**5,140**	**3,018**
1,045	1,323	1,987	3,302	24,496	26,610	0	-7,325	24,496	19,285
-4,454	-4,460	-3,802	-3,327	-62,014	-62,196	-4,309	-3,720	-66,323	-65,917
-3,410	**-3,137**	**-1,815**	**-25**	**-37,518**	**-35,586**	**-4,309**	**-11,045**	**-41,828**	**-46,632**
920	**-3,078**	**4,214**	**4,517**	**80,399**	**103,553**	**-4,309**	**-11,594**	**76,089**	**91,959**
-197	**-197**	**-70**	**-70**	**-267**	**-3,285**	**0**	**0**	**-267**	**-3,285**
723	**-3,275**	**4,144**	**4,447**	**80,132**	**100,267**	**-4,309**	**-11,594**	**75,823**	**88,674**
								-27,050	-49,487
								48,773	**39,187**
								-1,974	-1,887
								46,799	**37,300**

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

(in thousand euros)	Domestic	
	2013	2012
Underwriting result		
Gross premiums written	**1,041,013**	**1,038,882**
Self-contracted business	1,023,782	1,024,659
Assumed business	17,231	14,223
Premiums for reinsured business	– 12,849	– 9,959
Change in net unearned premiums	1,052	– 2,159
Earned premiums for own account	**1,029,216**	**1,026,765**
Premiums from gross provisions for premium rebates	9,529	19,904
Assigned capital gains from underwriting account	191,356	185,892
Unrealized gains from capital investments	28,502	12,140
Other underwriting result for own account	8,080	21,024
Total underwriting result	**1,266,682**	**1,265,724**
Underwriting costs		
Cost of claims for own account	– 683,181	– 658,597
Change in other net underwriting reserves	– 170,042	– 166,972
Cost of claims for own account	– 55,602	– 62,489
profit-linked portion	– 55,153	– 61,695
non-profit-linked portion	– 449	– 794
Unrealized losses from capital investments	– 915	– 367
Cost of insurance business	– 272,228	– 295,442
portion attributable to accounting costs	– 117,714	– 146,955
portion attributable to administrative costs	– 155,476	– 154,358
reinsurance portion	962	5,872
Assigned capital expenditures from underwriting account	– 28,404	– 19,036
Other underwriting costs for own account	– 22,016	– 21,974
Total underwriting costs	**– 1,232,389**	**– 1,224,875**
Subtotal	**34,294**	**40,849**
Change in fluctuation reserve and similar provisions	– 2,200	– 128
Underwriting result for own account	**32,094**	**40,720**
Income from capital investments	249,708	246,774
Costs of capital investments	– 44,743	– 33,457
Income from capital investments	**204,964**	**213,317**
Capital investment income assigned to underwriting account	– 162,335	– 166,856
Revenues	90,364	79,967
Production costs	– 85,223	– 76,949
Gross operating result	**5,140**	**3,018**
Other earnings	19,170	20,499
Other costs	– 51,899	– 56,893
Other income/expenses	**– 32,729**	**– 36,393**
Profit on ordinary business	**47,135**	**53,807**
Extraordinary operating result	**– 267**	**– 786**
Operating result before taxes	**46,868**	**53,020**
Tax expenditure		
Net income	**46,868**	**53,020**
External portions		
Group profit/loss for year	**46,868**	**53,020**

International		Total		Consolidation		Group total	
2013	2012	2013	2012	2013	2012	2013	2012
489,068	**469,986**	**1,530,080**	**1,508,868**	**0**	**0**	**1,530,080**	**1,508,868**
350,388	335,757	1,374,170	1,360,416	0	0	1,374,170	1,360,416
138,679	134,228	155,910	148,451	0	0	155,910	148,451
-2,920	-2,742	-15,769	-12,701	0	0	-15,769	-12,701
1,029	2,558	2,082	399	0	0	2,082	399
487,177	**469,802**	**1,516,393**	**1,496,566**	**0**	**0**	**1,516,393**	**1,496,566**
0	0	9,529	19,904	0	0	9,529	19,904
0	0	191,356	185,892	0	0	191,356	185,892
0	0	28,502	12,140	0	0	28,502	12,140
167	156	8,248	21,179	0	0	8,248	21,179
487,345	**469,958**	**1,754,027**	**1,735,682**	**0**	**0**	**1,754,027**	**1,735,682**
-252,523	-234,256	-935,704	-892,853	0	0	-935,704	-892,853
2,810	-147	-167,232	-167,119	0	0	-167,232	-167,119
0	0	-55,602	-62,489	0	0	-55,602	-62,489
0	0	-55,153	-61,695	0	0	-55,153	-61,695
0	0	-449	-794	0	0	-449	-794
0	0	-915	-367	0	0	-915	-367
-213,172	-209,690	-485,400	-505,132	0	0	-485,400	-505,132
-60,506	-89,790	-178,220	-236,745	0	0	-178,220	-236,745
-153,516	-120,523	-308,992	-274,881	0	0	-308,992	-274,881
850	623	1,812	6,495	0	0	1,812	6,495
0	0	-28,404	-19,036	0	0	-28,404	-19,036
0	0	-22,016	-21,974	0	0	-22,016	-21,974
-462,885	**-444,093**	**-1,695,274**	**-1,668,968**	**0**	**0**	**-1,695,274**	**-1,668,968**
24,460	**25,865**	**58,753**	**66,714**	**0**	**0**	**58,753**	**66,714**
-4,081	-2,401	-6,281	-2,529	0	0	-6,281	-2,529
20,378	**23,464**	**52,472**	**64,185**	**0**	**0**	**52,472**	**64,185**
25,298	33,786	275,005	280,560	0	-548	275,005	280,012
-7,623	-8,312	-52,366	-41,769	0	0	-52,366	-41,769
17,675	**25,475**	**222,639**	**238,792**	**0**	**-548**	**222,639**	**238,244**
0	0	-162,335	-166,856	0	0	-162,335	-166,856
0	0	90,364	79,967	-40,150	-39,061	50,214	40,906
0	0	-85,223	-76,949	40,150	39,061	-45,074	-37,888
0	**0**	**5,140**	**3,018**	**0**	**0**	**5,140**	**3,018**
5,325	6,111	24,496	26,610	0	-7,325	24,496	19,285
-10,115	-5,304	-62,014	-62,196	-4,309	-3,720	-66,323	-65,917
-4,790	**807**	**-37,518**	**-35,586**	**-4,309**	**-11,045**	**-41,828**	**-46,632**
33,264	**49,746**	**80,399**	**103,553**	**-4,309**	**-11,594**	**76,089**	**91,959**
0	**-2,499**	**-267**	**-3,285**	**0**	**0**	**-267**	**-3,285**
33,264	**47,247**	**80,132**	**100,267**	**-4,309**	**-11,594**	**75,823**	**88,674**
				-27,050	-49,487	-27,050	-49,487
33,264	**47,247**	**80,132**	**100,267**	**-31,359**	**-61,080**	**48,773**	**39,187**
				-1,974	-1,887	-1,974	-1,887
33,264	**47,247**	**80,132**	**100,267**	**-33,333**	**-62,968**	**46,799**	**37,300**

Auditor's Report*

We have examined the year-end 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 2013. The Board of Management of the Group is responsible for preparation of the year-end Consolidated Financial Statements and the 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 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 procedures used in 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 year-end Consolidated Financial Statements, the scope of consolidation, the applied accounting and consolidation methods and the key estimates of the Board of Management, as well as an evaluation of the overall representation of the year-end 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 year-end Consolidated Financial Statements comply with the legal requirements and convey an accurate impression of the asset, financial and earnings situation of the Group. The Group Management Report accords with the year-end 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, 30 April 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Christian Sack	ppa. Guido Conrads
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, five 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.

A core item in the meetings of the Supervisory Board was the conclusion of the branch restructuring process in the wake of the merger of the European subsidiaries; another was consultancy regarding the first financial statements of ARAG SE under its new structure. The Supervisory Board was also involved in advising on the acquisition of interest in the Norwegian company HELP Forsikring AS and voted in favor of it. Additionally, the Supervisory Board played a particularly important role in advising on strategy in response to persistently low interest rates. As part of its mandatory duties, the Supervisory Board received reports on the business performance of the Group, the top-level parent company and its holdings. The Group's risk strategy and risk report were incorporated into the reporting procedure. Furthermore, advice was given on strategic planning for the coming three years.

Further topics of deliberation by the Supervisory Board included the compensation system in the ARAG Group and the appropriateness of Board compensation.

No special monitoring actions were necessary during the fiscal year under review. The Supervisory Board is of the opinion that the Board of Management conducts the Group's business legally, properly and to appropriate ends. Specifically, the Board of Management meets 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. This review was conducted on the basis of the regular reports of the Board of Management, in which information regarding 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 review of the Consolidated Financial Statements extended to the discretionary reporting and valuation rights exercised by the Board of Management. This review led to the following results:

1. The accounting of the Board of Management complies with the legal requirements and the regulations of the Group statutes. 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 of PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the Consolidated Financial Statements as of 31 December 2013 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, 19 May 2014

Chairman, Supervisory Board

Gerd Peskes

Governing Bodies of the Group

Supervisory Board

The **Supervisory Board** is composed of the following persons:

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

Board of Management

Dr. Paul-Otto Faßbender	Chairman of the Board of Management of ARAG SE, 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.

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PARENT COMPANY OF THE ARAG GROUP

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