Company bodies

Supervisory Board

Alexander Kirchner
Runkel
Chairman
Chairman of the Eisenbahn- und Verkehrsgewerkschaft (EVG) (Railway and Transport Union)

Dr Norbert Bensel
Berlin
Deputy Chairman
(until 12 May 2010)

Jürgen Thurau
Homberg
Deputy Chairman
CEO of the Management Board of Sparda-Bank West eG
(from 12 May 2010)

Gerd Becht
Bad Homburg
Director of Compliance, Data Protection and Law Deutsche Bahn AG und DB Mobility Logistics AG
(from 12 May 2010)

Ruth Ebeler
Cologne
Deputy Chair of the Works Council, DEVK Versicherungen, Cologne Headquarters

Dr Klaus Eberhardt
Berlin
CEO of the Management Board of Sparda-Bank Berlin eG

Heinz Fuhrmann
Neu-Anspach
Member of the Management Board of the Eisenbahn- und Verkehrsgewerkschaft (EVG) (Railway and Transport Union)

Hans-Joerg Gittler
Kestert
CEO of the Management Board of Bahn-BKK
(from 12 May 2010)

Armin Keppel
Sankt Augustin
Former President of the Federal Office for Railway Assets and of the Federal Railway Authority
(until 12 May 2010)

Dr Johannes Ludewig
Alfter
Executive Director, Community of European Railways (CER)

Helmut Petermann
Essen
Chairman of the General Works Council of DEVK Versicherungen

Ilmar Schichtel
Sankt Ingbert
CEO of the Management Board of Sparda-Bank Südwest eG
(until 12 May 2010)

Management Board

Friedrich Wilhelm Gieseler
Bergisch Gladbach
Chairman

Gottfried Rüßmann
Cologne

Hans-Otto Umlandt
Oesterdeichstrich
(until 31 December 2010)

Bernd Zens
Königswinter

Management report

Commercial environment and general conditions

Overview

As a wholly owned subsidiary of DEVK Sach- und HUK-Versicherungsvereins a.G., DEVK Rückversicherungs- und Beteiligungs-AG performs two functions within the DEVK Sach- und HUK-Versicherung Group. Firstly, it functions as a reinsurer, underwriting both Group-internal and third-party business, and secondly, it serves as an intermediate holding company, managing the Group's other insurance companies as well as various other participating interests.

2010 saw a worldwide economic recovery, and despite the eurozone crisis this had positive repercussions for Germany, particularly on the capital markets. On the bond markets, risk premiums on corporate bonds have narrowed further, while interest rates on government bonds and bank paper have recovered after previously hitting record lows. Due to the negative performance of Italy and Spain in connection with the eurozone crisis, the European share index EuroStoxx50 suffered, falling 5.5 % to a year's end figure of 2,804.6 points. In sharp contrast, the German DAX index rose 16.1 % during the course of the year to reach 6,914.2 by 31 December.

In general, then, we can report a satisfactory business performance during the course of 2010.

Ratings

The ratings, commissioned by Standard & Poor's for the first time in 2008, are updated each year. As in 2008 and 2009, in 2010 DEVK Sach- und HUK-Versicherungsverein a.G., DEVK Allgemeine Versicherungs-AG, DEVK Allgemeine Lebensversicherungs-AG and DEVK Rückversicherungs- und Beteiligungs-AG were all once again assigned ratings of A+, and Standard & Poor's assesses our future outlook as "stable", thus confirming the very sound financial position enjoyed by DEVK companies generally.

Meanwhile, the rating agency Fitch came to the same conclusion, with its initial 2010 rating of the financial strength of DEVK's core companies also coming in at A+. The individual companies rated were DEVK Sach- und HUK-Versicherungsverein a.G., DEVK Rückversicherungs- und Beteiligungs-AG, DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG and the two life assurance companies DEVK Lebensversicherungsverein a.G. and DEVK Allgemeine Lebensversicherungs-AG. In January 2011, these ratings were confirmed, while our outlook continued to be adjudged "stable".

Market opportunities in the reinsurance sector

Thanks to the company's good ratings, its growth opportunities as a capacity provider on the reinsurance market remain very good, because for many business partners such a rating is now a precondition for doing business. In our view, there remains a strong demand for a partner with a traditional market presence, especially one coming from the mutual insurance sector. This demand exists not only in Germany but also in most other European countries.

Reinsurance operations business trends

Due to the special effect in 2009, with the delayed booking of 2008 third-party reinsurance business plus the in-phase booking of the 2009 third-party reinsurance business, despite the further building up of third-party business, the non-consolidated booked gross premiums for 2010 fell by 10.8 % to € 235.6 million. However for the same reason, the claims expenses and other costs were lower.

Earned premiums net of reinsurance totalled € 146.0 million (2009: € 180.8 million), and claims expenses net of reinsurance came to € 105.9 million (2009: € 132.8 million). The ratio of net claims expenses to earned net premiums thus amounted to 72.5 % (2009: 73.5 %), while the ratio of net operating expenses of reinsurance to earned premiums net of reinsurance was 26.3 % (2009: 27.3 %).

The netted-out 2010 underwriting result before changes to the equalisation provision came to € 800,000 (2009: € – 2.5 million). After a € 2.5 million allocation to the equalisation provision (2009: € 1.8 million withdrawal), the underwriting result net of reinsurance totalled € – 1.7 million (2009: € – 800,000).

Performance of the individual insurance classes

Our individual insurance segments, classes and types performed as follows:

Accident insurance

Gross booked premium receipts amounted to € 26.6 million (2009: € 26.3 million), with an underwriting result net of reinsurance of € 4.8 million (2009: € 2.9 million).

Liability insurance

With gross booked premiums of € 3.4 million (2009: € 4.5 million), and after a € 793,000 withdrawal from the equalisation provision (2009: € 496,000 allocation), there was an underwriting loss of € 854,000 (2009: € – 240,000).

Motor vehicle liability insurance

Gross booked motor vehicle liability insurance premium receipts totalled € 47.4 million (2009: € 46.1 million). The equalisation provision was fully released in 2009 through a withdrawal of € 4.0 million. The underwriting result came to € – 5.5 million (2009: € 1.2 million).

Other motor vehicle insurance

Other motor vehicle insurance comprises our comprehensive and partial comprehensive motor insurance (third party, fire and theft). Gross booked premiums totalled € 58.1 million (2009: € 55.5 million). The equalisation provision was fully released in 2009 through a withdrawal of € 1.5 million. The underwriting result came to € – 4.1 million (2009: € – 2.1 million).

Fire and non-life insurance

Gross booked fire and non-life insurance premiums totalled € 88.8 million (2009: € 115.9 million). In detail, our individual fire and non-life segments performed as follows:

Gross booked household contents insurance premiums amounted to € 9.6 million, slightly below the 2009 figure of € 9.9 million. The underwriting result came to € 2.5 million (2009: € 2.2 million).

With premium receipts of € 30.5 million (2009: € 31.0 million), and after a € 300,000 allocation from the equalisation provision, our combined property insurance registered an underwriting profit of € 1.6 million (2009: € 1.6 million).

In the other classes of fire and non-life insurance, gross booked premiums totalled € 48.7 million (2009: € 75.0 million). After a € 900,000 allocation to the equalisation provision (2009: € 1.0 million withdrawal), the underwriting result was a loss of € 3.7 million (2009: € – 600,000).

Other insurance policies

With premium receipts of € 11.4 million (2009: € 13.6 million), the underwriting profit after a € 2.1 million allocation to the equalisation provision (2009: € 1.4 million) came to € 3.5 million (2009: € – 5.0 million).

Retrocession

Our company's outward reinsurance operations were divided among several external reinsurers. Our choice of reinsurers took their ratings into account.

Performance of our participating interests

Income from participating interests came to € 86.3 million (2009: € 84.3 million). This figure included income from profit transfer agreements with affiliated companies totalling € 83.1 million (2009: € 81.2 million). Set against this income are charges from a loss transfer amounting to € 2.2 million (2009: € 2.1 million).

Investments and net investment income

During the year under review, the investment portfolio increased by 7.5 % to € 1,416.2 million. At 43.0 %, "Investments in affiliated companies and participating interests" continue to play an important role here.

Contrary to last year's expectations, the 2010 investment result exceeded the 2009 figure. This is chiefly due to the profit transfers from subsidiaries, which rose rather than suffering the anticipated falls. Accordingly, significantly lower write-downs more than compensated for the slight overall fall in investment income.

Total net investment income thus improved to € 120.0 million (2009: € 108.6 million).

Operating result and appropriation of retained earnings

After an "Other" profit or loss result below the 2009 level, the profit from normal business activities came to € 95.2 million (2009: € 89.9 million).

In compliance with the new provisions of the German Act on Modernisation of Accounting Regulations (BilMoG), the extraordinary result included net pension expenses of € 600,000.

After extraordinary items and taxes, the net profit for the year amounted to € 50.0 million (2009: € 54.9 million), which will be recognised as net retained earnings.

The Management Board hereby proposes to the Annual General Meeting that the sum of € 15.0 million should be appropriated from the net retained earnings and paid as a dividend to DEVK Sach- und HUK-Versicherungsverein a.G., with the remaining € 35.0 million being allocated to "Other" retained earnings.

Affiliated companies and participating interests

The affiliated companies of DEVK Rückversicherungs- und Beteiligungs-AG are as follows:

DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a.G.
Betriebliche Sozialeinrichtung der Deutschen Bahn, Cologne,

and its direct and indirect subsidiaries.

Our company's share capital of approx. € 307 million is fully paid up and is 100 % held by DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn, Cologne.

There are control and profit transfer agreements with DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG, DEVK Vermögensvorsorge- und Beteiligungs-AG, DEVK Service GmbH, DEVK Web-GmbH and OUTCOME Unternehmensberatung GmbH (for the 2011 financial year onwards), and there is a profit transfer agreement with DEVK Asset Management GmbH.

Details of our company's direct shareholdings in affiliated companies and participating interests are given in the notes.

Pursuant to section 312 AktG, the Management Board is required to prepare a report on its relationships with affiliated companies. At the end of the report, the Management Board states that, in light of the circumstances of which it was aware at the time of undertaking legal transactions with affiliated companies, it received appropriate consideration for all such transactions. No action requiring reporting had to be taken in the 2010 financial year.

Organisational collaboration

Under a service contract concluded with DEVK Sach- und HUK-Versicherungsverein a.G., the Group provides us with services on our instructions, in particular in the fields of general administration, accounting, collections and disbursements, investments and investment management, personnel management and development, operational organisation, IT, controlling, auditing, law, taxation, sales, inventory management and processing claims and benefits.

Our company purchases or rents its own operating equipment and tools according to its requirements.

Opportunities and risks from future developments

In accordance with the German Control and Transparency in Business Act (KonTraG), and the minimum risk management requirements laid down in section 64a of the German Act on the Supervision of Insurance Companies (VAG), we are hereby reporting the opportunities and risks presented by future developments.

A risk management system is employed within the DEVK Group to identify and assess risks at an early stage. The system is based on a risk-bearing capacity model that guarantees adequate coverage of all significant risks via the company's own funds. To control risks, DEVK has put in place a consistent system of limits whereby the limit capacity is portrayed in the form of risk ratios. The risk ratios break down the risk limits set by the risk strategy according to DEVK's most important organisational areas. On top of this, a comprehensive risk inventory is compiled every six months, in which risks are recorded and classified according to type with the aid of a questionnaire. Wherever possible, risks are quantified and the action necessary to manage the risks is recorded. This system enables us to react immediately and appropriately to developments that pose a risk to the Group. The system's effectiveness and suitability are monitored by the Internal Auditing unit.

DEVK's risk management organisation is both centralised and decentralised at one and the same time. By decentralised risk management, we mean the risk responsibility borne by individual departments. Thus, departmental and process managers are in charge of and responsible for risk management within their specific operational areas. Meanwhile, central risk management is the task of the independent risk controlling function, which is responsible for dealing with the cross-departmental risks and for the development and maintenance of the company-wide risk management system. It coordinates the company's risk management processes and supports those responsible for risk within individual departments.

The Risk Committee assesses the risk situation faced by individual companies and by the Group as a whole on the basis of the risk reports it receives, taking into account all discernible significant risks, as well as limit capacities and current risk drivers. Finally, a Management Board submission is prepared in which the results are reported to the Management Board members responsible for the various risk areas. The risk report and the risk control process (identification, analysis, evaluation, management and monitoring) are updated on a quarterly basis. Reports are submitted both to the Risk Committee and members of the Management Board.

Technical risks

Principal among the technical risks are the premium/claims risk and the reserves risk.

In line with suitable assumption guidelines, as a rule we only take on standardised business, while counteracting the risk of unusually high claims expenses attendant upon extraordinary loss events through a corresponding retrocession policy.

To smooth our underwriting results equalisation provisions have been formed in compliance with the provisions of accounting law.

Investment risks

The risks stemming from investments comprise:
– the risk of unfavourable interest rate, equity market or exchange rate movements (market price risks),
– counterparty risk (credit risk),
– the risk of strongly correlated risks that in turn increase counterparty risk (concentration risk),
– liquidity risk, i.e. the risk of not always being able to meet payment obligations.

Our investments comply with the investment principles concerning qualified assets laid down in section 121b in conjunction with section 54 paragraph 1 VAG. We counteract exchange/market price risk and interest rate risk by maintaining a balanced mix of investment types. Active portfolio management allows us to exploit opportunities arising from market movements to improve our results, while we limit credit risk and concentration risk by imposing very stringent rating requirements and continually monitoring the issuers we select, thus avoiding any potentially ruinous dependence on individual debtors. We ensure a continuous influx of liquidity by maintaining a portfolio of interest-bearing investments with a balanced maturity structure. In light of the anticipated economic improvement, we have increased our ratio of equity investments as compared with the previous year. We have applied a value protection model to our equity investments in order to limit market risks. Should growing economic problems, such as sustained inflation or a deepening of the eurozone crisis, lead to a significant downturn, various courses of action are open to us.

The effects of the financial crisis have remained largely manageable for us as we deliberately avoided structured products entailing credit risks, such as asset-backed securities, collateralised debt obligations and collateralised loan obligations issued in 2007 and 2008. The asset-backed securities in our direct portfolio are chiefly European ones with top ratings, and our investments have focused on German issuers with similarly strong credit ratings. We have minimal investment exposure to the eurozone countries currently under the microscope, i.e. Portugal, Italy, Ireland, Greece and Spain. As regards issuer risks, as proportions of our total investments, 1.7 % of the company's interest-bearing investments are in corporate bonds and 42.4 % in bank paper. The bulk of our investments in banks are either covered by various statutory and private deposit protection schemes or involve interest-bearing securities that are protected in law by special guarantee funds. Possible capital write-downs of hybrid investments were accounted for last year via value adjustments in the annual financial statements.

Our interest-bearing investments allocated to fixed assets in accordance with section 341b of the German Commercial Code (HGB) show a net negative valuation reserve of

€ – 1.2 million, a figure that includes € – 3.3 million in hidden charges. Equities recognised in the fixed assets are subject to hidden charges totalling € – 200,000.

We have subjected our investment holdings to a stress test similar to the one applied to our non-life and casualty insurance. This was done to the balance sheet date of 31 December 2010, using the BaFin-specified modified stress test model from the German Insurance Association (GDV). All of the scenarios contained therein were passed successfully. The stress test determines whether an insurance undertaking would be in a position to meet its obligations towards its policyholders even if the capital markets underwent a protracted crisis. The stress test simulates a short-term adverse change on the capital markets and examines the impact on the insurance undertaking's balance sheet and accounts. The target horizon is the next balance sheet date. The stress test assumes the following scenarios: 1) a downturn on the equity markets while the bond market remains stable, 2) a downturn on the bond market while the equity market remains stable, 3) a simultaneous crash on the equity and bond markets and 4) a simultaneous crash on the equity and real-estate markets.

Operational opportunities and risks

Operational risks may stem from inadequate or failed operational processes, the breakdown of technical systems, external variables, employee-related incidents and changes in the legal framework. However, the main focus of the half-yearly risk inventory is on operational risks.

DEVK's operating procedures are based on internal guidelines. The risk of employee-related incidents is limited via regulations governing authorisation and powers of representation as well as wide-ranging automated backup for operating procedures, while the efficacy and functionality of in-house controls are monitored by the Internal Auditing unit.

Comprehensive access controls and preventive measures are in place in the IT field to ensure the security and integrity of programmes, data and ongoing operations, and links between internal and external networks are suitably protected by state-of-the-art systems.

Crisis management guidelines have been drawn up on the basis of a corporate emergency analysis. The guidelines set out goals and terms of reference for the prevention of emergencies and dealing with them should they arise.

Solvency

The premium index and claims index indicate that the company's own funds, proof of which must be furnished pursuant to section 53c of the German Insurance Supervision Act (VAG) in order to demonstrate our long-term ability to meet policy liabilities, provide a very high level of excess cover.

Cash flow

In the current financial year, the cash flow from investments, i.e. the funds required for the net investment volume, amounted to € 96.5 million (2009: € 4.1 million). The necessary funds were generated by the company's ongoing operations.

Summary of our risk status

Currently there are no discernible developments that could lead to a significant impairment of our company's net assets, financial position and results of operations.

Supplementary report

No occurrences or events took place after the reporting date that could significantly affect the company's future net assets, financial position or results of operations.

Outlook

We anticipate growing overall premium receipts during 2011 and 2012. Before changes to the equalisation provision, we are expecting the technical account for both years to be around the same level as in 2010.

During 2011 and 2012 we expect a continuation of the moderate worldwide economic recovery. The equity markets have already priced in the bulk of the anticipated economic upturn, but despite this we expect further upward movement provided the economy is spared exogenous shocks such as debt restructuring or sovereign defaults by individual eurozone countries and the consequences thereof. As yet, the economic impact of the natural disaster in Japan cannot be forecast.

On the fixed-interest markets, after recent yield increases at the long end of the yield curve, we feel that further interest rate rises in Germany and the USA are possible during the course of the year, and in this respect we would not rule out overreaction phases founded on fears of inflation. However, despite an initial interest rate rise by the European Central Bank in April 2011, our view is that, taking the long view, we remain in a low-interest environment.

As regards DEVK Rückversicherungs- und Beteiligungs-AG's investments, we are expecting somewhat weaker results in 2011 and 2012 as we anticipate a reduced need for write-ups, and our current forecasts indicate that the overall profit transfer from subsidiaries will be lower than last year. However, this situation would change if any of the risks touched upon above were to come to fruition.

In other respects, our current assessment of the prospects for 2011 and 2012 is that no major pressures are to be expected that could have a significant impact on the overall result.

All in all, due chiefly to the performance of our investments, we expect the result from ordinary activities to be somewhat weaker than last year, while in 2012 we should at least maintain the 2011 level.

Cologne, 21 April 2011

The Management Board

Gieseler **Rüßmann** **Zens**

Notes to the management report

List of insurance classes covered during the financial year

Reinsurance coverage provided

Accident insurance
Personal accident insurance
Motor vehicle accident insurance
Travel accident insurance

Liability insurance
General liability insurance
Pecuniary loss liability insurance
Travel liability insurance

Motor vehicle liability insurance

Other motor vehicle insurance
Fully comprehensive motor insurance
Partial comprehensive motor insurance (third party, fire and theft)

Legal-expenses insurance

Fire and non-life insurance
Fire insurance
Burglary and theft insurance
Water damage insurance
Glass insurance
Windstorm insurance
Household contents insurance
Homeowners' building insurance
Hail insurance
Animal insurance
Engineering insurance
Extended coverage insurance
Travel baggage insurance
All-risk insurance

Goods-in-transit insurance

Health insurance
Daily benefits insurance
Hospital daily benefits insurance
Travel health insurance

Other insurance policies
Transport insurance
Credit and bond insurance
Breakdown service insurance
Business interruption insurance
Exhibition insurance
Travel cancellation costs insurance
Loss of rent insurance

Financial statements

Balance sheet to 31 December 2010

Assets	€	€	€	(2009: € 000s)
A. Intangible assets				
I. Licences, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licences in such rights and assets		156,137		(53)
II. Payments on account		47,435		(43)
			203,572	(96)
B. Investments				
I. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	555,833,792			(541,290)
2. Shares in affiliated companies	8,009,000			(9,952)
3. Participating interests	45,829,012			(46,697)
		609,671,804		(597,939)
II. Other investments				
1. Shares, fund units and other variable-yield securities	161,281,691			(135,788)
2. Bearer bonds and other fixed-interest securities	142,305,215			(75,457)
3. Other loans	456,060,908			(471,393)
4. Other investments	33,047,508			(25,881)
		792,695,322		(708,519)
III. Deposits with ceding undertakings		13,859,106		(10,865)
			1,416,226,232	(1,317,323)
C. Receivables				
I. Receivables arising out of reinsurance operations of which:		13,703,082		(12,464)
Affiliated companies: € 193,404				(550)
II. Other receivables		158,305,187		(159,834)
of which:			**172,008,269**	(172,298)
Affiliated companies: € 129,736,633				(142,842)
D. Other assets				
I. Tangible assets and inventories		116,737		(51)
II. Other assets		6		(–)
			116,743	(51)
E. Prepayments and accrued income				
I. Accrued interest and rent		15,478,283		(13,808)
II. Other prepayments and accrued income		1,745,200		(932)
			17,223,483	(14,740)
Total assets			**1,605,778,299**	(1,504,508)

Liabilities and shareholders' equity

	€	€	€	(2009: € 000s)
A. Capital and reserves				
I. Subscribed capital		306,775,129		(306,775)
II. Capital reserve		193,747,061		(193,747)
III. Retained earnings				
– Other retained earnings		381,266,246		(341,318)
IV. Unappropriated retained earnings		50,000,000		(54,948)
			931,788,436	(896,788)
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	6,053,277			(5,065)
2. of which: Reinsurance amount	153,092			(153)
		5,900,185		(4,912)
II. Claims outstanding:				
1. Gross amount	173,111,502			(152,509)
2. of which: Reinsurance amount	61,376,964			(57,449)
		111,734,538		(95,060)
III. Equalisation provision and similar provisions		16,895,355		(14,385)
IV. Other technical provisions				
1. Gross amount	822,752			(765)
2. of which: Reinsurance amount	414,540			(385)
		408,212		(380)
			134,938,290	(114,737)
C. Provisions for other risks and charges				
I. Provisions for pensions and similar commitments		366,554,975		(331,696)
II. Provisions for taxation		39,760,850		(30,786)
III. Other provisions		584,192		(5,884)
			406,900,017	(368,366)
D. Deposits received from reinsurers				
			2,560,483	(1,952)
E. Liabilities				
I. Liabilities arising out of reinsurance operations				
of which:		38,365,475		(29,075)
Affiliated companies: € 25,624,830				(15,116)
II. Amounts owed to banks		85,008,631		(–)
III. Other liabilities		5,476,262		(93,164)
of which:			**128,850,368**	(122,239)
Tax: € 1,182,171				(1,130)
affiliated companies: € 4,380				(88,224)
F. Accruals and deferred income				
			740,705	(426)
Total liabilities			**1,605,778,299**	(1,504,508)

Profit and loss account

for the period from 1 January to 31 December 2010

Items	€	€	€	(2009: € 000s)
I. Technical account				
1. Earned premiums, net of reinsurance				
a) Gross premiums written	235,601,058			(263,992)
b) Outward reinsurance premiums	88,623,278			(82,116)
		146,977,780		(181,876)
c) Change in the gross provision for unearned premiums	– 988,260			(– 1,039)
d) Change in the provision for unearned premiums, reinsurers' share	– 203			(– 43)
		– 988,463		(– 1,082)
			145,989,317	(180,794)
2. Allocated investment return transferred from the non-technical account, net of reinsurance			**47,128**	(33)
3. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	146,770,746			(161,348)
bb) Reinsurers' share	57,529,871			(51,449)
		89,240,875		(109,899)
b) Change in the provision for claims				
aa) Gross amount	20,601,752			(28,158)
bb) Reinsurers' share	– 3,927,653			(– 5,259)
		16,674,099		(22,899)
			105,914,974	(132,798)
4. Changes in other technical provisions, net of reinsurance – Other technical provisions, net of reinsurance			**– 28,641**	(83)
5. Net operating expenses				
a) Gross operating expenses		58,971,482		(69,018)
b) of which: Reinsurance commissions and profit participation		20,537,132		(19,584)
			38,434,350	(49,434)
6. Other technical charges, net of reinsurance			**835,156**	(1,226)
7. Subtotal			**823,324**	(– 2,548)
8. Change in the equalisation provision and similar provisions			**– 2,510,412**	(1,761)
9. Technical result, net of reinsurance			**– 1,687,088**	(– 787)
Balance carried forward:			– 1,687,088	(– 787)

Items	€	€	€	(2009: € 000s)
Balance carried forward:			– 1,687,088	(– 787)
II. Non-technical account				
1. Investment income				
a) Income from participating interests	3,200,811			(3,068)
of which:				
from affiliated companies: € 1,189,500				(532)
b) Income from other investments	33,526,039			(33,925)
of which:				
from affiliated companies: € 332,777				(327)
c) Write-ups on investments	7,138,896			(11,086)
d) Gains on the realisation of investments	4,344,516			(4,736)
e) Income from a profit pooling, profit transfer or partial profit transfer agreement	83,081,690			(81,246)
		131,291,952		(134,061)
2. Investment charges				
a) Investment management charges, interest expenses and other charges on capital investments	277,946			(307)
b) Write-downs on investments	7,635,947			(22,320)
c) Losses on the realisation of investments	1,163,345			(738)
d) Charges from loss transfer	2,174,756			(2,124)
		11,251,994		(25,489)
		120,039,958		(108,572)
3. Allocated investment return transferred to the non-life insurance technical account		91,050		(62)
			119,948,908	(108,510)
4. Other income		14,181,692		(12,674)
5. Other charges		37,288,220		(30,449)
			– 23,106,528	(– 17,775)
6. Result from ordinary activities			**95,155,292**	(89,948)
7. Extraordinary income		21,469,260		(–)
8. Extraordinary expenses		22,088,611		(–)
9. Extraordinary result			**– 619,351**	(–)
10. Taxes on extraordinary profit or loss				
a) Own	44,534,505			(35,565)
b) Tax allocation	–			(– 566)
		44,534,505		(34,999)
11. Other taxes		1,436		(1)
			44,535,941	(35,000)
12. Net profit for the year/Net retained earnings			**50,000,000**	(54,948)

Notes to the accounts

Accounting and valuation methods

The provisions of the German Act on Modernisation of Accounting Regulations (BilMog) will be applied from 1 January 2010 onwards. Its consequences for the accounting and valuation methods will be discussed under the various headings.

Where BilMoG provides a choice concerning accounting methods we have proceeded as follows:
- Pursuant to section 253 paragraph 2 sentence 2 HGB, pension provisions will be discounted at the average market rate given an assumed residual term of 15 years.
- The option provided for under article 67 paragraph 1 EGHGB of distributing the necessary allocation to the pension provisions over a maximum of 15 years has not been exercised. Instead, a one-off allocation of the entire amount was made in 2010.
- Pursuant to article 67 paragraph 8 sentence 2 of the German Act Introducing the Commercial Code (EGHGB), earlier years' figures have not been adjusted to the new BilMoG provisions.

Under the pension commitments assumption of debt agreements with DEVK Sach- und HUK-Versicherungsverein a.G. and DEVK Lebensversicherungsverein a.G., dated respectively 31 March 1998 and 24 June 2002, and both supplemented on 28 December 2010, our company is required not to exercise the option, in return for the refunding of the one-off adjustment expense.

The **intangible assets** (IT software) are recognised at their costs of acquisition and, with the exception of advance payments, subjected to scheduled depreciation.
Low-value assets are either assigned to a pool of such assets, in which case they are depreciated over a five-year period, beginning from the year of acquisition, or they are recorded as operating expenses in their year of acquisition.

Shares in affiliated companies and **participating interests** are shown either at their costs of acquisition or at the lower of cost and market. **Loans to affiliated companies** are recognised at their nominal values.

Shares, fund units and other variable-yield securities, bearer bonds and other fixed-interest securities are shown at the lower of their costs of acquisition or market prices. Investments allocated pursuant to section 341b paragraph 2 HGB to the fixed assets are valued according to the diluted lower value principle. Investments assigned to the current assets are valued according to the strict lower value principle. Where a write-down to a lower value took place in previous years, a corresponding write-up subsequently took place if this asset could then be assigned a higher value on the balance sheet date. Said write-ups were to the lower of cost or market.

Registered bonds, notes receivable, loans and **registered participation certificates** are recognised at their nominal values. **Other loans** are recorded at their nominal values. Premium and discount points are distributed over the term of the loans via deferrals and accruals. Zero notes receivable are capitalised at their costs of acquisition plus the interest entitlement as determined on the basis of the capital volume and the interest agreement.

Other investments are recognised either at their costs of acquisition or their nominal values.

Deposits with ceding undertakings are recorded using the details provided by the ceding companies.

Receivables from reinsurance operations are based on the reinsurance contracts and are recognised at their nominal values less necessary individual value adjustments.

Other receivables and **other assets** not constituting operating or office equipment were recognised at their nominal values**.** Operating or office equipment is shown at its cost of acquisition or production as reduced by scheduled depreciation. Depreciation is calculated according to the straight-line method. Low-value assets are either assigned to a pool of such assets, in which case they are depreciated over a five-year period, beginning from the year of acquisition, or they are recorded as operating expenses in their year of acquisition.

Interest claims not yet due are recorded at their nominal values under **"Prepayments and accrued income".**

Technical provisions are calculated by application of the following principles:
Provisions for unearned premiums are recognised on the basis of the contracts with the primary insurers. When calculating the unearned premium provisions, we complied with the regulation laid down by the Finance Minister of North Rhine-Westphalia on 29 May 1974. The provision for unearned premiums attributable to the reinsurers is calculated on the basis of the contracts with the reinsurers.

The gross amounts for the **provisions for outstanding claims** are recorded on the basis of the details provided by the ceding companies. The reinsurance amount was calculated in accordance with the contractual agreements
in this respect.

The **equalisation provision** was calculated in accordance with the annex to section 29 of the German Regulation on Accounting in the Insurance Sector (RechVersV). **Provisions similar to the equalisation provision** for insurance against terrorist risks were formed in accordance with section 30 paragraph 2a RechVersV.

The other technical provisions include a cancellation provision for premium claims. They were recognised on the basis of details provided by the ceding companies.

The **other provisions are formed** on the following basis:
The **pension provision** was calculated according to the projected unit credit method, on the basis of Professor Klaus Heubeck's 2005G actuarial tables. Discounting was done at the average market interest rate published by Deutsche Bundesbank, as arrived at assuming a residual term of 15 years (cf. section 253 paragraph 2 sentence 2 HGB). The financing age on expiry is 62.

The assumed rate of pay increase was set at 1.95 % p.a., and the rate of pension increase at 1.7 % p.a. On the transition to BilMoG, there was a coverage shortfall on 1 January 2010 as compared with 31 December 2009, and the sum required to make good this shortfall was recorded as extraordinary expenses.

The **tax provisions** and **other provisions**, calculated according to anticipated needs, were formed for the current financial year and set at the levels necessary to the best of our commercial judgement.

Deposits received from reinsurers were recognised at their repayment amounts.

Liabilities arising from reinsurance operations are based on the reinsurance contracts and are recognised at the compliance amount.

Amounts owed to banks are recognised at their repayment amounts.

Other creditors are valued at their compliance amounts.

Accruals and deferred income comprise the discount points on registered bonds, notes receivable and loans.

Items in foreign currency are converted into euros on the balance sheet date at the median foreign currency exchange rate.

The **allocated investment return transferred from the non-technical account, net of reinsurance,** was recorded on the basis of the details provided by the ceding company. The reinsurance amount was calculated in accordance with the contractual agreements in this respect.

Changes to Asset Items A., B.I. to II. during the 2010 financial year

Assets	Balance sheet value 2009 € 000s	Additions € 000s	Transfers € 000s	Disposals € 000s	Write-ups € 000s	Write-downs € 000s	Balance sheet value 2010 € 000s
A. Intangible assets							
1. Licences, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licences in such rights and assets	53	68	64	–	–	29	156
2. Payments on account	43	69	– 64	–	–	–	48
3. Total A.	96	137	–	–	–	29	204
B.I. Investments in affiliated companies and participating interests							
1. Shares in affiliated undertakings	541,290	18,971	–	–	–	4,427	555,834
2. Loans to affiliated undertakings	9,952	1,456	–	3,399	–	–	8,009
3. Participating interests	46,697	1,547	–	2,241	–	174	45,829
4. Total B.I.	597,939	21,974	–	5,640	–	4,601	609,672
B.II. Other investments							
1. Shares, investment fund units and other variable-yield securities	135,788	47,699	–	25,736	5,376	1,845	161,282
2. Bearer bonds and other fixed-interest securities	75,457	69,317	–	2,859	797	407	142,305
3. Other loans							
a) Registered bonds	135,000	35,500	–	55,000	–	–	115,500
b) Notes receivable and loans	277,593	21,134	–	15,000	–	–	283,727
c) Other loans	58,800	1,534	–	3,500	–	–	56,834
4. Deposits with banks	–	–	–	–	–	–	–
5. Other investments	25,881	7,200	–	217	965	782	33,047
6. Total B.II.	708,519	182,384	–	102,312	7,138	3,034	792,695
Total	**1,306,554**	**204,495**	**–**	**107,952**	**7,138**	**7,664**	**1,402,571**

Notes to the balance sheet

Re Assets B.

Investments

Pursuant to section 341b paragraph 2 HGB, we have assigned investments for long-term retention in the investment portfolio to the fixed assets. As of 31 December 2010, our investments had the following book and current values:

Investments

	Book value €	Current value €
B.I. Investments in affiliated companies and participating interests		
1. Shares in affiliated companies	555,833,792	1,154,453,156
2. Loans to affiliated companies	8,009,000	8,487,697
3 Participating interests	45,829,012	50,648,960
B.II. Other investments		
1. Shares, fund units and other variable-yield securities	161,281,691	208,845,548
2. Bearer bonds and other fixed-interest securities	142,305,215	145,753,865
3. Other loans		
a) Registered bonds	115,500,000	120,261,911
b) Notes receivable and loans	283,727,032	289,559,681
c) Other loans	56,833,876	46,048,720
4. Deposits with banks	–	–
5. Other investments	33,047,508	33,080,924
Total	**1,402,367,126**	**2,057,140,462**
of which: Investments valued at costs of acquisition	954,843,580	1,604,378,373
of which: Investments in fixed assets pursuant to section 341b paragraph 2 HGB	62,948,213	61,556,131

The revaluation reserves include hidden liabilities totalling € 21.4 million. These relate to participating interests, shares, bearer bonds, zero bonds and securities capitalised at their nominal values pursuant to section 341c HGB.

Depending on the investment type, a variety of different methods were used to calculate the current values.

The current value of shares in affiliated companies held by DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG, DEVK Vermögensvorsorge- und Beteiligungs-AG, DEVK Service GmbH and SADA Assurances S.A. is calculated on the basis of gross rental values. Other shares are recognised at their book values.

In the great majority of cases, the current values of participating interests correspond to the book values.

Both dividend-bearing securities and fixed-interest securities capitalised at their costs of acquisition are valued using the year’s end market prices. Pursuant to section 56

RechVersV, the current values of investments capitalised at nominal value (registered securities) and zero notes payable were calculated at normal market conditions on the basis of the yield curve. The current value of other investments was calculated on the basis of the year's end prices reported by the respective issuing banks.

The market values of investments denominated in foreign currencies were calculated on the basis of the year's end exchange rates.

Details of financial instruments within the meaning of section 285 paragraph 18 HGB that are capitalised at their fair value

	Book value € 000s	Fair value € 000s
Participating interests	10,000	9,861
Fixed-asset securities	28,904	25,423
Other loans	33,988	28,845

We have refrained from making any write-downs in accordance with section 253 sentence 4 HGB as we either intend to hold various securities until maturity or we are assuming that any fall in value is only temporary.

Details of derivative financial instruments and forward purchases in accordance with section 285 paragraph 19 HGB

	Type	Nominal volume € 000s	Book value premium € 000s	Fair value of premium € 000s
Other liabilities	Short put options	4,570	217	51
Other liabilities	Short call options	1,820	79	240
Bearer bonds and notes receivable	Forward purchases	20,00	–	– 978

Valuation methods

Short put options:	European options	Black-Scholes
	American options	Barone-Adesi
Short call options:	European options	Black-Scholes
	American options	Barone-Adesi
Forward purchases:	Bloomberg or our own calculations based on market data	

Details of units or shareholdings in domestic investment funds in accordance with section 285 paragraph 26 HGB

Investment goal	Dividends € 000s	Current value € 000s	Hidden reserves/ hidden charges € 000s	Limitation on daily redemption
Equity funds	1,095	98,183	2,012	
Real-estate funds	936	19,717	885	once a month up to € 50,000 or quarterly only pro rata with sales of real estate

Re Assets B.I.

Investments in affiliated companies and participating interests

	Subscribed capital €	% share	Checked % share	Equity €	Results from previous financial year €
DEVK Allgemeine Versicherungs-AG, Cologne	194,290,915	100.00	100.00	312,170,794	–
DEVK Rechtsschutz-Versicherungs-AG, Cologne	17,895,216	100.00	100.00	29,563,459	–
DEVK Krankenversicherungs-AG, Cologne	6,000,000	100.00	100.00	8,980,291	–
DEVK Allgemeine Lebensversicherungs-AG, Cologne	7,158,086	100.00	51.00	61,880,301	–
DEVK Pensionsfonds-AG, Cologne	4,000,000	100.00	51.00	8,713,766	120,000
DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne	20,000,000	51.00	51.00	113,000,000	–
DEVK Alpha GmbH, Cologne	25,000	100.00	51.00	26,124	– 98
DEVK Asset Management GmbH, Cologne	750,000	100.00	100.00	750,000	–
DEVK Beta GmbH, Cologne	25,000	100.00	100.00	34,229	– 37
DEVK Gamma GmbH, Cologne	25,000	100.00	100.00	26,729	1,219
DEVK Iota GmbH, Cologne	25,000	100.00	51.00	23,570	– 776
DEVK Omega GmbH, Cologne	25,000	100.00	100.00	24,260	– 86
DEVK Private Equity GmbH, Cologne	10,000,000	55.00	47.65	125,829,860	1,059,384
DEVK Saturn GmbH, Cologne	25,000	100.00	100.00	24,104	– 242
DEVK Service GmbH, Cologne	260,000	74.00	74.00	3,110,379	–
DEVK Unterstützungskasse GmbH, Cologne	25,000	100.00	51.00	24,848	396
DEVK Versorgungskasse GmbH, Cologne (formerly DEVK Iota GmbH)	25,000	100.00	51.00	23,570	– 776
DEVK Web-GmbH, Cologne	25,000	100.00	100.00	25,000	–
DEVK Zeta GmbH, Cologne	25,000	100.00	51.00	305,652	–
DEVK Zeus Vermögensverwaltungs-AG, Cologne	50,000	100.00	100.00	50,566	89
Assistance Services GmbH, Schöneiche	51,129	100.00	100.00	156,935	89,905
Ceyoniq Consulting GmbH, Aachen (formerly Ceyoniq Sales & Services GmbH Süd)	100,000	100.00	57.94	– 172,109	– 256,911
Ceyoniq Technology GmbH, Bielefeld	1,000,000	66.67	57.94	1,827,649	760,725
eSlidez GmbH, Bielefeld	25,000	55.00	29.30	44,387	3,394
German Assistance Versicherung AG, Coesfeld	1,462,500	100.00	100.00	– 691,941	– 4,619,719
Hands on Media GmbH, Bielefeld	25,000	66.67	57.94	63,981	37,469
Hotelbetriebsgesellschaft SONNENHOF mbH, Bad Wörishofen	375,000	100.00	51.00	356,023	–
HYBIL B.V., Venlo	400,000	80.00	75.10	49,202,642	3,888,660
Ictus GmbH, Cologne (formerly DEVK Sigma GmbH)	5,000,000	60.00	50.20	4,993,140	– 6,207
KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne	25,000	100.00	100.00	36,074	11,074
Lieb' Assur S.A.R.L., Nîmes	250,000	100.00	100.00	365,675	– 110,321
Monega Kapitalanlagegesellschaft mbH, Cologne	5,200,000	45.00	45.00	6,658,560	1,458,560
O. I. L. Vertriebs GmbH, Coesfeld	102,258	100.00	100.00	– 629,953 *	– 105,667
OUTCOME Unternehmensberatung GmbH, Aachen	525,000	80.00	80.00	– 2,014,397	– 2,026,280
Reisebüro Frenzen GmbH, Cologne	25,000	52.00	52.00	404,699	149,122
SADA Assurances S.A., Nîmes	18,216,840	100.00	100.00	8,313,835	– 3,201,606
	CHF			CHF	CHF
ECHO Rückversicherungs-AG, Zurich	50,000,000	100.00	100.00	65,586,161	– 10,697,149

* Shortfall not covered by capital contribution

Pursuant to section 285 paragraph 11 HGB, only investments in affiliated companies and participating interests involving holdings of at least 20.00 % have been included here.

Re Assets B.II.

Other investments
Other loans exclusively comprise registered participation certificates.
Other investments comprise fund units and silent partnerships within the meaning of KWG.

Re Assets E.II.

Other prepayments and accrued income

Premium on registered bonds, notes payable and loans and registered participation certificates	**€ 1,745,200**

Re Liabilities A.I.

Subscribed capital
The subscribed capital totalling € 306,775,129 is divided into 120 million registered no par value shares.

Re Liabilities A.III.

Retained earnings
Other retained earnings

31.12.2009	€ 341,318,268
Allocation	€ 39,947,978
31.12.2010	**€ 381,266,246**

Re Liabilities F.

Accruals and deferred income

Discount points on registered bonds, notes receivable and loans	**€ 740,705**

Notes to the profit and loss account

Notes on outward reinsurance operations

	2010, € 000s	2009, € 000s
Gross booked premiums		
– Non-life/casualty	**235,601**	263,992

Re Item II.7.

Extraordinary income

Pursuant to article 67 paragraph 1 and 7 EGHGB, income of € 21,469,260 has been recognised in the "Extraordinary" result as a result of taking over the pension commitments of DEVK Sach- und HUK-Versicherungsvereins a.G. and DEVK Lebensversicherungvereins a.G. due to the revaluation of the pension provisions in connection with the conversion to BilMoG.

Re Item II.8.

Extraordinary expenses

Pursuant to article 67 paragraphs 1 and 7 EGHGB, the revaluation of the pension provision in connection with the transition to BilMoG led to expenses totalling € 22,088,611.

Insurance agents' commission and other remuneration, personnel expenses

	2010, € 000s	2009, € 000s
1. Insurance agents' commission of all types within the meaning of section 92 HGB for direct insurance operations	–	–
2. Other insurance agents' remuneration within the meaning of section 92 HGB	–	–
3. Wages and salaries	317	302
4. Social-security contributions and social-insurance costs	–	–
5. Retirement pension costs	117	143
Total	**434**	445

The personnel expenses include the risk portion of the allocation to the pension provision, in so far as it has been formed for the employees, made available to us via the Service Contract.
The extra expenses occasioned by the transition to BilMoG, totalling € 22.1 million, are recorded under "Extraordinary expenses".

During the year under review, Management Board remuneration totalled € 327,754. The retirement pensions of former Management Board members and their surviving dependants totalled € 157,934. As of 31 December 2010, a pension provision of € 2,183,028 was recognised for this group of people. The Supervisory Board remuneration totalled € 216,241.

Other information

Parent company guarantee

Our company undertakes at all times to provide Assistance Services GmbH, O. I. L. Vertriebs GmbH and OUTCOME Unternehmensberatung GmbH with sufficient funds to enable them to duly meet their obligations.

Other financial obligations

At the end of the year, other financial obligations arising from real-estate holdings, fund units, shares in affiliated companies and participating interests totalled € 26.0 million. This includes obligations towards affiliated companies amounting to € 12.9 million.

On the balance sheet date, we had outstanding financial obligations totalling € 6.4 million from open short put options, € 28.0 million in multi-tranche notes payable already in the portfolio or already paid out, and € 20.0 million from open forward purchases.

General information

Lists of the members of the Management Board and Supervisory Board are given at the front of the management report.

Our company does not itself employ any personnel.

On the balance sheet date, our company was 100 % held by DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn, Cologne, who have disclosed, pursuant to section 20 paragraph 4 AktG, that they hold the majority of the voting rights.

As required by law the annual financial statements are published in Germany's Electronic Federal Gazette.

Pursuant to section 285 paragraph 17 HGB, details of the auditors' fees are given in the consolidated notes.

Our company is exempted from the obligation to prepare consolidated financial statements and a consolidated management report.

Name and domicile of the parent company that draws up the consolidated financial statements whereby the company is thus exempted and in which it is included:

DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a.G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
Zentrale, Riehler Strasse 190, 50735 Cologne

The consolidated financial statements are published on the website of DEVK at www.devk.de, as well as in the Electronic Federal Gazette.

Cologne, 21 April 2011

The Management Board

Gieseler **Rüßmann** **Zens**

Audit certificate

We have audited the annual financial statements, comprising the balance sheet, income statement and notes, as well as the accounting and management report of **DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft**, Cologne, for the financial year from 1 January to 31 December 2010. The accounting and the preparation of the annual financial statements and management report in accordance with German commercial regulations and the supplementary provisions of the articles of association are the responsibility of the company's Management Board. Our remit is to express an opinion on the annual financial statements, accounting and management report on the basis of our audit.

We conducted our audit pursuant to section 317 of the German Commercial Code (HGB) and the generally accepted standards for auditing financial statements promulgated by the German Institute of Auditors (IDW), which require us to plan and perform the audit in such a way that misstatements materially affecting the presentation of assets, finances and earnings in the annual financial statements in accordance with the German principles of proper accounting and in the management report are detected with reasonable certainty. Knowledge of the company's business activities, the economic and legal circumstances, and expectations concerning possible errors are taken into account when determining the audit activities. The effectiveness of the internal auditing system and the accuracy of the evidence supporting the information contained in the accounting, annual financial statements and management report are predominantly tested on the basis of random sampling. The audit includes an evaluation of the accounting principles applied and the principal estimates made by the Executive Board, as well as an appraisal of the overall view conveyed by the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any objections.

In our opinion, based on the findings of our audit, subject to the above-mentioned reservation, the annual financial statements comply with the legal regulations, and convey an accurate and fair view of the company's assets, finances and earnings in keeping with generally accepted accounting principles.

Furthermore, the management report is in conformity with the annual financial statements, provides an accurate description of the company's overall position, and accurately sets out the risks and opportunities inherent in future developments.

Cologne, 27 April 2011

KPMG AG Wirtschaftsprüfungsgesellschaft

Mehren	**Offizier**
Auditor	Auditor

Supervisory Board report

During 2010, the Supervisory Board regularly monitored the Management Board's leadership on the basis of written and verbal reporting, as well as being briefed on the company's commercial performance, corporate policies and financial position at various meetings.

KPMG AG Wirtschaftsprüfungsgesellschaft, having been appointed as auditors in line with statutory requirements, duly audited the 2010 annual financial statements and management report prepared by the Management Board. Their audit did not reveal any irregularities and accordingly an unqualified audit certificate has been granted. The Supervisory Board has duly acknowledged and agrees with the audit findings.

The Supervisory Board's own audit of the annual financial statements and management report likewise revealed no irregularities, and accordingly the Supervisory Board hereby approves the 2010 financial statements, which are thus duly adopted.

We have been furnished with and have studied the report prepared by the Management Board on relationships with affiliated companies and also the audit report on this prepared by KPMG AG Wirtschaftsprüfungsgesellschaft. The auditor has issued the following audit certificate of the Management Board's report on relationships with affiliated companies:

"After our statutory audit and evaluation we hereby confirm that
1. the factual details in the report are correct and
2. the payments made by the company in connection with the legal transactions discussed in the report were not excessive."

We share this judgement and do not have any objections to the Management Board's statement at the end of the report concerning relationships with affiliated companies.

The Supervisory Board agrees with the Management Board's proposal concerning the appropriation of the 2010 net retained earnings and hereby recommends that the Annual General Meeting frames a corresponding resolution.

The Supervisory Board would like to thank the Management Board and employees for all their hard work and commitment.

Cologne, 20 May 2011

The Supervisory Board

Kirchner
Chairman