## Company bodies

### Supervisory Board

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

**Jürgen Thurau**
Homberg
**Deputy Chairman**
Chairman of the Management Board of Sparda-Bank West eG

**Gerd Becht**
Bad Homburg
Director of Compliance, Data Protection and Legal Affairs at Deutsche Bahn AG and DB Mobility Logistics AG

**Ruth Ebeler**
Cologne
Deputy Chair of the Works Council, DEVK Versicherungen, Cologne Headquarters
(until 16 May 2012)

**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

**Dr Johannes Ludewig**
Alfter
Chairman of the National Regulatory Control Council
(until 16 May 2012)

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

### Management Board

**Friedrich Wilhelm Gieseler**
Bergisch Gladbach
**Chairman**

**Gottfried Rüßmann**
Cologne

**Bernd Zens**
Königswinter

## Management report

### Commercial environment and general conditions

#### Overview

As a wholly owned subsidiary of DEVK Sach- und HUK-Versicherungsverein 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.

The stock market's performance during 2012 was strongly influenced by the ECB's announcement that it would do "whatever it takes" to save the euro. This contributed to a positive trend on financial markets in the second half of the year, with almost all asset classes registering strong rises despite high levels of market volatility. The performance of Germany's DAX share index was particularly encouraging, with its year's end level of 7,612.39 points representing a 29.1 % rise, a figure which put it well ahead of the other major indices in Asia, Europe and the USA. For instance, the European EuroStoxx50 share index had reached 2,635.93 points by the end of the year, up just 14.1 % over the year as a whole, while money invested in Italian government bonds gained 28.5 %. Even ten-year German government bonds registered growth of 7.6 % over the course of the year.

All in all, then, we can report satisfactory business performance during the course of 2012.

#### Ratings

The ratings, commissioned by Standard & Poor's for the first time in 2008, are updated each year. As in the years 2008 to 2011, in 2012 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+. 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 2012 rating of the financial strength of DEVK's core companies remaining unaltered 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. Their outlook too is rated as stable.

### Market opportunities in the reinsurance sector

Thanks to the company's good ratings, its growth opportunities as a volume provider on the reinsurance market remain 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

In 2012 booked gross premiums were up 14.9 % at € 290.6 million. Income from participating interests came to € 107.0 million (2011: € 86.5 million).

Earned premiums net of reinsurance totalled € 184.8 million (2011: € 162.4 million), and claims expenses net of reinsurance came to € 126.0 million (2011: € 115.0 million). The ratio of net claims expenses to earned net premiums thus fell to 68.2 % (2011: 70.8 %), while the ratio of expenses on insurance operations net of reinsurance to earned premiums net of reinsurance improved to 23.6 % (2011: 25.4 %).

The netted-out 2012 underwriting result before changes to the equalisation provision came to € – 31.3 million (2011: € – 2.5 million). After a € 22.5 million allocation to the premium refunds provision (2011: € 9.4 million), the underwriting result net of reinsurance was € – 53.8 million (2011: € – 11.9 million).

## Performance of the individual insurance classes

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

### Life assurance

The results for this segment derive almost exclusively from reinsurance contracts with DEVK Lebensversicherungsverein a.G. and DEVK Allgemeine Lebensversicherungs-AG. Booked gross premiums came to € 12.1 million (2011: € 3.7 million). The underwriting result was a loss of € 46.9 million (2011: € – 11.1 million).

### Accident insurance

Gross booked premium receipts amounted to € 31.3 million (2011: € 26.7 million), with an underwriting result net of reinsurance of € 2.0 million (2011: € 4.6 million).

### Liability insurance

With gross booked premiums of € 2.4 million (2011: € 2.7 million), there was an underwriting loss of € 4.5 million (2011: € – 500,000).

### Motor vehicle liability insurance

Gross motor vehicle liability insurance receipts totalled € 49.7 million (2011: € 48.6 million). After the formation of a € 1.5 million equalisation provision, the underwriting result came to € – 1.8 million (2011: € – 1.8 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 increased to € 65.5 million (2011: € 60.8 million). Despite a € 600,000 allocation to the equalisation provision, the underwriting result improved to € 1.2 million (2011: € – 2.0 million).

### Fire and non-life insurance

Total gross booked fire and non-life insurance premiums rose to € 117.4 million (2011: € 99.3 million). In detail, our individual fire and non-life segments performed as follows:

Gross household contents insurance premiums amounted to € 16.3 million, well up on the 2011 figure of € 10.8 million. The underwriting result came to € 3.6 million (2011: € 2.8 million).

With premium receipts of € 42.1 million (2011: € 36.2 million), and after a € 1.9 million allocation to the equalisation provision (2011: € 3.1 million), our combined property insurance registered an underwriting profit of € 4.4 million (2011: € 2.0 million).

In the other classes of fire and non-life insurance, gross booked premiums totalled € 59.0 million (2011: € 52.3 million). After a very large € 17.7 million allocation to the equalisation provision (2011: € 10.8 million), the underwriting result was a loss of € 12.6 million (2011: € – 6.8 million).

### Other insurance policies

With premium receipts of € 12.1 million (2011: € 10.8 million), despite a € 900,000 allocation to the equalisation provision (2011: € 1.5 million withdrawal), the underwriting result stood at € 700,000, only slightly below the 2011 figure of € 1.1 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 € 108.0 million (2011: € 94.8 million). This figure included income from profit transfer agreements with affiliated companies totalling € 103.6 million (2011: € 90.7 million). Set against this income are charges from a loss transfer amounting to € 300,000 (2011: € 8.4 million).

## Investments and net investment income

During the year under review, the investment portfolio increased by 16.0 % to € 1,772.4 million. At 35.6 %, "investments in affiliated companies and participating interests" continue to constitute the largest item in the investment portfolio.

Total net investment income improved markedly from the 2011 figure, up 40 % at € 161.9 million (2011: € 115.7 million). This was due to higher profit transfers from subsidiaries, various write-ups and, on the expenses side, lower write-downs on investments and reduced loss transfer costs.

## Operating result and appropriation of retained earnings

Taking into account other profits or losses at around the 2011 level, the profit from ordinary activities stood at € 81.0 million (2011: € 77.4 million).

The after-tax net profit for the year of € 38.0 million (2011: € 36.0 million) is shown 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 € 23.0 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 approximately € 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, 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 2012 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 risk categories 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 (Vorstandsvorlage) 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 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 in compliance with the provisions of accounting law are formed.

### 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.

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 uncertain economic situation, we actively managed our ratio of equity investments throughout the year, and have tended to reduce this ratio as compared with 2011. We have applied a value protection model to our equity investments in order to limit market risks. Should growing economic problems lead to a significant downturn, various courses of action are open to us.

The overall impact on us of the eurozone debt crisis remains manageable since the bulk of our capital investments are in German issuers with strong credit ratings. We continue to 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, 7 % of the company's investments are in government bonds, 1 % in corporate bonds and 40 % in securities and deposits with banks and other financial service providers. 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 largely accounted for in past years 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 positive valuation reserve of € 23.8 million, a figure that includes € 200,000 in hidden charges.

We have subjected our investment holdings to a stress test similar to the one applied to our non-life and accident insurance, which we carried out on the balance sheet date of 31 December 2012, 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 clients 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 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 € 121.3 million (2011: € 80.2 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 or 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 2013 and 2014. Before changes to the equalisation provision, we are expecting the technical account for both years to register negative results. This is due to the performance of the life assurance segment, though the losses expected here in coming years should be offset or even surpassed by the profits of subsequent years.

On the financial markets, the positive performance of 2012 continued unabated in the first few weeks of the new year. The low interest policies of the most important central banks remain in place, and the highly expansionary rescue policies adopted by central banks, involving massive (over)supply of liquidity to the capital markets, are keeping the

yields on government bonds (artificially) low. As a result, virtually all forms of investment have become steadily more expensive, leading to rising demand for property and other real assets. Some of the countries directly affected by the eurozone crisis will suffer further economic contraction during 2013 due to the initial impact of restructuring measures. No inflationary tendencies can currently be discerned, but they cannot be ruled out in future, and the danger of bubbles forming in parts of the bond and real-estate markets is increasing.

Due to Germany's continuing dependency on its export industry, the economic situation in the USA and China has a key influence on our country's economic performance. In view of the signals emanating from those quarters, we see good chances of Germany being able to continue registering moderate growth in 2013.

The above scenario is based on the assumption that there will be no renewed deepening of the eurozone crisis, and that the countries affected will continue adhering to their policies of consolidation. However, it is expected that upcoming elections, for instance in Germany and Italy, will increase uncertainty. As a result, the recent sharp falls in the risk premiums offered on the affected countries' government bonds may be reversed, at least to some degree.

Due to low interest rates we are expecting a slight fall in the investment results registered by DEVK Rückversicherungs- und Beteiligungs-AG during 2013 and 2014. However, this is dependent upon stable financial markets and profit transfers from our subsidiaries remaining at around the previous year's level.

In other respects, our current assessment of the prospects for 2013 and 2014 is that no major pressures are expected that could have a significant impact on the overall result.

All in all, we expect the 2013 and 2014 results from ordinary activities to be somewhat weaker than the current level.

Cologne, 19 April 2013

**The Management Board**

**Gieseler** **Rüßmann** **Zens**

## Notes to the management report

### List of insurance classes covered during the financial year

### Reinsurance coverage provided

**Life assurance**

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

**Accident insurance**
General 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**

**Other insurance policies**
Transport insurance
Credit and bond insurance
Breakdown service insurance
Business interruption insurance
Exhibition insurance
Travel cancellation costs insurance

## Financial statements

### Balance sheet to 31 December 2012

| Assets | € | € | € | (2011: € 000s) |
|---|---|---|---|---|
| **A. Intangible assets** | | | | |
| I. Licenses, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licenses in such rights and assets | | 232,270 | | (241) |
| II. Payments on account | | 32,576 | | (1) |
| | | | **264,846** | (242) |
| **B. Investments** | | | | |
| I. Investments in affiliated companies and participating interests | | | | |
| 1. Shares in affiliated companies | 583,658,136 | | | (572,708) |
| 2. Loans to affiliated companies | 4,282,000 | | | (4,818) |
| 3. Participating interests | 43,563,479 | | | (46,221) |
| | | 631,503,615 | | (623,747) |
| II. Other financial investments | | | | |
| 1. Equities, fund units and other variable-yield securities | 206,237,224 | | | (163,695) |
| 2. Bearer bonds and other fixed-interest securities | 239,159,983 | | | (209,719) |
| 3. Other loans | 436,392,073 | | | (444,009) |
| 4. Deposits with banks | 45,000,000 | | | (–) |
| 5. Other investments | 29,588,885 | | | (25,174) |
| | | 956,378,165 | | (842,597) |
| III. Deposits with ceding companies | | 184,558,544 | | (60,976) |
| | | | **1,772,440,324** | (1,527,320) |
| **C. Receivables** | | | | |
| I. Receivables arising out of reinsurance operations, of which: | | 16,440,788 | | (13,151) |
| Affiliated companies: € 282,066 | | | | (296) |
| II. Other receivables, | | 216,851,275 | | (192,254) |
| of which: | | | **233,292,063** | (205,405) |
| Affiliated companies: € 186,853,460 | | | | (164,867) |
| **D. Other assets** | | | | |
| – Tangible assets and inventories | | | **127,907** | (128) |
| **E. Prepayments and accrued income** | | | | |
| I. Accrued interest and rent | | 17,702,442 | | (16,281) |
| II. Other prepayments and accrued income | | 420,334 | | (497) |
| | | | **18,122,776** | (16,778) |
| **Total assets** | | | **2,024,247,916** | (1,749,873) |

## Liabilities and shareholders' equity

| | € | € | € | (2011: € 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 | | 437,266,246 | | (416,266) |
| IV. Net retained earnings | | 38,000,000 | | (36,000) |
| | | | **975,788,436** | (952,788) |
| **B. Technical provisions** | | | | |
| I. Provision for unearned premiums | | | | |
| 1. Gross amount | 10,317,439 | | | (6,367) |
| 2. of which: | | | | |
| Reinsurance amount | 117,392 | | | (21) |
| | | 10,200,047 | | (6,346) |
| II. Premium reserve | | 173,817,384 | | (51,538) |
| III. Provision for claims outstanding | | | | |
| 1. Gross amount | 212,307,190 | | | (187,967) |
| 2. of which: | | | | |
| Reinsurance amount | 66,802,952 | | | (62,105) |
| | | 145,504,238 | | (125,862) |
| IV. Provision for bonuses and rebates | | – | | (14) |
| V. Equalisation provision and similar provisions | | 48,783,117 | | (26,284) |
| VI. Other technical provisions | | | | |
| 1. Gross amount | 477,908 | | | (530) |
| 2. of which: | | | | |
| Reinsurance amount | 237,876 | | | (147) |
| | | 240,032 | | (383) |
| | | | **378,544,818** | (210,427) |
| **C. Provisions for other risks and charges** | | | | |
| I. Provisions for pensions and similar commitments | | 399,353,863 | | (380,010) |
| II. Provisions for taxation | | 169,772,528 | | (66,741) |
| III. Other provisions | | 9,886,775 | | (8,389) |
| | | | **579,013,166** | (455,140) |
| **D. Deposits received from reinsurers** | | | | |
| | | | **1,500,000** | (–) |
| **E. Other liabilities** | | | | |
| I. Receivables arising out of reinsurance operations | | 83,860,574 | | (38,508) |
| of which: | | | | |
| Affiliated companies: € 39,971,717 | | | | (19,829) |
| II. Amounts owed to banks | | – | | (84,000) |
| III. Other liabilities | | 5,062,645 | | (8,456) |
| of which: | | | **88,923,219** | (130,964) |
| Tax: € 1,182,171 | | | | (1,182) |
| Affiliated companies: € 215,692 | | | | (3,420) |
| **F. Accruals and deferred income** | | | | |
| | | | **478,277** | (554) |
| **Total liabilities** | | | **2,024,247,916** | (1,749,873) |

## Profit and loss account

for the period from 1 January to 31 December 2012

| Items | € | € | € | (2011: € 000s) |
|---|---|---|---|---|
| **I. Technical account** | | | | |
| 1. Earned premiums, net of reinsurance | | | | |
| a) Gross premiums written | 290,567,633 | | | (252,844) |
| b) Outward reinsurance premiums | 101,933,191 | | | (90,028) |
| | | 188,634,442 | | (162,816) |
| c) Change in the gross provision for unearned premiums | – 3,950,636 | | | (– 313) |
| d) Change in the provision for unearned premiums, reinsurers' share | 96,875 | | | (– 133) |
| | | – 3,853,761 | | (– 446) |
| | | | **184,780,681** | (162,370) |
| 2. Allocated investment return transferred from the non-technical account, net of reinsurance | | | **6,737,890** | (2,168) |
| 3. Other technical income, net of reinsurance | | | **14,100** | (–) |
| 4. Claims incurred, net of reinsurance | | | | |
| a) Claims paid | | | | |
| aa) Gross amount | 165,712,964 | | | (163,594) |
| bb) Reinsurers' share | 59,394,129 | | | (62,715) |
| | | 106,318,835 | | (100,879) |
| b) Change in the provision for claims outstanding | | | | |
| aa) Gross amount | 24,340,213 | | | (14,856) |
| bb) Reinsurers' share | – 4,698,095 | | | (– 728) |
| | | 19,642,118 | | (14,128) |
| | | | **125,960,953** | (115,007) |
| 5. Changes in other technical provisions, net of reinsurance | | | | |
| a) Premium reserve, net of reinsurance | | – 5,370,131 | | (1,244) |
| b) Other technical provisions, net of reinsurance | | 143,276 | | (25) |
| | | | **– 5,226,855** | (1,269) |
| 6. Bonuses and rebates, net of reinsurance | | | **–** | (14) |
| 7. Net operating expenses | | | | |
| a) Gross operating expenses | | 67,958,355 | | (62,113) |
| b) of which: | | | | |
| Reinsurance commissions and profit participation | | 24,308,347 | | (20,951) |
| | | | **43,650,008** | (41,162) |
| 8. Other technical charges, net of reinsurance | | | **48,036,969** | (12,138) |
| 9. Subtotal | | | **– 31,342,114** | (– 2,514) |
| 10. Change in the equalisation provision and similar provisions | | | **– 22,499,154** | (– 9,389) |
| 11. Technical result, net of reinsurance | | | **– 53,841,268** | (– 11,903) |
| Balance carried forward: | | | – 53,841,268 | (– 11,903) |

| Items | € | € | € | (2011: € 000s) |
|---|---|---|---|---|
| Balance carried forward: | | | – 53,841,268 | (– 11,903) |
| **II. Non-technical account** | | | | |
| 1. Investment income | | | | |
| a) Income from participating interests | 4,474,663 | | | (4,117) |
| of which: | | | | |
| from affiliated companies: € 2,107,000 | | | | (1,776) |
| b) Income from other investments | 53,853,312 | | | (40,850) |
| of which: | | | | |
| from affiliated companies: € 3,203,421 | | | | (965) |
| c) Write-ups on investments | 9,957,586 | | | (1,876) |
| d) Gains on the realisation of investments | 2,494,586 | | | (7,693) |
| e) Income from a profit pooling, profit transfer or partial profit transfer agreement | 103,562,186 | | | (90,722) |
| | | 174,342,333 | | (145,258) |
| 2. Investment charges | | | | |
| a) Investment management charges, interest expenses and other charges on capital investments | 2,307,236 | | | (870) |
| b) Write-downs on investments | 9,757,445 | | | (18,059) |
| c) Losses on the realisation of investments | 96,293 | | | (2,260) |
| d) Charges from loss transfer | 294,065 | | | (8,412) |
| | | 12,455,039 | | (29,601) |
| | | 161,887,294 | | (115,657) |
| 3. Allocated investment return transferred from the non-technical account | | 6,737,890 | | (2,222) |
| | | | **155,149,404** | (113,435) |
| 4. Other income | | 17,054,004 | | (13,480) |
| 5. Other charges | | 37,340,327 | | (37,585) |
| | | | **– 20,286,323** | (– 24,105) |
| 6. Profit from normal business activity | | | **81,021,813** | (77,427) |
| 7. Taxes on income | | 43,020,122 | | (41,426) |
| 8. Other taxes | | 1,691 | | (1) |
| | | | **43,021,813** | (41,427) |
| **9. Net profit for the year/Net retained earnings** | | | **38,000,000** | (36,000) |

## Notes to the accounts

### Accounting and valuation methods

**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 or market value. **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 assigned to the fixed assets pursuant to section 341b paragraph 2 HGB are valued according to the diluted lower value principle. Investments assigned to the current assets were 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 value.

**Registered bonds** are recognised at their nominal values. Premium and discount points are distributed over the term of the loans via deferrals and accruals.

**Notes receivable, loans** and **other loans** are recognised at their amortised cost plus or minus the cumulative amortisation of the difference between the cost of acquisition and the redemption amounts, applying the effective interest method.
Zero notes receivable were 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 companies** 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 are recognised at their nominal values. Operating or office equipment is shown at its cost of acquisition or production as reduced by scheduled depreciation. Depreciation was 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 were 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 **premium reserve** was recorded in accordance with the reinsurance policies, using the details provided by the ceding companies.

The gross amounts for the **provisions for claims outstanding** were 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 contractually agreed portions of provisions for bonuses were taken over from the primary insurers.

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, to wit 5.05 % (2011: 5.14 %), as arrived at assuming a residual term of three 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.

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** are 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** include the discount points on registered bonds.

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.

Calculations reveal deferred tax due to tax relief resulting from differences between accounting valuations and valuations for tax purposes. These are expected to diminish in future financial years. However, in exercise of our option under section 274 paragraph 1 HGB, we are not recognising any deferred tax asset.

## Changes to Asset Items A., B.I. to II. during the 2012 financial year

**Assets**

| | Balance sheet value 2011 € 000s | Additions € 000s | Transfers € 000s | Disposals € 000s | Write-ups € 000s | Write-downs € 000s | Balance sheet 2012 € 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 | 241 | 45 | – | – | – | 54 | 232 |
| 2. Payments on account | 1 | 32 | – | – | – | – | 33 |
| 3. Total A. | 242 | 77 | – | – | – | 54 | 265 |
| **B.I. Investments in affiliated companies and participating interests** | | | | | | | |
| 1. Shares in affiliated companies | 572,708 | 13,450 | – | – | – | 2,500 | 583,658 |
| 2. Loans to affiliated companies | 4,818 | 400 | – | 936 | – | – | 4,282 |
| 3. Participating interests | 46,221 | 13 | – | – | – | 2,670 | 43,564 |
| 4. Total B.I. | 623,747 | 13,863 | – | 936 | – | 5,170 | 631,504 |
| **B.II. Other investments** | | | | | | | |
| 1. Shares, investment fund units and other variable-yield securities | 163,695 | 57,810 | – | 17,778 | 6,212 | 3,702 | 206,237 |
| 2. Bearer bonds and other fixed-interest securities | 209,719 | 29,463 | – | – | – | 22 | 239,160 |
| 3. Other loans | | | | | | | |
| a) Registered bonds | 115,500 | – | – | – | – | – | 115,500 |
| b) Notes receivable and loans | 271,997 | 10,817 | – | 20,188 | – | – | 262,626 |
| c) Other loans | 56,512 | 380 | – | 326 | 1,700 | – | 58,266 |
| 4. Deposits with banks | – | 45,000 | – | – | – | – | 45,000 |
| 5. Other investments | 25,174 | 3,982 | – | 749 | 2,045 | 863 | 29,589 |
| 6. Total B.II. | 842,597 | 147,452 | – | 39,041 | 9,957 | 4,587 | 956,378 |
| **Total** | **1,466,586** | **161,392** | **–** | **39,977** | **9,957** | **9,811** | **1,588,147** |

## 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. As of 31 December 2012, 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 | 583,658,136 | 1,230,629,553 |
| 2. Loans to affiliated companies | 4,282,000 | 4,471,232 |
| 3. Participating interests | 43,563,479 | 45,678,082 |
| B.II. Other financial investments | | |
| 1. Equities, fund units and other variable-yield securities | 206,237,224 | 238,183,634 |
| 2. Bearer bonds and other fixed-interest securities | 239,159,983 | 268,923,515 |
| 3. Other loans | | |
| a) Registered bonds | 115,500,000 | 133,413,444 |
| b) Notes receivable and loans | 262,626,436 | 290,808,368 |
| c) Other loans | 58,265,637 | 57,956,389 |
| 4. Deposits with banks | 45,000,000 | 45,000,000 |
| 5. Other investments | 29,588,885 | 33,195,765 |
| **Total** | **1,587,881,780** | **2,348,259,982** |
| of which: Investments valued at costs of acquisition | 1,427,381,780 | 2,169,846,538 |
| of which: Investments in fixed assets pursuant to section 341b paragraph 2 HGB | 177,872,723 | 201,680,361 |

The revaluation reserves include hidden liabilities totalling € 3.3 million. These relate to bearer bonds, notes receivable and loans, other loans, 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 Asset Management GmbH, DEVK Service GmbH and SADA Assurances S.A. is calculated on the basis of gross rental values. Hybil B.V. was carried at its market value. 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-end market prices. Pursuant to section 56 RechVersV, the current values of the registered bonds, notes receivable and loans were calcu-

lated at normal market conditions on the basis of the yield curve. The current value of the zero notes payable was calculated on the basis of the year-end prices reported by an independent financial enterprise.
The current values of the other loans and silent participating interests within the meaning of the German Banking Act (KWG) (equity surrogates) were calculated on the basis of the discounted cash flow method in line with the current euro swap curve plus a risk premium, which take into account the anticipated future payment streams in light of debtor-specific assumptions.

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<br>€ 000s | Fair value<br>€ 000s |
|---|---|---|
| Fixed-asset securities | 14,063 | 13,885 |
| Other loans | 92,376 | 89,227 |

We have refrained from making any write-downs in accordance with section 253 paragraph 3 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 | Volume<br>€ 000s | Premium<br>€ 000s | Value of premium<br>€ 000s |
|---|---|---|---|---|
| Other liabilities | Short put options | 7,310 | 297 | 103 |
| | Forward purchase in CHF | 25,149 | – | – 271 |

Valuation methods

| | | |
|---|---|---|
| Short put options: | European options | Black-Scholes |
| | American options | Barone-Adesi |
| Forward purchase in CHF: | Present value method | |

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

| Investment goal | Dividends<br>€ 000s | Current value<br>€ 000s | Hidden reserves/<br>hidden charges<br>€ 000s | Limitation on daily redemption |
|---|---|---|---|---|
| Equity funds | 8,887 | 117,490 | 325 | |
| Bond funds | 86 | 26,199 | 1,680 | |
| Real-estate funds | 910 | 17,073 | 1,140 | 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 | 21,000,000 | 100.00 | 100.00 | 32,563,459 | – |
| DEVK Krankenversicherungs-AG, Cologne | 8,000,000 | 100.00 | 100.00 | 11,105,291 | – |
| DEVK Allgemeine Lebensversicherungs-AG, Cologne | 7,158,086 | 100.00 | 51.00 | 82,880,301 | – |
| DEVK Pensionsfonds-AG, Cologne | 5,000,000 | 100.00 | 51.00 | 10,253,766 | 320,000 |
| DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne | 20,000,000 | 51.00 | 51.00 | 128,000,000 | – |
| DEVK Alpha GmbH, Cologne | 25,000 | 100.00 | 51.00 | 26,172 | 101 |
| DEVK Asset Management GmbH, Cologne | 750,000 | 100.00 | 100.00 | 750,000 | – |
| DEVK Beta GmbH, Cologne | 25,000 | 100.00 | 100.00 | 34,447 | 204 |
| DEVK Gamma GmbH, Cologne | 25,000 | 100.00 | 100.00 | 24,834 | 9,047 |
| DEVK Omega GmbH, Cologne | 25,000 | 100.00 | 100.00 | 24,262 | 6 |
| DEVK Private Equity GmbH, Cologne | 10,000,000 | 55.00 | 47.65 | 157,104,169 | 6,258,059 |
| DEVK Saturn GmbH, Cologne | 25,000 | 100.00 | 100.00 | 24,107 | 5 |
| DEVK Service GmbH, Cologne | 260,000 | 74.00 | 74.00 | 1,470,379 | – |
| DEVK Unterstützungskasse GmbH, Cologne | 25,000 | 100.00 | 51.00 | 25,533 | 345 |
| DEVK Versorgungskasse GmbH, Cologne | 25,000 | 100.00 | 51.00 | 24,046 | 426 |
| DEVK Web-GmbH, Cologne | 25,000 | 100.00 | 100.00 | 25,000 | – |
| DEVK Zeta GmbH, Cologne | 25,000 | 100.00 | 51.00 | 586,325 | – |
| DEVK Zeus Vermögensverwaltungs-AG, Cologne | 50,000 | 100.00 | 100.00 | 50,897 | 305 |
| Assistance Service GmbH, Coesfeld | 52,000 | 100.00 | 100.00 | 2,442,973 * | – 650,395 |
| German Assistance Versicherung AG, Coesfeld | 1,462,500 | 100.00 | 100.00 | 2,479,614 | 150,013 |
| Hotelbetriebsgesellschaft SONNENHOF mbH, Cologne | 375,000 | 100.00 | 51.00 | 356,023 | – |
| HYBIL B.V., Venlo | 400,000 | 80.00 | 75.10 | 52,747,611 | 4,199,825 |
| Ictus GmbH, Cologne | 5,000,000 | 60.00 | 50.20 | 25,434,708 | 592,622 |
| KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne | 25,000 | 100.00 | 100.00 | 32,305 | – 403 |
| Lieb' Assur S.A.R.L., Nîmes | 250,000 | 100.00 | 100.00 | 283,478 | 18,342 |
| Monega Kapitalanlagegesellschaft mbH, Cologne | 5,200,000 | 45.00 | 45.00 | 6,575,239 | 1,371,743 |
| OUTCOME Unternehmensberatung GmbH, Aachen | 525,000 | 100.00 | 100.00 | 1,892,837 * | 121,561 |
| Reisebüro Frenzen GmbH, Cologne (2011 financial year) | 25,000 | 52.00 | 52.00 | 409,610 | 154,910 |
| SADA Assurances S.A., Nîmes | 24,721,000 | 100.00 | 100.00 | 15,800,820 | 264,455 |
| | CHF | | | CHF | CHF |
| ECHO Rückversicherungs-AG, Zurich | 50,000,000 | 100.00 | 100.00 | 64,152,704 | 1,274,148 |

* 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 % 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 | € 341,370 |
| Advance payments for future services | € 78,964 |
| | **€ 420,334** |

## 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 | |
| 31.12.2011 | € 416,266,246 |
| Allocation | € 21,000,000 |
| 31.12.2012 | **€ 437,266,246** |

## Re Liabilities F.

**Accruals and deferred income**

| | |
|---|---|
| Discount points on registered bonds | **€ 478,277** |

## Notes to the profit and loss account

| Reinsurance coverage provided | 2012, € 000s | 2011, € 000s |
|---|---|---|
| Gross booked premiums | | |
| – Life | 12,124 | 3,710 |
| – Non-life/accident | 278,444 | 249,134 |
| **Total** | **290,568** | 252,844 |

| Insurance agents' commission and other remuneration, personnel expenses | 2012, € 000s | 2011, € 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 | 306 | 305 |
| 4. Social-security contributions and social-insurance costs | – | – |
| 5. Retirement pension costs | 134 | 130 |
| **Total** | **440** | 435 |

During the year under review, Management Board remuneration totalled € 322,751. The retirement pensions of former Management Board members and their surviving dependants totalled € 165,219. As of 31 December 2012, a pension provision of € 2,175,615 was capitalised for this group of people. The Supervisory Board remuneration totalled € 172,694.

## Other information

### Parent company guarantee

Our company undertakes at all times to provide Assistance Services 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 € 12.4 million. This includes obligations towards affiliated companies amounting to € 5.5 million.

On the balance sheet date, we had outstanding financial obligations totalling € 7.3 million from open short options.

### General information

Lists of the members of the Management Board and Supervisory Board are given prior to the management report.

Our company does not itself employ any personnel.

On the balance sheet date, our Company was 100 % owned 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 a 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, Germany

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

Cologne, 19 April 2013

**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 2012. 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, 26 April 2013

**KPMG AG**
**Wirtschaftsprüfungsgesellschaft**

| | |
|---|---|
| **Dr. Hübner** | **Offizier** |
| Auditor | Auditor |

## Supervisory Board report

During 2012, 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 2012 annual financial statements and management report prepared by the Management Board. Their audit did not reveal any irregularities and an unqualified audit certificate was 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. Accordingly, the Supervisory Board hereby approves the 2012 financial statements, which are thus duly adopted.

The Supervisory Board agrees with the Management Board's proposal concerning the appropriation of the 2012 net retained earnings and hereby recommends that the Annual General Meeting frames a corresponding resolution.

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

Cologne, 17 May 2013

**The Supervisory Board**

**Kirchner**
Chairman