



Gothaer Allgemeine Versicherung AG

(a stock corporation incorporated under the laws of the Federal Republic of Germany)

€ 250,000,000 Subordinated Fixed to Floating Rate Bonds due 2026

Issue Price: 100.00 per cent.

Gothaer Allgemeine Versicherung AG, Cologne (the “**Issuer**”) will issue € 250,000,000 principal amount of subordinated fixed to floating rate bonds due 29 September 2026 (the “**Bonds**”) on 29 September 2006 (the “**Issue Date**”) at an issue price of 100.00 per cent. of the principal amount of such Bonds. The Bonds will be issued in denominations of € 50,000 each.

For the period from and including 29 September 2006 to but excluding 29 September 2016 (the “**First Call Date**”) the Bonds bear interest on their aggregate principal amount at the rate of 5.527 per cent. per annum payable annually in arrear on 29 September in each year (each a “**Fixed Interest Payment Date**”) commencing on 29 September 2007. In the period from and including the First Call Date to but excluding the date of redemption, the Bonds shall bear interest on their aggregate principal amount at the Euro inter-bank offered rate for three months deposits plus 2.50 per cent. The interest will be payable quarterly in arrear on 29 September, 29 December, 29 March and 29 June in each year (each a “**Floating Interest Payment Date**”).

Under certain circumstances, the Issuer may elect to defer payment of interest. The Issuer may pay such deferred interest at any time and must pay such deferred interest under certain circumstances as described in the “**Terms and Conditions of the Bonds**”.

The Bonds shall, to the extent not previously redeemed in whole or in part, be redeemed at their principal amount on 29 September 2026. The holders of the Bonds (the “**Holder**s”) shall have no right to call for redemption of the Bonds.

The Issuer may redeem the Bonds in whole but not in part on the First Call Date or on any Floating Interest Payment Date thereafter at their principal amount together with any accrued interest and all outstanding Arrears of Interest (as defined in the “**Terms and Conditions of the Bonds**”). The Issuer may also redeem the Bonds in whole but not in part following a Gross-up Event at their principal amount and following a Tax Event or a Regulatory Event at the greater of the principal amount and the Make-Whole Amount (as defined in “**Terms and Conditions of the Bonds**”), in each case together with any accrued interest and all outstanding Arrears of Interest.

The Bonds constitute unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and at least *pari passu* with all other unsecured and subordinated obligations of the Issuer outstanding on the date of issue of the Bonds. In the event of the liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the obligations of the Issuer under the Bonds will be subordinated to the claims of all unsubordinated creditors of the Issuer, so that in any such event no amounts shall be payable in respect of the Bonds until the claims of the unsubordinated creditors of the Issuer shall have first been satisfied in full. No security of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Holders under the Bonds.

Application has been made to the Commission de Surveillance du Secteur Financier, Luxembourg (“**CSSF**”), as competent authority under Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 (the “**Prospectus Directive**”), for this Prospectus to be approved. Application has been made to the Luxembourg Stock Exchange for the Bonds to be listed on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission (Regulated Market “**Bourse de Luxembourg**”). The Bonds will be traded on the Luxembourg Stock Exchange. The Issuer may request CSSF to provide competent authorities in additional host Member States within the European Economic Area with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières which implements the Prospectus Directive into Luxembourg law.

The Bonds will be issued in bearer form and will be represented by a global bearer bond (the “**Global Bond**”) without coupons which will be deposited with a depositary common to Clearstream Banking, société anonyme, Luxembourg and Euroclear S.A./N.V. (together the “**Clearing System**”). No definitive bonds or coupons will be issued.

The Issuer expects that upon issuance the Bonds will be assigned a rating of BBB by Standard & Poor’s (a division of the McGraw-Hill Companies, Inc.) (“**S&P**”) and a rating of BBB+ by Fitch Ratings Ltd. (“**Fitch**”). A rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND THE BONDS ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE BONDS MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO U.S. PERSONS.

INVESTMENT IN THESE BONDS INVOLVES CERTAIN RISKS. PLEASE SEE THE SECTION “RISK FACTORS” BEGINNING ON PAGE 5 FOR A DESCRIPTION OF THESE RISKS.

This Prospectus constitutes a prospectus pursuant to, and is in compliance with the requirement of, the Prospectus Directive. It has been filed with CSSF, has been approved by said authority and will be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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RESPONSIBILITY STATEMENT

The Issuer with its registered office in Cologne, Germany accepts responsibility for the information contained in this prospectus (the “**Prospectus**”). To the best of the knowledge and belief of the Issuer, the information contained in this Prospectus is in accordance with the relevant facts and does not omit anything likely to affect the import of such information.

NOTICE

The Issuer further confirms that (i) this Prospectus contains all information with respect to the Issuer and its subsidiaries taken as a whole (the “**Gothaer Allgemeine Group**”) and to the Bonds which is material in the context of the issue, offering and listing of the Bonds, including all information which, according to the particular nature of the Issuer and of the Bonds is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Gothaer Allgemeine Group and of the rights attached to the Bonds; (ii) the statements contained in this Prospectus relating to the Issuer, the Gothaer Allgemeine Group and the Bonds are in every material respect true and accurate and not misleading; (iii) any opinions and intentions expressed by the Issuer herein are honestly held and based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the Gothaer Allgemeine Group or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in the Prospectus misleading in any material respect and (v) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

No person is authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer or Morgan Stanley & Co. International Limited (“**Morgan Stanley**”) or the “**Lead Manager**”) or Bayerische Hypo- und Vereinsbank AG, or DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (together with the Lead Manager, the “**Managers**”). Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or any of their affiliates since the date of this Prospectus, or that the information herein is correct at any time since the date of this Prospectus.

Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Prospectus does not constitute an offer of Bonds or an invitation by or on behalf of the Issuer or the Managers to purchase any Bonds. Neither this Prospectus nor any other information supplied in connection with the Bonds should be considered as a recommendation by the Issuer or the Managers to a recipient hereof and thereof that such recipient should purchase any Bonds.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The offer, sale and delivery of the Bonds and the distribution of this Prospectus in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. In particular, the Bonds have not been and will not be registered under the Securities Act and the Bonds are subject to U.S. tax law requirements. Subject to certain limited exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

IN CONNECTION WITH THE ISSUE OF THE BONDS, MORGAN STANLEY AS STABILISING MANAGER (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT BONDS (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS ALLOTTED DOES NOT EXCEED 105 % OF THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS (OR SUCH OTHER PERCENTAGE AS MAY BE APPLICABLE TO ANY SUCH ACTIONS IN THE JURISDICTION WHERE SUCH ACTIONS ARE TO BE EFFECTED) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT MORGAN STANLEY AS STABILISING MANAGER (OR PER-

SONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN AT ANY TIME AFTER THE ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE BONDS AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE OF THE RECEIPT OF THE PROCEEDS OF THE ISSUE BY THE ISSUER OR 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS OR, AS THE CASE MAY BE, SUCH OTHER DATE(S) AS MAY BE APPLICABLE TO ANY SUCH ACTION IN THE JURISDICTION WHERE SUCH ACTIONS ARE TO BE EFFECTED. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL LAWS, REGULATIONS AND RULES OF ANY RELEVANT JURISDICTION.

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RISK FACTORS

The following is a non-exhaustive description of certain risk factors with respect to the Bonds and the financial situation of the Issuer which prospective investors should consider before deciding to purchase the Bonds. The order in which the following risk factors are presented is not an indication of the likelihood of their occurrence or of the extent of their commercial consequences. Prospective investors should consider all of the information provided in this Prospectus and consult with their own professional advisers if they consider it necessary.

Words and expressions defined in “Terms and Conditions of the Bonds” below shall have the same meanings in this section.

Risk Factors in respect of the Bonds

Bonds may be called for redemption prior to their scheduled maturity

The Bonds may be redeemed at the option of the Issuer (in whole but not in part) at their principal amount on 29 September 2016 or on any Floating Interest Payment Date thereafter. The Issuer may also redeem the Bonds in whole but not in part following a Gross-up Event, a Tax Event or a Regulatory Event. There can be no assurance that the Holders will be able to re-invest the proceeds from early redemption of the Bonds at a comparable yield. The Holders have no right to call for redemption of the Bonds.

Payments of Interest under the Bonds may be deferred at the election of the Issuer

The Issuer has the option to defer a payment of interest if (A) no dividend, other distribution or payment (including for the purposes of a redemption or repurchase of shares) was resolved on in respect of any class of shares of the Issuer at the annual general meeting (*Jahreshauptversammlung*) or any subsequent general meeting of the Issuer immediately preceding that Interest Payment Date; and (B) no such dividend, special dividend or other distribution of payment (including for the purposes of a redemption or repurchase of any Junior Securities or Parity Securities) has been resolved on, paid or made in respect of any (i) Junior Securities or (ii) Parity Securities since that annual general meeting (*Jahreshauptversammlung*) of the Issuer; (C) a profit and loss transfer agreement between the Issuer as the party obliged to transfer profits and Gothaer Finanzholding AG, Berlin or another entity exists, and since the immediately preceding Interest Payment Date the Issuer has neither transferred any profits nor made any allocations to voluntary reserves pursuant to the terms of such profit and loss transfer agreement; and (D) the Issuer has not repurchased or otherwise acquired, or caused another affiliate to repurchase or otherwise acquire, any Parity Securities, Junior Securities or shares of any class of shares for any consideration (except by conversion into or exchange for ordinary shares of the Issuer) since the immediately preceding annual general meeting (*Jahreshauptversammlung*) of the Issuer. The Issuer shall not have any obligation to pay interest on any payment so deferred.

Claims under the Bonds are subordinated

The payment obligations of the Issuer under or in connection with the Bonds constitute unsecured and dated subordinated obligations of the Issuer. In the event of the liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the obligations of the Issuer under the Bonds will be subordinated to the claims of all unsubordinated creditors of the Issuer, so that in any such event no amounts shall be payable in respect of the Bonds until the claims of the unsubordinated creditors of the Issuer shall have first been satisfied in full.

Unsubordinated liabilities of the Issuer may also arise from events that are not reflected on the balance sheet of the Issuer, as the case may be, including, without limitation, the issuance of guarantees or the incurrence of other contingent liabilities on an unsubordinated basis. Claims made under such guarantees or such other contingent liabilities will become unsubordinated liabilities of the Issuer, as the case may be, that in a dissolution or insolvency proceeding of the Issuer, are to be paid in full before the obligations under the Bonds may be satisfied.

There is no limitation on the Issuer to incur additional indebtedness ranking senior to or pari passu with the Bonds

The Issuer has not entered into any restrictive covenants in connection with the issuance of the Bonds regarding its ability to incur additional indebtedness ranking *pari passu* with or senior to the obligations under or

in connection with the Bonds. Claims of the Holders for principal and interest under the Bonds will rank junior to the claims of the holders of such senior bonds. Incurring any such additional indebtedness may increase the likelihood of a deferral of interest payments under the Bonds and/or may reduce the amount recoverable by the Holders in the event of insolvency or liquidation of the Issuer.

No express events of default

The Holders should be aware that the Terms and Conditions of the Bonds do not contain any express events of default.

No prior market for the Bonds

Application has been made to the Luxembourg Stock Exchange for the Bonds to be admitted to the Official List and trading on its regulated market. However, there can be no assurance that a liquid secondary market for the Bonds will develop or, if it develops, that it will continue. In an illiquid market, an investor might not be able to sell his or her Bonds at any time at fair market prices. The possibility to sell the Bonds might be restricted additionally by country-specific reasons.

Fixed rate Bonds are exposed to specific market risks

A holder of a Bond with a fixed interest rate is exposed to the risk that the price of such Bond falls as a result of changes in the market interest rate. While the nominal interest rate of the Bonds is fixed during the Fixed Interest Period of the Bonds, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. As the market interest rate changes, the price of the Bonds changes in the opposite direction. If the market interest rate increases, the price of the Bonds typically falls, until the yield of the Bonds is approximately equal to the market interest rate. If the market interest rate falls, the price of the Bonds typically increases, until the yield of the Bonds is approximately equal to the market interest rate. Holders should be aware that movements of the market interest rate can adversely affect the price of the Bonds and can lead to losses for the Holders if they sell the Bonds.

Risk Factors in respect of the Issuer

Fluctuations in the premium income levels could materially adversely affect the Issuer's financial position or results.

The Issuer's results of operations are affected by a variety of market conditions, including economic cycles and insurance industry cycles, in particular, with respect to the various segments of property and casualty insurance markets in which the Issuer operates. Market conditions in the property and casualty insurance markets are generally characterised by periods of price competition, fluctuations in underwriting results and the occurrence of unpredictable weather-related or other catastrophe-related losses. The premium income might also be adversely affected by the fact that both private and corporate clients are increasingly sensitive to premium levels and demonstrate a high willingness to change their insurers. In particular, premiums in the industrial motor insurance segment could decrease due to severe competition. A decrease of the premium income could materially adversely affect the Issuer's financial position or results of operations.

Generally, the Issuer calculates the premiums on the basis of certain assumptions in accordance with market practice and, amongst others, its historic claims experience. Nevertheless, these assumptions made in connection with the calculation of the premiums could prove to be incorrect in comparison to the actual future developments and, therefore, may lead to insufficient premium income in relation to the underwritten risks, which could materially adversely affect the Issuer's financial position or result of operations. In this regard, it has to be taken into account, that the adjustment of costs is not as flexible as the adjustment of the premiums.

Loss reserves and calculation of premiums for the property and casualty insurance policies of the Issuer are based on estimates as to future claim liabilities. Adverse developments relating to insurance claims could necessitate further contributions to the loss reserves and materially adversely affect the Issuer's financial position or its results of operations.

In accordance with industry practice and accounting and regulatory requirements, the Issuer establishes reserves for losses and loss adjustment expenses related to the various segments of its property and casualty insurance business. Reserves are based on estimates of future payments that will be made in respect of claims,

including expenses relating to such claims. Such estimates are made both on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established, as well as in respect of losses that have been incurred but not reported to the Issuer.

Reserves are subject to change due to a number of variables which affect the ultimate cost of claims, such as changes in the legal environment, results of litigation, costs of repairs and risk factors such as inflation. The Issuer's earnings depend significantly upon the extent to which the Issuer's actual claim experience is consistent with the assumptions it uses in setting the prices for its insurance products and establishing the loss reserves. To the extent that the Issuer's actual claims experience is less favourable than the underlying assumptions used in establishing such loss reserves, the Issuer may be required to increase its reserves, which may adversely affect its earnings.

Established loss reserves estimates are periodically adjusted in the ordinary course of settlement, using the most current information available to management, and any adjustments resulting from changes in reserve estimates are reflected in the current results of operations. The Issuer also conducts reviews of various lines of business to consider the adequacy of reserve levels. In addition, the Issuer's actuarial calculations as well as the adequacy of reserve levels are reviewed by the Issuer's auditors in connection with the annual audit of the Issuer's financial statements.

However, although the Issuer believes to have build-up sufficient reserves, since the establishment of loss reserves is subject to uncertainty, there can be no assurance that ultimate losses will not materially exceed the Issuer's loss reserves. This might occur in particular in the event of elementary losses caused by storm, hail, flooding or earthquake that affect several lines of insurance underwritten by the Issuer or due to natural disasters as a consequence of the climate change in the recent years as well as in consequence of terrorist activities. Insufficient loss reserves may also occur as a consequence of risk accumulations within certain geographic areas or classes of business. The Issuer considers this particularly likely in the in the area of technical insurance of wind power plants. An increasing frequency in major losses exceeding the loss reserves might also occur in the insurance line for products recall of suppliers to the automotive industry. Insufficient loss reserves may have a material adverse effect on the Issuer's financial position or results of operations.

The Issuer has significant counterparty risk exposure.

The Issuer is subject to a variety of counterparty risks, including in particular vis-à-vis reinsurers. The Issuer transfers its exposure to certain risks in its property and casualty insurance business to others through reinsurance arrangements. Under these arrangements, other insurers assume a portion of the Issuer's losses and expenses associated with reported and unreported losses in exchange for a premium. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. Any decrease in the amount of the Issuer's reinsurance will increase its risk of loss. When the Issuer obtains reinsurance, it is still liable for those transferred risks if the reinsurer cannot meet its obligations. Therefore, the inability of the Issuer's reinsurers to meet their financial obligations could materially affect the financial position or results of operations. Although the Issuer conducts periodic reviews of the financial statements and reputation of its reinsurers, the reinsurers may become financially unsound by the time they are called upon to pay amounts due.

The reinsurers' ability to meet their obligations is particularly important to the Issuer with respect to potential major losses in the motor third party liability insurance business, because a part of these policies have formerly been underwritten with unlimited coverage and, from April 2005 on, with a very high coverage of € 100 million. A default of any reinsurer of these motor third party liability risks may materially adversely affect the Issuer's financial position or results of operations.

Apart from reinsurers, there are also significant counterparty default risks in relation to policyholders and insurance agents as well as in relation to counterparties of financial investments, which could adversely affect the results of operations, if the receivables cannot be recovered. At 31 December 2005 the counterparty default risks with respect to policyholders and insurance agents amounted to € 173 million. This includes value adjustments in the amount of € 12.4 million, which reasonably account for the counterparty default risks. On average the defaulting claims (after unsuccessful judicial dunning procedures) during the last three years came to € 4.4 Million, amounting to 3.2% of the gross premiums written.

Interest rate volatility may adversely affect Issuer's results of operations.

Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short- and long-term rates) can affect the Issuer's results.

Over the past several years, movements in both short- and long-term interest rates have affected the level and timing of recognition of gains and losses on securities held in the Issuer's investment portfolios. The Issuer's investment portfolios are mainly weighted toward Euro-denominated fixed-income investments. Accordingly, interest rate movements in the Euro zone will significantly affect the market value of the Issuer's investment portfolios. Fixed income securities constituted 68.4% of the Issuer's own investments at 31 December 2005. An increase in interest rates could substantially decrease the market value of the Issuer's fixed income portfolio, and any unexpected change in interest rates could materially adversely affect its bond and interest rate derivative positions.

Market risks could impair the value of the Issuer's portfolio and adversely impact its financial position and results of operations.

The Issuer holds a significant equity portfolio, which represented approximately 11.7% of the Issuer's own investments at 31 December 2005. Fluctuations in equity markets affect the market value and liquidity of these holdings. The Issuer also has real estate holdings in its investment portfolio, the value of which is likewise exposed to changes in real estate market prices and volatility. In this context, also reinvestment and inflation risks exist, which means that a return on capital from an investment can only be re-invested at conditions less favourable than the original investment.

Fluctuations in currency exchange rates

As a result of its global activities, the Issuer and its subsidiaries taken as a whole (the "Gothaer Allgemeine Group") may be affected by fluctuations in currency exchange rates. In accordance with its principle policy Gothaer Allgemeine Group's hedges itself fully against fluctuations in the currency exchange rates of the U.S.-Dollar and the Pound Sterling in relation to the Euro. To the extent Gothaer Allgemeine Group does not, or is no longer able to, hedge itself against movements in the international foreign exchange markets, fluctuations in exchange rates could have a material adverse effect on the Gothaer Allgemeine Group's financial condition and results of operations.

Other Investment Risks

In addition to market risks, credit risks and currency exchange risks and basic investment risks, the Issuer is exposed to concentration and liquidity risks as well as dealer and counterparty risks. With regard to liquidity risks, there is a risk in relation to the liquidation of hidden reserves. The declared hidden reserves are subject to market price fluctuations. Further, the realisation is highly dependent on the liquidity of the relevant asset class.

Risks relating to asset classes

All asset classes (fixed rate investments, shares, participation financing, hedge funds, asset backed securities, collateral debt obligations, structured credit, high yield, private equity, real estate, derivatives) are exposed to market risks, counterparty and credit risks, liquidity and currency risks and to some extent legal and operational risks (if any). With respect to underlying leasing contracts for real estate tenant or counterparty risks exist as well as concentration and liquidity risks. These risks may materially adversely affect the Issuer's financial position or results of operations.

Risks in connection with the use of information technology

Gothaer Allgemeine Group is also exposed to risks in the field of information technology, since unauthorized access to or misuse of data processed on its IT systems could severely disrupt its operations. If the protection measures put in place by the Gothaer Allgemeine Group against potential disruptions of its IT systems would prove insufficient, Gothaer Allgemeine Group's business could be negatively affected and this could have a material adverse effect on the Gothaer Allgemeine Group's financial condition and results of operations.

Risks in connection with credit ratings

The Issuer's business is dependent on the credit ratings assigned to it by rating agencies. A downgrade in the ratings assigned to the Issuer may materially adversely affect relationships with customers, negatively impact sales and increase costs of borrowing. Due to the adequate risk bearing ability, this risk is to be rated as low.

The Issuer's obligations in respect of pensions could substantially exceed the provisions that have been made for these obligations

Until the end of 1999, the Issuer entered into pension commitments within the context of the implementation channels customary in Germany for company pension schemes, mainly in the form of indirect pension commitments via independent pension funds such as the pension fund (*Versorgungskasse*) of Gothaer Versicherungsbank VVaG and direct guarantees (*Direktusage*). To cover these commitments the Issuer based on actuarial reports pays contributions to the pension funds in accordance with the relevant pension schemes and made pension liability reserves (*Deckungsrückstellung*) pursuant to section 6a German Income Tax Act (*Einkommenssteuergesetz*). However, the actuarial reports are based on certain actuarial assumptions, which include for example demographic trends, pension trends, future salary trends and expected returns on plan assets. If actual developments were to deviate from those assumed, this could result in a substantial increase in pension obligations of the Issuer, which could have a material adverse effect on the Issuer's financial condition and results of operations.

Because all pension schemes were closed by the end of 1999, an increasing number of the Issuer's employees do not benefit from any company pension schemes. In the medium term, the expenses relating to pensions will slightly increase, in the long term, the Issuer expects a steady decline of contributions as a consequence thereof.

Regulatory and Legal Risks

The Issuer is subject to regulatory and legal risks resulting from changes in the applicable legislative framework or the failure to comply with regulatory or other statutory requirements, e. g. accounting regulation or tax regulations.

Gothaer Insurance Group's insurance and asset management businesses are subject to detailed, comprehensive laws and regulation as well as supervision in all the countries in which it does business. Changes in existing laws and regulations may affect the way in which Gothaer Insurance Group conducts its business and the products it may offer. Changes in laws and regulations relating to pensions and employment, social security, financial services including reinsurance business, taxation, securities products and transactions may materially adversely affect Gothaer Insurance Group's insurance and asset management businesses by restructuring its activities, imposing increased costs or otherwise.

In addition, current discussions on a new solvency regime for insurance companies in the EU (Solvency II) are ongoing. As those discussions are in a preliminary stage, its potential future impact for capital requirements can not currently be assessed.

The Issuer maintains an adequate risk management system regarding all abovementioned risks.

TERMS AND CONDITIONS OF THE BONDS

The German version of the Terms and Conditions of the Bonds is the only legally binding version. The English translation is for convenience only.

Emissionsbedingungen

§ 1

VERBRIEFUNG UND NENNBETRAG

- (a) Währung, Nennbetrag und Form

Die Gothaer Allgemeine Versicherung AG, Köln (die „**Emittentin**“) begibt am 29. September 2006 (der „**Begebungstag**“) auf den Inhaber lautende, nachrangige, fest- bis variabel verzinsliche Schuldverschreibungen fällig 2026 (die „**Schuldverschreibungen**“) im Nennbetrag von je € 50.000 (der „**Nennbetrag**“) und im Gesamtnennbetrag von € 250.000.000.

- (b) Globalurkunde

Die Schuldverschreibungen werden in einer Globalinhaberschuldverschreibung (die „**Globalurkunde**“) ohne Zins-scheine verbrieft und am oder um den Begebungstag bei einer gemeinsamen Verwahrstelle für Clearstream Banking, société anonyme, Luxemburg und Euroclear S.A./N.V. (gemeinsam das „**Clearingsystem**“) hinterlegt. Einzelurkunden oder Zins-scheine werden nicht ausgegeben.

§ 2

STATUS

- (a) Status der Schuldverschreibungen

Die Schuldverschreibungen begründen nicht besicherte und nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen gegenwärtigen und zukünftigen nicht besicherten und nachrangigen Verbindlichkeiten der Emittentin zumindest gleichrangig sind, soweit zwingende gesetzliche Bestimmungen solche anderen nachrangigen Verbindlichkeiten nicht im Rang besser stellen. Im Fall der Liquidation, der Auflösung oder der Insolvenz der Emittentin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz dienenden Verfahrens gegen die Emittentin stehen die Verbindlichkeiten der Emittentin aus den Schuldverschreibungen im Rang nach den Ansprüchen aller anderen nicht nachrangigen Gläubiger, so dass Zahlungen auf die Schuldverschreibungen solange nicht geleistet werden, bis die Ansprüche von Gläubigern gegen die Emittentin aus nicht nachrangigen Verbindlichkeiten nicht zuerst vollständig befriedigt sind. Für die Rechte der Inhaber der Schuldverschreibungen (die „**Gläubiger**“) ist diesen keine Sicherheit durch die Emittentin oder durch Dritte gestellt; eine solche Sicherheit wird auch zu keinem Zeitpunkt gestellt werden.

- (b) Hinweis nach § 53c Absatz 3b Satz 4 Versicherungsaufsichtsgesetz (VAG)

Nachträglich können weder der Nachrang gemäß diesem § 2 beschränkt, noch die Laufzeit der Schuldverschreibungen oder die jeweiligen Kündigungsfristen verkürzt werden. Eine vorzeitige Rückerstattung ist der Emittentin ohne Rücksicht auf entgegenstehende Vereinbarungen zurückzugewähren, soweit die Emittentin nicht aufgelöst wurde und das Kapital nicht durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist oder die Bundesanstalt für Finanzdienstleistungsaufsicht bzw. ein Funktionsnachfolger der Rückerstattung zustimmt.

Terms and Conditions of the Bonds

§ 1

FORM AND DENOMINATION

- (a) Currency, Denomination and Form

Gothaer Allgemeine Versicherung AG, Cologne (the „**Issuer**“) issues on 29 September 2006 (the „**Issue Date**“) subordinated fixed to floating rate bearer bonds due 2026 (the „**Bonds**“) in a denomination of € 50,000 each (the „**Denomination**“) in the aggregate principal amount of € 250,000,000.

- (b) Global Bond

The Bonds will be represented by a global bearer bond (the „**Global Bond**“) without coupons which will be deposited with a common depository for Clearstream Banking, société anonyme, Luxembourg and Euroclear S.A./N.V. (together the „**Clearing System**“) on or around the Issue Date. No definitive Bonds or interest coupons will be issued.

§ 2

STATUS

- (a) Status of the Bonds

The obligations under the Bonds constitute unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer. In the event of the liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the obligations of the Issuer under the Bonds will be subordinated to the claims of all unsubordinated creditors of the Issuer, so that in any such event no amounts shall be payable in respect of the Bonds until the claims of the unsubordinated creditors of the Issuer shall have first been satisfied in full. No security of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the holders of the Bonds (the „**Holders**“) under the Bonds.

- (b) Notification pursuant to § 53c paragraph 3b Sentence 4 of the German Insurance Supervisory Act (*Versicherungsaufsichtsgesetz, VAG*)

No subsequent agreement may limit the subordination pursuant to the provisions set out in this § 2 or shorten any applicable notice period (*Kündigungsfrist*) in respect of the Bonds. If the Bonds are redeemed prematurely the amounts redeemed must be returned to the Issuer irrespective of any agreement to the contrary insofar the Issuer has not been dissolved and such capital has not been replaced by other at least equivalent regulatory capital (*Eigenmittel*) of at least equal status or if the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) or any successor in capacity has given its consent to the redemption.

(c) Aufrechnungsverbot

Die Gläubiger sind nicht berechtigt, Forderungen aus den Schuldverschreibungen gegen etwaige Forderungen der Emittentin gegen sie aufzurechnen. Die Emittentin ist nicht berechtigt, etwaige Forderungen gegenüber einem Gläubiger gegen die Forderungen des betreffenden Gläubigers aus den Schuldverschreibungen aufzurechnen.

§ 3
ZINSEN

(a) Festzinsperiode

Im Zeitraum ab dem 29. September 2006 (einschließlich) bis zum 29. September 2016 (ausschließlich) (dem „**Ersten Rückzahlungstermin**“) werden die Schuldverschreibungen bezogen auf den Gesamtnennbetrag mit jährlich 5,527 % verzinst. Zinsen sind nachträglich am 29. September eines jeden Jahres fällig, erstmals am 29. September 2007 (jeweils ein „**Festzinszahlungstag**“), sofern die Emittentin nicht von ihrem Recht gemäß § 4(a)(ii) zur Aussetzung der Zinszahlung Gebrauch macht. Die Berechnung von Zinsen für einen Zeitraum, der kürzer als ein Jahr ist, erfolgt auf der Grundlage der tatsächlichen Anzahl von Tagen in diesem Zeitraum dividiert durch die tatsächliche Anzahl von Tagen (365 oder, im Falle eines Schaltjahres, 366) im jeweiligen Jahr.

(b) Variable Zinsperiode

(i) Variable Verzinsung

Im Zeitraum ab dem Ersten Rückzahlungstermin (einschließlich) bis zum Tag der Rückzahlung (ausschließlich) werden die Schuldverschreibungen, bezogen auf ihren Gesamtnennbetrag, zu dem Variablen Zinssatz verzinst. Zinsen werden jeweils vierteljährlich nachträglich an jedem Variablen Zinszahlungstag fällig, erstmals an dem Variablen Zinszahlungstag, der unmittelbar auf den Ersten Rückzahlungstermin folgt, sofern die Emittentin nicht von ihrem Recht gemäß § 4(a)(ii) zur Aussetzung der Zinszahlung Gebrauch macht.

(ii) Variable Zinszahlungstage und Variable Zinsperioden

„**Variabler Zinszahlungstag**“ bezeichnet den 29. September, 29. Dezember, 29. März und 29. Juni eines jeden Jahres. Falls ein Variabler Zinszahlungstag auf einen Tag, der kein Geschäftstag ist, fällt, wird dieser Variable Zinszahlungstag auf den nächstfolgenden Geschäftstag verschoben, es sei denn, jener würde dadurch in den nächsten Kalendermonat fallen; in diesem Fall wird der Variable Zinszahlungstag auf den unmittelbar vorausgehenden Geschäftstag vorgezogen. In diesen Emissionsbedingungen bezeichnet „**Geschäftstag**“ einen Tag, an dem alle maßgeblichen Stellen des Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) Systems Geschäfte tätigen. Jeder Zeitraum ab dem Ersten Rückzahlungstermin (einschließlich) bis zum ersten Variablen Zinszahlungstag und nachfolgend ab jedem Variablen Zinszahlungstag (einschließlich) bis zu dem jeweils nächstfolgenden Variablen Zinszahlungstag (ausschließlich) wird als „**Variable Zinsperiode**“ bezeichnet.

(iii) Variabler Zinssatz

Der Zinssatz für die jeweilige Variable Zinsperiode (der „**Variable Zinssatz**“) berechnet sich aus dem Angebotsatz (ausgedrückt als jährlicher Prozentsatz) für Dreimonatseinlagen in Euro für diese Variable Zinsperiode, der am Zinsfestsetzungstag um 11:00 Uhr vormittags (Brüsseler Ortszeit) auf der Bildschirmseite angegeben

(c) No right to set-off

No Holder may set off any claims arising under the Bonds against any claims that the Issuer may have against such Holder. The Issuer may not set off any claims it may have against any Holder against any claims of such Holder under the Bonds.

§ 3
INTEREST

(a) Fixed Interest Period

For the period from and including 29 September 2006 to but excluding 29 September 2016 (the “**First Call Date**”) the Bonds bear interest on their aggregate principal amount at the rate of 5.527 per cent. per annum. Interest shall be payable annually in arrear on 29 September of each year commencing on 29 September 2007 (each a “**Fixed Interest Payment Date**”), unless the Issuer exercises its right pursuant to § 4(a)(ii) to defer an interest payment. If interest is to be calculated for a period of less than one year, it shall be calculated on the basis of the actual number of days in such period divided by the actual number of days (365 or, in the case of a leap year, 366) in the respective year.

(b) Floating Rate Interest Period

(i) Floating Rate Interest

In the period from and including the First Call Date to but excluding the date of redemption the Bonds shall bear interest on their aggregate principal amount at the Rate of Interest. Interest will be payable quarterly in arrear on each Floating Interest Payment Date, the first such payment to be made on the Floating Interest Payment Date immediately following the First Call Date, unless the Issuer exercises its right pursuant to § 4(a)(ii) to defer an interest payment.

(ii) Floating Interest Payment Dates and Floating Interest Periods

“**Floating Interest Payment Date**” means 29 September, 29 December, 29 March and 29 June in each year. If any Floating Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the Floating Interest Payment Date shall be the immediately preceding Business Day. In these Terms and Conditions, “**Business Day**” means a day on which all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system are operational. Each period from and including the First Call Date to but excluding the first Floating Interest Payment Date and thereafter from and including each Floating Interest Payment Date to but excluding the next following Floating Interest Payment Date is a “**Floating Interest Period**”.

(iii) Floating Rate Interest

The rate of interest for each Floating Interest Period (the “**Rate of Interest**”) will be the offered quotation (expressed as a percentage rate per annum) for three-month deposits in Euro for that Floating Interest Period which appears on the Screen Page as of 11:00 a.m. (Brussels time) on the Interest Determination Date plus

wird zuzüglich 2,50 % (die „**Marge**“), wobei alle Festlegungen durch die Berechnungsstelle erfolgen.

„**Zinsfestsetzungstag**“ bezeichnet den zweiten Geschäftstag, der dem Beginn der maßgeblichen Variablen Zinsperiode vorangeht.

„**Bildschirmseite**“ bezeichnet Telerate Page 248, die „EURIBOR Bildschirmseite“ (oder eine Telerate Bildschirmseite bzw. andere Bildschirmseite, die zum Zwecke der Anzeige solcher Angebotssätze als Nachfolger von Telerate Page 248 eingesetzt wurde).

Sollte die Bildschirmseite nicht zur Verfügung stehen, wird die Berechnungsstelle von fünf von ihr zu bestimmenden Referenzbanken deren jeweilige Angebotssätze (jeweils als Prozentsatz per annum ausgedrückt) für Dreimonatseinlagen in Euro für die betreffende Variable Zinsperiode gegenüber führenden Banken im Interbanken-Markt der Euro-Zone um ca. 11.00 Uhr (Brüsseler Ortszeit) am Zinsfestsetzungstag anfordern. Falls zwei oder mehr Referenzbanken der Berechnungsstelle solche Angebotssätze nennen, ist der Zinssatz für die betreffende Zinsperiode das arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste ein Tausendstel Prozent, wobei 0,0005 aufgerundet wird) dieser Angebotssätze zuzüglich der Marge. Falls der Variable Zinssatz nicht gemäß der oben definierten Bestimmungen ermittelt werden kann, ist der Zinssatz der Angebotssatz bzw. das arithmetische Mittel der Angebotssätze auf der Bildschirmseite an dem letzten Tag vor dem Zinsfestsetzungstag, an dem diese Angebotssätze angezeigt wurden, zuzüglich der Marge.

In diesem § 3(b)(iii) bezeichnet der Begriff „**Referenzbanken**“ diejenigen Banken, deren Angebotssätze zur Ermittlung des maßgeblichen Angebotssatzes zu dem Zeitpunkt benutzt wurden, als solch ein Angebot letztmals auf der maßgeblichen Bildschirmseite angezeigt wurde.

Die Berechnungsstelle wird zu oder baldmöglichst nach jedem Zeitpunkt, an dem der Variable Zinssatz zu bestimmen ist, den auf die Schuldverschreibungen fälligen Zinsbetrag (der „**Zinsbetrag**“) für die entsprechende Variable Zinsperiode berechnen. Der Zinsbetrag wird ermittelt, indem der Zinssatz und der Zinstagequotient auf den Gesamtnennbetrag der Schuldverschreibungen angewendet werden, wobei der resultierende Betrag auf den nächstliegenden Cent auf- oder abgerundet wird (wobei 0,5 solcher Einheiten aufgerundet werden). „**Zinstagequotient**“ bezeichnet im Hinblick auf die Berechnung des Zinsbetrages für eine beliebige Variable Zinsperiode oder einen Teil davon (der „**Zinsberechnungszeitraum**“) die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum dividiert durch 360.

Die Berechnungsstelle wird veranlassen, dass der Zinssatz, der Zinsbetrag für die jeweilige Variable Zinsperiode, die jeweilige Variable Zinsperiode und der relevante Variable Zinszahlungstag der Emittentin und, sofern dies von den jeweiligen Wertpapierbörsen, an denen die Schuldverschreibungen notiert sind, vorgesehen ist, der jeweiligen Wertpapierbörse sowie den Gläubigern durch Bekanntmachung gemäß § 11 baldmöglichst, aber keinesfalls später als am ersten Tag der maßgeblichen nächstfolgenden Variablen Zinsperiode, bekannt gemacht wird. Im Fall einer Verlängerung oder Verkürzung der Variablen Zinsperiode kann der mitgeteilte Zinsbetrag und Variable Zinszahlungstag ohne

2.50 per cent. (the „**Margin**“), all as determined by the Calculation Agent.

„**Interest Determination Date**“ means the second Business Day prior to the commencement of the relevant Floating Interest Period.

„**Screen Page**“ means Telerate Page 248, “EURIBOR Screen Page” (or such other screen page of Telerate or such other information service, which has been designated as the successor to Telerate Page 248 for the purpose of displaying such rates).

If the Screen Page is not available the Calculation Agent shall request five Reference Banks selected by it to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for three-month deposits in Euro for the relevant Floating Interest Period to leading banks in the interbank market of the Euro-Zone at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date. As long as two or more of the selected Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Floating Interest Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) plus the Margin. If the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be the offered quotation or the arithmetic mean of the offered quotations on the Screen Page on the last day preceding the Interest Determination Date on which such quotations were offered plus the Margin.

As used in this § 3(b)(iii), “**Reference Banks**” means those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Screen Page.

The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the “**Interest Amount**”) payable on the Bonds for the relevant Floating Interest Period. The Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction to the aggregate principal amount of the Bonds and rounding the resultant figure to the nearest cent, with 0.5 or more of a cent being rounded upwards. “**Day Count Fraction**” means, in respect of the calculation of the Interest Amount on each Bond for any Floating Interest Period or part thereof (the “**Calculation Period**”), the actual number of days in the Calculation Period divided by 360.

The Calculation Agent will cause the Rate of Interest, each Interest Amount for each Floating Interest Period, each Floating Interest Period and the relevant Floating Interest Payment Date to be notified to the Issuer and, if required by the rules of any stock exchange on which the Bonds are from time to time listed, to such stock exchange, and to the Holders by notice in accordance with § 11 as soon as possible after their determination, but in no event later than at the first day of the relevant Floating Interest Period thereafter. Each Interest Amount and Floating Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements may be made by way of adjustment)

Vorankündigung nachträglich angepasst (oder andere geeignete Anpassungsregelungen getroffen) werden. Jede solche Anpassung wird umgehend allen Wertpapierbörsen, an denen die Schuldverschreibungen zu diesem Zeitpunkt notiert sind, sowie den Gläubigern gemäß § 11 bekanntgemacht.

Alle Bescheinigungen, Mitteilungen, Gutachten, Festsetzungen, Berechnungen, Quotierungen und Entscheidungen, die von der Berechnungsstelle für die Zwecke dieses § 3 gemacht, abgegeben, getroffen oder eingeholt werden, sind (sofern nicht ein offensichtlicher Irrtum vorliegt) für die Emittentin, die Zahlstelle und die Gläubiger bindend.

(c) Ende der Verzinsung und Verzugszinsen

Die Verzinsung der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden. Sollte die Emittentin eine Zahlung von Kapital auf diese Schuldverschreibungen bei Fälligkeit nicht leisten, endet die Verzinsung der Schuldverschreibungen mit Beginn des Tages der tatsächlichen Zahlung. Der in einem solchen Fall jeweils anzuwendende Zinssatz wird gemäß diesem § 3 zuzüglich 4% per annum bestimmt.

**§ 4
AUSSETZUNG VON ZINSAHLUNGEN,
ZINSRÜCKSTÄNDE**

(a) Aussetzung von Zinszahlungen

(i) Obligatorische Zinszahlungen

Zinsen, die während eines Zeitraumes auflaufen, der an einem Obligatorischen Zinszahlungstag (wie nachstehend definiert) (ausschließlich) endet, sind an diesem Obligatorischen Zinszahlungstag zahlbar.

(ii) Fakultative Zinszahlungen

Die Emittentin ist berechtigt, Zinsen, die während eines Zeitraumes auflaufen, der an einem Fakultativen Zinszahlungstag (wie nachstehend definiert) (ausschließlich) endet, durch eine unwiderrufliche Bekanntmachung an die Gläubiger gemäß § 11 innerhalb einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen vor dem jeweiligen Fakultativen Zinszahlungstag auszusetzen. In diesem Fall ist die Emittentin nicht verpflichtet, an dem Fakultativen Zinszahlungstag Zinsen zu zahlen; eine Nichtzahlung aus diesem Grunde begründet keinen Verzug der Emittentin und keine sonstige Verletzung ihrer Verpflichtungen aus diesen Schuldverschreibungen oder für sonstige Zwecke.

Auf eine demgemäß ausgesetzte Zinszahlung (ein „Zinsrückstand“) werden keine Zinsen geschuldet.

(iii) Definitionen

„Anwendbare Rechnungslegungsvorschriften“ bezeichnet die deutschen allgemein anerkannten Grundsätze ordnungsmäßiger Buchführung, wie sie im Handelsgesetzbuch und anderen zum jeweiligen Zeitpunkt geltenden und anwendbaren deutschen Rechtsvorschriften beschrieben und von der Emittentin bei der Erstellung ihrer Einzelabschlüsse angewandt werden.

„Aufgeschobene Zinsen“ bezeichnet sämtliche Zinsen, Ausschüttungen oder Dividenden, die für Gleichrangige Wertpapiere oder Nachrangige Wertpapiere an einem vorgesehenen Zahlungstag solcher Gleichran-

without notice in the event of an extension or shortening of the Floating Interest Period. Any such amendment will be promptly notified to any stock exchange on which the Bonds are then listed and to the Holders in accordance with § 11.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 3 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Paying Agent and the Holders.

(c) End of interest bearing period and default interest

The Bonds shall cease to bear interest from the beginning of the day they are due for redemption. If the Issuer fails to make any payment of principal under the Bonds when due, the Bonds shall cease to bear interest from the beginning of the day on which such payment is made. In such case the applicable rate of interest shall be determined pursuant to this § 3 plus 4 per cent. per annum.

**§ 4
DEFERRAL OF INTEREST PAYMENTS,
ARREARS OF INTEREST**

(a) Deferral of interest payments

(i) Compulsory interest payments

Interest which accrues during a period ending on (but excluding) a Compulsory Interest Payment Date (as defined below) shall be payable on that Compulsory Interest Payment Date.

(ii) Optional interest payments

The Issuer may elect by giving not less than 10 and not more than 15 Business Days' notice to the Holders in accordance with § 11 (which notice will be irrevocable) before any Optional Interest Payment Date (as defined below) to defer interest which accrues during a period ending on (but excluding) the Optional Interest Payment Date. In this case the Issuer shall not have any obligation to pay interest on the Optional Interest Payment Date if it does not elect to do so and any such failure to pay interest shall not constitute a default of the Issuer or any other breach of obligations under the Bonds or for any other purpose.

The Issuer shall not have any obligation to pay interest on any interest payment so deferred (an “Arrear of Interest”).

(iii) Definitions

“Applicable Accounting Standards” means the accounting principles generally accepted in Germany as described in the German Commercial Code (*Handelsgesetzbuch*) and other applicable German law then in effect and applied by the Issuer for preparing its unconsolidated financial statements.

“Deferred Interest” means any interest, distributions or dividends deferred pursuant to its terms on any Parity Securities or Junior Securities on any scheduled payment date of such Parity Securities or Junior Securities.

gigen bzw. Nachrangigen Wertpapiere vertragsgemäß nicht bezahlt worden sind.

„**Fakultativer Zinszahlungstag**“ bezeichnet jeden Zinszahlungstag, an dem sämtliche nachfolgend aufgeführten Kriterien erfüllt sind:

- (A) auf der Jahreshauptversammlung der Emittentin unmittelbar vor dem betreffenden Zinszahlungstag wurde für eine Aktiengattung der Emittentin keine Dividende, andere Ausschüttung oder Zahlung (einschließlich zum Zweck der Rückzahlung oder des Rückkaufs von Aktien) beschlossen; und
- (B) die Emittentin hat seit dieser Jahreshauptversammlung keine Abschlagszahlung auf den Bilanzgewinn geleistet; und
- (C) es besteht ein Gewinnabführungsvertrag zwischen der Emittentin als zur Gewinnabführung Verpflichtete und der Gothaer Finanzholding AG, Berlin, oder einer anderen Gesellschaft, und die Emittentin hat seit dem unmittelbar vorausgegangenem Zinszahlungstag nach den Regeln des Gewinnabführungsvertrages weder einen Gewinn abgeführt noch freiwillige Rücklagen gebildet; und
- (D) seit der Jahreshauptversammlung der Emittentin unmittelbar vor dem betreffenden Zinszahlungstag hat weder die Emittentin noch eine ihrer Tochtergesellschaften auf Gleichrangige Wertpapiere oder auf Nachrangige Wertpapiere Zinsen, Aufgeschobene Zinsen, Dividenden, Ausschüttungen oder andere Zahlungen beschlossen, gezahlt oder vorgenommen; und
- (E) seit der Jahreshauptversammlung der Emittentin unmittelbar vor dem betreffenden Zinszahlungstag hat weder die Emittentin noch eine ihrer Tochtergesellschaften weder selbst Gleichrangige Wertpapiere, Nachrangige Wertpapiere oder Aktien irgendeiner Aktiengattung gegen Gewährung einer Gegenleistung (mit Ausnahme einer in der Wandlung oder im Umtausch in Stammaktien der Emittentin bestehenden Gegenleistung) zurückgekauft oder sonstwie erworben noch ein verbundenes Unternehmen veranlasst, dies zu tun.

„**Gleichrangige Wertpapiere**“ bezeichnet (i) jede von der Emittentin begebene Emission von Wertpapieren oder anderen Instrumenten, die gleichrangig im Verhältnis zu den Schuldverschreibungen sind und (ii) jede Emission von Wertpapieren oder anderen Instrumenten, die von der Emittentin oder einer ihrer Tochtergesellschaften garantiert werden oder für welche die Emittentin oder eine ihrer Tochtergesellschaften anderweitig die Haftung übernommen hat und bei der die Verpflichtungen der Emittentin bzw. der betreffenden Tochtergesellschaft aus der maßgeblichen Garantie oder anderweitigen Haftungsübernahme gleichrangig im Verhältnis zu den Verpflichtungen der Emittentin aus den Schuldverschreibungen sind.

„**Nachrangige Wertpapiere**“ bezeichnet (i) jede von der Emittentin oder einer ihrer Tochtergesellschaften begebene Emission von Wertpapieren oder anderen Instrumenten, die nachrangig im Verhältnis zu den Schuldverschreibungen oder Gleichrangigen Wertpapieren sind und (ii) jede Emission von Wertpapieren oder anderen Instrumenten, die von der Emittentin oder einer ihrer Tochtergesellschaften garantiert werden oder für

„**Optional Interest Payment Date**“ means any Interest Payment Date in respect of which all of the following criteria are met:

- (A) no dividend, other distribution or payment (including for the purposes of a redemption or repurchase of shares) was resolved on in respect of any class of shares of the Issuer at the annual general meeting (*Jahreshauptversammlung*) of the Issuer immediately preceding that Interest Payment Date; and
- (B) since that annual general meeting (*Jahreshauptversammlung*) the Issuer has not made any payment on account of the balance sheet profit; and
- (C) a profit and loss transfer agreement between the Issuer as the party obliged to transfer profits and Gothaer Finanzholding AG, Berlin or another entity exists, and since the immediately preceding Interest Payment Date the Issuer has neither transferred any profits nor made any allocations to voluntary reserves pursuant to the terms of such profit and loss transfer agreement; and
- (D) since the annual general meeting (*Jahreshauptversammlung*) of the Issuer immediately preceding that Interest Payment Date neither the Issuer nor any of its subsidiaries has resolved on, paid or made any payment of interest, Deferred Interest, dividend, distribution or other payment in respect of any Parity Securities or Junior Securities; and
- (E) since the annual general meeting (*Jahreshauptversammlung*) of the Issuer immediately preceding that Interest Payment Date neither the Issuer nor any of its subsidiaries has repurchased or otherwise acquired, or caused another affiliate to repurchase or otherwise acquire, any Parity Securities, Junior Securities or shares of any class of shares for any consideration (except by conversion into or exchange for ordinary shares of the Issuer).

„**Parity Securities**“ means (i) any securities or other instruments issued by the Issuer ranking *pari passu* with the Bonds and (ii) any securities or other instruments guaranteed by the Issuer or any of its subsidiaries or for which the Issuer or any of its subsidiaries has otherwise assumed liability where the Issuer’s or the relevant subsidiary’s obligations under the relevant guarantee or other assumption of liability rank *pari passu* with the Issuer’s obligations under the Bonds.

„**Junior Securities**“ means (i) any securities or other instruments issued by the Issuer ranking junior to the Bonds or any Parity Securities and (ii) any securities or other instruments guaranteed by the Issuer or any of its subsidiaries or for which the Issuer or any of its subsidiaries has otherwise assumed liability where the Issuer’s or the relevant subsidiary’s obligations under the relevant guarantee or other assumption of liability rank ju-

welche die Emittentin oder eine ihrer Tochtergesellschaften anderweitig die Haftung übernommen hat und bei der die Verpflichtungen der Emittentin bzw. der betreffenden Tochtergesellschaft aus der maßgeblichen Garantie oder anderweitigen Haftungsübernahme nachrangig im Verhältnis zu den Verpflichtungen der Emittentin aus den Schuldverschreibungen oder Gleichrangigen Wertpapieren sind.

„**Obligatorischer Zinszahlungstag**“ bezeichnet jeden Zinszahlungstag, der kein Fakultativer Zinszahlungstag ist.

„**Zinszahlungstag**“ bezeichnet jeweils einen Festzinszahlungstag oder Variablen Zinszahlungstag.

- (b) Nachzahlung von Zinsrückständen
- (i) Fakultative Nachzahlung von Zinsrückständen
- Die Emittentin kann ausstehende Zinsrückstände jederzeit ganz oder teilweise nach Bekanntmachung an die Gläubiger gemäß § 11 bei Einhaltung einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen zahlen (wobei eine solche Bekanntmachung unwiderruflich ist und die Emittentin verpflichtet, die jeweiligen Zinsrückstände an dem in dieser Bekanntmachung genannten Zahlungstag zu zahlen).
- (ii) Obligatorische Nachzahlung von Zinsrückständen
- Die Emittentin hat ausstehende Zinsrückstände (vollständig, jedoch nicht teilweise) an dem zuerst eintretenden der folgenden Tage nachzuzahlen:
- (A) an dem nächsten Obligatorischen Zinszahlungstag;
- (B) an dem Tag, an dem die Schuldverschreibungen zur Rückzahlung fällig werden;
- (C) an dem Tage, an dem eine Verfügung zur Auflösung, Abwicklung oder Liquidation der Emittentin ergeht (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. der die Emittentin noch zahlungsfähig ist und bei dem bzw. der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin übernimmt); und
- (D) an dem Tag, an dem entweder die Emittentin oder eine ihrer Tochtergesellschaften (unmittelbar oder aufgrund einer Garantie oder anderweitigen Haftungsübernahme) Zinsen, Dividenden, Ausschüttungen oder andere Zahlungen (mit Ausnahme der Nachzahlung von Aufgeschobenen Zinszahlungen) auf Gleichrangige Wertpapiere zahlt; und
- (E) an dem Tag, an dem entweder die Emittentin oder eine ihrer Tochtergesellschaften (unmittelbar oder aufgrund einer Garantie oder anderweitigen Haftungsübernahme) Zinsen, Aufgeschobene Zinsen, Dividenden, Ausschüttungen oder andere Zahlungen auf Nachrangige Wertpapiere zahlt.
- (iii) Nachzahlung von Zinsrückständen bei Nachzahlung von Aufgeschobenen Zinsen auf Gleichrangige Wertpapiere
- Wenn die Emittentin oder eine ihrer Tochtergesellschaften (unmittelbar, aufgrund einer Garantie oder anderweitigen Haftungsübernahme) Aufgeschobene Zinsen auf Gleichrangige Wertpapiere nachzahlt, hat die Emittentin etwaige Zinsrückstände an dem auf den Tag einer solchen Zahlung nächstfolgenden Zinszahlungstags

nior to the Issuer's obligations under the Bonds or any Parity Securities.

“**Compulsory Interest Payment Date**” means any Interest Payment Date which is not an Optional Interest Payment Date.

“**Interest Payment Date**” means any Fixed Interest Payment Date or any Floating Interest Payment Date.

- (b) Payment of Arrears of Interest
- (i) Optional payment of Arrears of Interest
- The Issuer may pay outstanding Arrears of Interest (in whole or in part) at any time on giving not less than 10 nor more than 15 Business Days' notice to the Holders in accordance with § 11 (which notice shall be irrevocable and will oblige the Issuer to pay the relevant Arrears of Interest on the payment date specified in that notice).
- (ii) Mandatory payment of Arrears of Interest
- The Issuer must pay outstanding Arrears of Interest (in whole but not in part) on the earlier of:
- (A) the next Compulsory Interest Payment Date;
- (B) the date on which the Bonds fall due for redemption;
- (C) the date on which an order is made for the winding-up, or dissolution or liquidation of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer); and
- (D) the date on which the Issuer or any of its subsidiaries (directly or pursuant to any guarantee or other assumption of liability) makes any payment of interest, dividend, distribution or other payment (except for the payment of Deferred Interest) on any Parity Securities; and
- (E) the date on which the Issuer or any of its subsidiaries (directly or pursuant to any guarantee or other assumption of liability) makes any payment of interest, Deferred Interest, dividend, distribution or other payment on any Junior Securities.
- (iii) Payment of Arrears of Interest upon payment of Deferred Interest on Parity Securities
- If the Issuer or any of its subsidiaries (directly, pursuant to any guarantee or other assumption of liability) makes any full or partial payment of Deferred Interest on any Parity Securities, the Issuer will on the Interest Payment Date immediately following such payment satisfy any Arrears of Interest. In case of only a partial payment of

tag ebenfalls nachzuzahlen. Im Fall der Nachzahlung nur eines Teilbetrags Aufgeschobener Zinsen hat die Nachzahlung auf Zinsrückstände zu dem Bruchteil zu erfolgen, der dem Quotienten des gezahlten Teilbetrags und dem ausstehenden Betrag an Aufgeschobenen Zinsen entspricht.

§ 5 RÜCKZAHLUNG UND ERWERB

(a) Rückzahlung bei Endfälligkeit
Soweit nicht zuvor bereits insgesamt oder teilweise zurückgezahlt, werden die Schuldverschreibungen am 29. September 2026 (der „**Endfälligkeitstag**“) zu ihrem Nennbetrag zurückgezahlt.

(b) Rückzahlung nach Wahl der Emittentin
Die Emittentin ist berechtigt, die Schuldverschreibungen (insgesamt jedoch nicht nur teilweise) am Ersten Rückzahlungstermin (wie in § 3(a) definiert) und an jedem darauf folgenden Variablen Zinszahlungstag durch Erklärung gemäß § 5(e) und vorbehaltlich der Regelungen des § 5(g) zum Nennbetrag zuzüglich der bis zu diesem Tag (ausschließlich) aufgelaufener Zinsen sowie zuzüglich aller ausstehender Zinsrückstände (der „**Rückzahlungsbetrag**“) zurückzuzahlen.

(c) Vorzeitige Rückzahlung nach Eintritt eines Gross-up Ereignisses, eines Steuerereignisses oder eines Aufsichtsrechtlichen Ereignisses

Die Emittentin ist bis zum Ersten Rückzahlungstermin berechtigt, durch Erklärung gemäß § 5(e) und vorbehaltlich der Regelungen des § 5(g) die Schuldverschreibungen (insgesamt und nicht teilweise) nach Eintritt eines Gross-Up Ereignisses zum Rückzahlungsbetrag und nach Eintritt eines Steuerereignisses oder eines Aufsichtsrechtlichen Ereignisses zum Vorzeitigen Rückzahlungsbetrag zurückzuzahlen.

(i) Gross-up-Ereignis

Ein „**Gross-up-Ereignis**“ liegt vor, wenn die Emittentin in Folge einer Gesetzesänderung (oder einer Änderung von darunter erlassenen Bestimmungen und Vorschriften) der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder Behörden oder als Folge einer Änderung der amtlichen Auslegung oder Anwendung dieser Gesetze, Bestimmungen oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht oder eine Behörde verpflichtet ist oder sein wird, Zusätzliche Beträge gemäß § 7 zu zahlen und die Emittentin diese Verpflichtung nicht durch das Ergreifen zumutbarer Maßnahmen abwenden kann.

Die Rückzahlungsbekanntmachung darf nicht früher als 90 Tage vor dem Tag erfolgen, an dem die Emittentin erstmals verpflichtet wäre, Zusätzliche Beträge gemäß § 7 zu zahlen.

(ii) Steuerereignis

Ein „**Steuerereignis**“ liegt vor, wenn aufgrund einer Gesetzesänderung (oder einer Änderung von darunter erlassenen Bestimmungen und Vorschriften) der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder einer ihrer Steuerbehörden, oder als Folge einer Änderung der amtlichen Auslegung oder Anwendung solcher Gesetze, Bestimmungen oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht, eine Regierungsstelle oder eine Aufsichtsbehörde (einschließlich des Erlasses von Gesetzen sowie der Bekanntmachung gerichtlicher oder aufsichtsrechtlicher Entscheidungen), Zinsen, die von der Emittentin auf die Schuldverschreibungen zu zahlen sind, von der

Deferred Interest the payment on the Arrears of Interest shall be satisfied at such fractional amount equal to the amount resulting from the division of the amount of Deferred Interest actually paid by the amount of Deferred Interest payable.

§ 5 REDEMPTION AND PURCHASE

(a) Redemption at Maturity

To the extent not previously redeemed in whole or in part, the Bonds shall be redeemed at their principal amount on 29 September 2026 (the “**Maturity Date**”).

(b) Redemption at the Option of the Issuer

The Issuer may upon giving notice in accordance with § 5(e) and subject to the provisions of § 5(g) redeem the Bonds (in whole but not in part) on the First Call Date (as defined in § 3(a)) or on any Floating Interest Payment Date thereafter at their principal amount plus any interest accrued to but excluding such date and all outstanding Arrears of Interest (the “**Redemption Amount**”).

(c) Early Redemption following a Gross-up Event, a Tax Event or a Regulatory Event

The Issuer may up to the First Call Date upon giving notice in accordance with § 5(e) and subject to the provisions of § 5(g) redeem the Bonds (in whole but not in part) following a Gross-Up Event at the Redemption Amount and following a Tax Event or a Regulatory Event at the Early Redemption Amount.

(i) Gross-up Event

A “**Gross-up Event**” shall occur if the Issuer has or will become obliged by a legislative body, a court or any authority to pay Additional Amounts pursuant to § 7 as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of the Federal Republic of Germany or any political subdivision or any authority of or in the Federal Republic of Germany, or any change in or amendment to any official interpretation or application of those laws or rules or regulations, and that obligation cannot be avoided by the Issuer taking such reasonable measures it (acting in good faith) deems appropriate.

No such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be for the first time obliged to pay the Additional Amounts pursuant to § 7.

(ii) Tax Event

A “**Tax Event**” shall occur if as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Federal Republic of Germany or any political subdivision or any taxing authority thereof or therein, or as a result of any amendment to, or change in, an official interpretation or application of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), interest payable by the Issuer in respect of the Bonds is no longer fully deductible by the Issuer for German income tax purposes, and that risk cannot be avoided by

Emittentin nicht mehr für die Zwecke der deutschen Ertragsteuer voll abzugsfähig sind und die Emittentin dieses Risiko nicht durch das Ergreifen zumutbarer Maßnahmen abwenden kann.

(iii) Aufsichtsrechtliches Ereignis

Ein „**Aufsichtsrechtliches Ereignis**“ liegt vor, wenn die Bundesanstalt für Finanzdienstleistungsaufsicht (oder ein Funktionsnachfolger) schriftlich gegenüber der Emittentin feststellt, dass die Schuldverschreibungen (ganz oder teilweise) nicht länger die Anforderungen an Eigenmittel für Zwecke der Ermittlung der Gruppensolvabilität oder der Einzelsolvabilität der Emittentin oder der Unternehmensgruppe, zu der die Emittentin gehört, erfüllen. Dies gilt nur, wenn die Schuldverschreibungen diese Anforderungen zu einem Zeitpunkt vor dieser Feststellung erfüllt haben.

(d) Vorzeitiger Rückzahlungsbetrag

Der „**Vorzeitige Rückzahlungsbetrag**“ ist der Aufrechnungsbetrag, mindestens jedoch der Nennbetrag (wie von der Berechnungsstelle bestimmt).

Der „**Aufrechnungsbetrag**“ wird durch die Berechnungsstelle bestimmt und entspricht der Summe aus den Aktuellen Werten (i) des Nennbetrags der Schuldverschreibungen und (ii) der verbleibenden vorgesehenen Zinszahlungen auf die Schuldverschreibungen bis zum Ersten Rückzahlungstermin (ausschließlich) am Tag der Rückzahlung.

Die Berechnungsstelle ermittelt die „**Aktuellen Werte**“ durch die Abzinsung pro Jahr des Nennbetrags der Schuldverschreibungen und der verbleibenden berechneten Zinszahlungen bis zum Ersten Rückzahlungstermin; dabei gilt als Berechnungsgrundlage ein Jahr von 360 Tagen mit zwölf Monaten zu je 30 Tagen unter der Verwendung der Angepassten Vergleichsrendite zuzüglich 0,75 %.

Die „**Angepasste Vergleichsrendite**“ ist die Rendite, die am Tag der Rückzahlung für ein Wertpapier mit Euro-Referenzzinssatz zu zahlen wäre, das die Berechnungsstelle unter Berücksichtigung einer vergleichbaren Laufzeit mit der Restlaufzeit der Schuldverschreibungen bis zum Ersten Rückzahlungstermin bestimmt hat und welches zum Zeitpunkt der Bestimmung als Berechnungsgrundlage für die Preisgebung neuer Schuldverschreibungen mit vergleichbarer Laufzeit bis zum Ersten Rückzahlungstermin dienen könnte.

(e) Bekanntmachung der Vorzeitigen Rückzahlung

Die Emittentin kann ein Recht zur vorzeitigen Rückzahlung gemäß § 5(b) und (c) durch eine Bekanntmachung an die Gläubiger gemäß § 11 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen ausüben. Die Emittentin wird die Zahlstelle vor dieser Bekanntmachung von der vorzeitigen Rückzahlung informieren. Die Bekanntmachung und die Information der Zahlstelle sollen in den Fällen des § 5(c) diejenigen Tatsachen enthalten, auf welche die Emittentin ihr Kündigungsrecht stützt.

(f) Erwerb

Vorbehaltlich der Regelungen des § 5(g) kann jedes mit der Emittentin verbundene Unternehmen jederzeit Schuldverschreibungen auf dem freien Markt oder anderweitig zum jeweiligen Marktpreis erwerben und wieder veräußern.

(g) Aufsichtsrechtliche Einschränkungen

(i) Jeder der in § 5(f) genannten Personen steht das Recht zum Erwerb der Schuldverschreibungen gemäß § 5(f) nur zu, soweit die Emittentin nicht aufgelöst wurde und das Kapital durch die Einzahlung anderer, zumindest

the Issuer taking such reasonable measures as it (acting in good faith) deems appropriate.

(iii) Regulatory Event

A „**Regulatory Event**“ shall occur if the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) states in writing to the Issuer that the Bonds (in whole or in part) no longer fulfil the requirements for own funds for group solvency or solo solvency purposes of the Issuer or the group of companies the Issuer is a member of. This applies only if at any time prior to such statement the Bonds did fulfil such requirements.

(d) Early Redemption Amount

The „**Early Redemption Amount**“ will be the greater of the Denomination and the Make-Whole Amount (as determined by the Calculation Agent).

The „**Make-Whole Amount**“ will be calculated by the Calculation Agent, and will equal the sum of the Present Values on the date of redemption of (i) the principal amount of the Bonds and (ii) the remaining scheduled payments of interest on the Bonds to but excluding the First Call Date.

The „**Present Values**“ will be calculated by the Calculation Agent by discounting the principal amount of the Bonds and the remaining interest payments to the First Call Date on an annual basis, assuming a 360-day year consisting of twelve 30-day months and using the Adjusted Comparable Yield plus 0.75 per cent.

The „**Adjusted Comparable Yield**“ will be the yield at the date of redemption on the Euro benchmark security selected by the Calculation Agent as having a maturity comparable to the remaining term of the Bonds to the First Call Date that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the First Call Date.

(e) Notification of Early Redemption

The Issuer shall give not less than 30 nor more than 60 days' notice to the Holders in accordance with § 11 of any early redemption pursuant to § 5(b) and (c). The Issuer shall give notice to the Paying Agent about such early redemption before notifying the Holders. In the case of § 5(c) such notices shall set forth the underlying facts of the Issuer's right to early redemption.

(f) Purchase

Subject to the provisions of § 5(g), any affiliate of the Issuer may purchase Bonds in the open market or otherwise and at the relevant market price and may resell those Bonds at any time.

(g) Regulatory Limitations

(i) Any person referred to in § 5(f) may only purchase the Bonds as set forth in § 5(f) if the Issuer has not been dissolved and such capital has been replaced by other at least equivalent regulatory capital (*Eigenmittel*) of at

gleichwertiger Eigenmittel ersetzt worden ist oder die Bundesanstalt für Finanzdienstleistungsaufsicht bzw. ein Funktionsnachfolger dem Erwerb der Schuldverschreibungen zustimmt.

Die vorgenannten Einschränkungen gelten nicht für den Erwerb der Schuldverschreibungen durch in § 5(f) genannte Personen, soweit der jeweilige Erwerb für fremde Rechnung oder für Sondervermögen (im Sinne des § 2 Absatz 2 und § 30 Investmentgesetz) erfolgt, es sei denn, (A) Anteile an diesen Sondervermögen werden mehrheitlich von der Emittentin oder einem ihrer verbundenen Unternehmen gehalten oder (B) der Erwerb erfolgt durch ein mit der Emittentin verbundenes Unternehmen für Rechnung der Emittentin oder eines mit der Emittentin verbundenen Unternehmens.

- (ii) Der Emittentin steht das Recht zur vollständigen oder teilweisen Rückzahlung gemäß § 5(b), § 5(c)(i) und § 5(c)(ii) nur zu, soweit die Emittentin nicht aufgelöst wurde und das Kapital durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist oder die Bundesanstalt für Finanzdienstleistungsaufsicht bzw. ein Funktionsnachfolger der Rückzahlung der Schuldverschreibungen zustimmt. Im Falle des Eintritts eines Aufsichtsrechtlichen Ereignisses gemäß § 5(c)(iii) gilt die Regelung des § 5(g)(iii).
- (iii) Sofern die Schuldverschreibungen im Falle des Eintritts eines Aufsichtsrechtlichen Ereignisses die Anforderungen an Eigenmittel für Zwecke der Ermittlung der Gruppensolvabilität oder der Einzelsolvabilität der Emittentin oder der Unternehmensgruppe, zu der die Emittentin gehört, nur noch teilweise erfüllen, steht der Emittentin das Recht zur Rückzahlung gemäß § 5(c)(iii) nur zu, wenn in Bezug auf denjenigen Teil der Schuldverschreibungen, der diese Anforderungen weiterhin noch erfüllt, das Kapital durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist oder die Bundesanstalt für Finanzdienstleistungsaufsicht bzw. ein Funktionsnachfolger der Rückzahlung zustimmt.

§ 6 ZAHLUNGEN

- (a) Zahlungen über das Clearingsystem

Die Emittentin verpflichtet sich, Kapital und Zinsen auf die Schuldverschreibungen bei Fälligkeit in Euro zu zahlen. Die Zahlung von Kapital und Zinsen erfolgt, vorbehaltlich geltender steuerrechtlicher und sonstiger gesetzlicher Regelungen und Vorschriften, über die Zahlstelle zur Weiterleitung an das Clearingsystem oder nach dessen Weisung zur Gutschrift für die jeweiligen Kontoinhaber. Die Zahlung an das Clearingsystem oder nach dessen Weisung befreit die Emittentin in Höhe der geleisteten Zahlung von ihren entsprechenden Verbindlichkeiten aus den Schuldverschreibungen. Eine Bezugnahme in diesen Emissionsbedingungen auf Kapital oder Zinsen der Schuldverschreibungen schließt jegliche Zusätzlichen Beträge gemäß § 7 ein.

- (b) Zahlungen an Geschäftstagen

Falls ein Fälligkeitstag für die Zahlung von Kapital und/oder Zinsen kein Geschäftstag ist, erfolgt die Zahlung erst am nächstfolgenden Geschäftstag (außer im Fall von § 3(b)(ii)); die Gläubiger sind nicht berechtigt, Zinsen oder eine andere Entschädigung wegen eines solchen Zahlungsaufschubs zu verlangen.

least equal status or if the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) has given its consent to the purchase of the Bonds.

The restrictions set forth above do not apply for purchases of Bonds made by any person referred to in § 5(f), if such purchase is made for the account of a third party or funds (as defined for the purposes of § 2 paragraph 2 and § 30 of the German Investment Act (*Investmentgesetz*), unless (A) the majority of the shares in the relevant fund are held by the Issuer or one of its affiliates or (B) the purchase is made by any affiliate of the Issuer for the account of the Issuer or an affiliate of the Issuer.

- (ii) The Issuer may only redeem the Bonds in whole or in part as set forth in § 5(b), § 5(c)(i) and § 5(c)(ii) if the Issuer has not been dissolved and such capital has been replaced by other at least equivalent regulatory capital (*Eigenmittel*) of at least equal status or if the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) has given its consent to the redemption of the Bonds. In the case of the occurrence of a Regulatory Event pursuant to § 5(c)(iii), the provisions of § 5(g)(iii) apply.
- (iii) If in the case of the occurrence of a Regulatory Event the Bonds only partially fulfil the requirements for own funds for group solvency or solo solvency purposes of the Issuer or the group of companies the Issuer is a member of, the Issuer may only redeem the Bonds pursuant to § 5(c)(iii) if in respect of the part of the Bonds that still fulfils such requirements, the capital has been replaced by other regulatory capital (*Eigenmittel*) of at least equal status or the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) has given its consent to the redemption of the Bonds.

§ 6 PAYMENTS

- (a) Payments to the Clearing System

The Issuer undertakes to pay, as and when due, principal and interest on the Bonds in Euro. Payment of principal and interest on the Bonds shall be made, subject to applicable fiscal and other laws and regulations, through the Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account holders. Payments to the Clearing System or to its order shall to the extent of amounts so paid constitute the discharge of the Issuer from its corresponding liabilities under the Bonds. Any reference in these Terms and Conditions of the Bonds to principal or interest will be deemed to include any Additional Amounts pursuant to § 7.

- (b) Payment on Business Days

If the due date for any payment of principal and/or interest is not a Business Day, payment shall be effected only on the next Business Day (except as provided in § 3(b)(ii)). The Holders shall have no right to claim payment of any interest or other indemnity in respect of such delay in payment.

§ 7

BESTEUERUNG

- (a) Sämtliche Zahlungen von Kapital und Zinsen in Bezug auf die Schuldverschreibungen werden ohne Einbehalt oder Abzug von Steuern, Abgaben, Festsetzungen oder behördlichen Gebühren jedweder Art („**Steuern**“) geleistet, die von der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder Behörden mit der Befugnis zur Erhebung von Steuern auferlegt, erhoben, eingezogen, einbehalten oder festgesetzt werden, es sei denn, die Emittentin ist zu einem solchen Einbehalt oder Abzug gesetzlich verpflichtet.
- (b) In einem solchen Falle wird die Emittentin zusätzliche Beträge zahlen (die „**Zusätzlichen Beträge**“), so dass die Gläubiger die Beträge erhalten, die sie ohne Einbehalt oder Abzug erhalten hätten. Solche Zusätzlichen Beträge sind jedoch nicht zahlbar wegen solcher Steuern:
- (i) denen ein Gläubiger wegen einer anderen Beziehung zu der Bundesrepublik Deutschland unterliegt als der bloßen Tatsache, dass er der Inhaber der betreffenden Schuldverschreibungen ist; oder
- (ii) deren Einbehalt oder Abzug auf eine Zahlung an eine natürliche Person erfolgt und zwar auf der Grundlage der Richtlinie 2003/48/EC der Europäischen Union oder einer anderen Richtlinie der Europäischen Union zur Besteuerung privater Zinserträge, die die Beschlüsse der ECOFIN-Versammlung vom 3. Juni 2003 umsetzt oder aufgrund eines Gesetzes, das aufgrund solcher Richtlinie erlassen wurde, ihr entspricht oder eingeführt wurde, um dieser Richtlinie nachzukommen; oder
- (iii) denen der Gläubiger nicht unterläge, wenn er seine Schuldverschreibungen binnen 30 Tagen nach Fälligkeit bzw., falls die notwendigen Beträge der Zahlstelle bei Fälligkeit nicht zur Verfügung gestellt worden sind, nach dem Tag, an dem diese Mittel der Zahlstelle zur Verfügung gestellt worden sind und dies gemäß § 11 bekannt gemacht wurde, zur Zahlung vorgelegt hätte.

§ 8

VORLEGUNGSFRIST, VERJÄHRUNG

Die Vorlegungsfrist der Schuldverschreibungen wird auf zehn Jahre reduziert. Die Verjährungsfrist für innerhalb der Vorlegungsfrist zur Zahlung vorgelegte Schuldverschreibungen beträgt zwei Jahre von dem Ende der betreffenden Vorlegungsfrist an.

§ 9

ZAHLSTELLE UND BERECHNUNGSSTELLE

- (a) Die Emittentin hat die Deutsche Bank Aktiengesellschaft als Hauptzahlstelle und Berechnungsstelle (die „**Hauptzahlstelle**“ oder „**Berechnungsstelle**“) bestellt.
- (b) Deutsche Bank Luxembourg S.A. mit Sitz im Großherzogtum Luxemburg ist als weitere Zahlstelle (gemeinsam mit der Hauptzahlstelle die „**Zahlstellen**“ und jede eine „**Zahlstelle**“ bestellt.
- (c) Die Emittentin behält sich das Recht vor, jederzeit die Benennung einer Zahlstelle oder Berechnungsstelle zu verändern oder zu beenden und Nachfolger bzw. zusätzliche Zahlstellen zu ernennen. Den Gläubigern werden Änderungen in bezug auf die Zahlstellen, deren angegebenen Geschäftsstellen oder die Berechnungsstelle umgehend gemäß § 11 bekannt gemacht.

Sofern die Schuldverschreibungen an einer Börse notiert werden, wird die Emittentin sicherstellen, dass eine Zahlstelle mit

§ 7

TAXATION

- (a) All payments of principal and interest in respect of the Bonds will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed, levied, collected, withheld or assessed by the Federal Republic of Germany (as the case may be) or any political subdivision or any authority of or in the Federal Republic of Germany that has power to tax, unless the Issuer is required by law to make such withholding or deduction.
- (b) In that event, the Issuer will pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Holders of the same amounts as they would have received if no such withholding or deduction had been required. However, no such Additional Amounts shall be payable with respect to such Taxes:
- (i) to which a Holder is liable because of a relationship with the Federal Republic of Germany other than the mere fact of his being the holder of the relevant Bonds; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 3 June 2003 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) to which the Holder would not be subject if he had presented his Bonds for payment within 30 days from the due date for payment, or, if the necessary funds have not been provided to the Paying Agent when due, from the date on which such funds have been provided to the Paying Agent, and a notice to that effect has been published in accordance with § 11.

§ 8

PRESENTATION PERIOD, PRESCRIPTION

The period for presentation of the Bonds will be reduced to ten years. The period for prescription for Bonds presented for payment during the presentation period shall be two years beginning at the end of the relevant presentation period.

§ 9

PAYING AGENT AND CALCULATION AGENT

- (a) The Issuer has appointed Deutsche Bank Aktiengesellschaft as principal paying agent and calculation agent (the “**Principal Paying Agent**” or “**Calculation Agent**”).
- (b) Deutsche Bank Luxembourg S.A. having its seat in the Grand Duchy of Luxembourg shall be appointed as additional paying agent (together with the Principal Paying Agent, the “**Paying Agents**”, and each a “**Paying Agent**”).
- (c) The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent or Calculation Agent and to appoint successor or additional Paying Agents. Notice of any change in the Paying Agents or in the specified office of any Paying Agent or Calculation Agent will promptly be given to the Holders in accordance with § 11.

If the Bonds are listed on a stock exchange, the Issuer will appoint, and will maintain, a paying agent with a specified

einer benannten Geschäftsstelle an dem von der betreffenden Börse vorgeschriebenen Ort bestellt ist.

Die Emittentin wird ferner sicherstellen, dass jederzeit eine Zahlstelle in einem Mitgliedsstaat der Europäischen Union, sofern dies in irgendeinem Mitgliedsstaat der Europäischen Union möglich ist, die nicht gemäß der Richtlinie 2003/48/EG des Rates oder einer anderen die Ergebnisse des Ministerrats der Finanzminister der Europäischen Union vom 3. Juni 2003 umsetzenden Richtlinie der Europäischen Union bezüglich der Besteuerung von Kapitaleinkünften oder gemäß eines Gesetzes, das eine solche Umsetzung bezweckt, zur Einbehaltung oder zum Abzug von Quellensteuern oder sonstigen Abzügen verpflichtet ist.

- (d) Die Zahlstellen und die Berechnungsstelle handeln ausschließlich als Vertreter der Emittentin und übernehmen keine Verpflichtungen gegenüber den Gläubigern; es wird kein Vertrags-, Auftrags- oder Treuhandverhältnis zwischen ihnen und den Gläubigern begründet. Die Zahlstelle und die Berechnungsstelle sind von den Beschränkungen des § 181 des Bürgerlichen Gesetzbuchs (BGB) befreit.

§ 10 WEITERE EMISSIONEN

Die Emittentin kann ohne Zustimmung der Gläubiger weitere Schuldverschreibungen begeben, die in jeder Hinsicht (oder in jeder Hinsicht mit Ausnahme des ersten Zinszahlungstages) die gleichen Bedingungen wie die Schuldverschreibungen haben und die zusammen mit den Schuldverschreibungen eine einzige Emission von Schuldverschreibungen bilden.

§ 11 BEKANNTMACHUNGEN

- (a) Falls die Schuldverschreibungen zum Handel an einer oder mehreren Börsen zugelassen werden, gelten sämtliche Mitteilungen an die Gläubiger als ordnungsgemäß bekannt gemacht, wenn sie in dem Staat einer jeden Wertpapierbörse, an der die Schuldverschreibungen notiert werden, in einer Tageszeitung mit landesweiter Verbreitung veröffentlicht werden, solange diese Notierung fort dauert und die Regeln der jeweiligen Börse dies erfordern. Jede Mitteilung gilt mit dem Tag der ersten Veröffentlichung als bekannt gemacht; falls eine Veröffentlichung in mehr als einer Tageszeitung zu erfolgen hat, ist der Tag maßgeblich, an dem die Bekanntmachung erstmals in allen erforderlichen Tageszeitungen erfolgt ist.
- (b) Mitteilungen an die Gläubiger können anstelle der Veröffentlichung in einer Zeitung nach Maßgabe des § 11(a), (vorbehaltlich anwendbarer Börsenvorschriften bzw. -regeln) solange eine die Schuldverschreibungen verbriefende Globalurkunde für das Clearingsystem gehalten wird, durch Abgabe der entsprechenden Mitteilung an das Clearingsystem zur Weiterleitung an die Gläubiger ersetzt werden. Jede derartige Bekanntmachung gilt am siebten Tag nach dem Tag der Bekanntmachung an das Clearingsystem als den Gläubigern mitgeteilt.
- (c) Alle die Schuldverschreibungen betreffenden Mitteilungen können durch elektronische Publikation auf der Website der Luxemburger Börse (www.bourse.lu) erfolgen.

§ 12 SCHLUSSBESTIMMUNGEN

- (a) Anzuwendendes Recht
Form und Inhalt der Schuldverschreibungen bestimmen sich nach dem Recht der Bundesrepublik Deutschland.

office in such city as may be required by the rules of the relevant stock exchange.

The Issuer will at all times maintain a Paying Agent in an EU member state, if any, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 3 June 2003 on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive.

- (d) The Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligations towards or relationship of contract, agency or trust for or with any of the Holders. The Paying Agent and the Calculation Agent are exempt from the restrictions of § 181 of the German Civil Code (*Bürgerliches Gesetzbuch*).

§ 10 FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first Interest Payment Date) so as to form a single series with the Bonds.

§ 11 NOTICES

- (a) If the Bonds are admitted for trading on one or more stock exchanges, all notices to the Holders are deemed to be properly published if they are published in a daily newspaper with nationwide circulation in the state of each stock exchange on which the Bonds are listed, for so long as the listing of the Bonds continues and the rules of any such exchange so require. Any such notice shall be deemed to have been given on the date of first publication or, when required to be published in more than one daily newspaper, on the date on which the notice has first been published in all required daily newspapers.
- (b) Notices to Holders may (subject to applicable stock exchange rules and requirements), so long as a Global Bond representing the Bonds is held on behalf of the Clearing System, be given *in lieu* of publication in a newspaper pursuant to § 11(a) by delivery of the relevant notice to the Clearing System for communication to the Holders. Any such notice shall be deemed to have been given to the Holders on the seventh day after the day on which the said notice was given to the Clearing System.
- (c) In addition, all notices concerning the Bonds may be made by means of electronic publication on the internet website of the Luxembourg Stock Exchange (www.bourse.lu).

§ 12 FINAL PROVISIONS

- (a) Applicable Law
The Bonds are governed by the laws of the Federal Republic of Germany.

(b) Gerichtsstand

Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten aus den in diesen Emissionsbedingungen geregelten Angelegenheiten ist, soweit gesetzlich zulässig, Frankfurt am Main, Bundesrepublik Deutschland. Die Emittentin verzichtet unwiderruflich darauf, gegenwärtig oder zukünftig gegen die Gerichte in Frankfurt am Main als Forum für Rechtsstreitigkeiten Einwände zu erheben, und versichert, keines der Gerichte in Frankfurt am Main als ungelegenes oder unangemessenes Forum zu bezeichnen.

(c) Erfüllungsort

Erfüllungsort ist Frankfurt am Main, Bundesrepublik Deutschland.

(d) Geltendmachung von Rechten

Jeder Gläubiger kann in Rechtsstreitigkeiten gegen die Emittentin im eigenen Namen seine Rechte aus den ihm zustehenden Schuldverschreibungen geltend machen unter Vorlage der folgenden Dokumente: (a) einer Bescheinigung seiner Depotbank, die (i) den vollen Namen und die volle Anschrift des Gläubigers bezeichnet, (ii) den Gesamtnennbetrag der Schuldverschreibungen angibt, die am Ausstellungstag dieser Bescheinigung dem bei dieser Depotbank bestehenden Depot dieses Gläubigers gutgeschrieben sind, und (iii) bestätigt, dass die Depotbank dem Clearingsystem und der Zahlstelle eine schriftliche Mitteilung zugeleitet hat, die die Angaben gemäß (i) und (ii) enthält und Bestätigungsvermerke des Clearingsystems sowie des jeweiligen Clearingsystem-Kontoinhabers trägt, sowie (b) einer von einem Vertretungsberechtigten des Clearingsystems oder der Zahlstelle beglaubigten Ablichtung der Globalurkunde.

**§ 13
SPRACHE**

Diese Emissionsbedingungen sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung dient nur zur Information.

(b) Place of Jurisdiction

To the extent legally permissible, exclusive place of jurisdiction for all proceedings arising from matters provided for in these Terms and Conditions shall be Frankfurt am Main, Federal Republic of Germany. The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of Frankfurt am Main being nominated as the forum to hear and determine any proceedings and to settle any disputes, and agrees not to claim that any of those courts is not a convenient or appropriate forum.

(c) Place of Performance

Place of performance shall be Frankfurt am Main, Federal Republic of Germany.

(d) Enforcement of Rights

Any Holder may in any proceedings against the Issuer protect and enforce in its own name its rights arising under its Bonds by submitting the following documents: (a) a certificate issued by its depositary bank (i) stating the full name and address of the Holder, (ii) specifying an aggregate principal amount of Bonds credited on the date of such certificate to such Holder's securities account maintained with such depositary bank, and (iii) confirming that the depositary bank has given a written notice to the Clearing System as well as to the Paying Agent containing the information pursuant to (i) and (ii) and bearing acknowledgements of the Clearing System and the relevant Clearing System accountholder as well as (b) a copy of the Global Bond certified by a duly authorised officer of the Clearing System or the Paying Agent as being a true copy.

**§ 13
LANGUAGE**

These Terms and Conditions are written in the German language and provided with an English language translation. The German text shall be the only legally binding version. The English language translation is provided for convenience only.

DESCRIPTION OF THE ISSUER

Incorporation

Gothaer Allgemeine Versicherung AG (the “**Issuer**”) was incorporated as a stock corporation under the laws of Germany on 18 June 1978 and is recorded in the commercial register of the local court of Cologne under HRB 35474.

Corporate Seat and Duration

The Issuer has its corporate seat in Cologne and its office address at Gothaer Allee 1, 50969 Cologne, Germany (Tel.: +49 (0) 221 308-00). The duration of the Issuer is for an indefinite period of time.

Statutory Auditors

The Issuer has appointed KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Barbarossaplatz 1a, 50674 Cologne, Germany, (“**KPMG**”) as auditor for the financial year ending 31 December 2006. The financial statements of the Issuer for the financial years ended 31 December 2004 and 2005 were prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch* or “**HGB**”) and audited by KPMG pursuant to § 317 HGB in accordance with generally accepted auditing standards in Germany as determined by the Institute of Accountants in Germany (*Institut der Wirtschaftsprüfer in Deutschland* or “**IDW**”). KPMG has issued an unqualified audit opinion (*uneingeschränkter Bestätigungsvermerk*) in each case. KPMG is a member of the German Chamber of Auditors (*Wirtschaftsprüferkammer*).

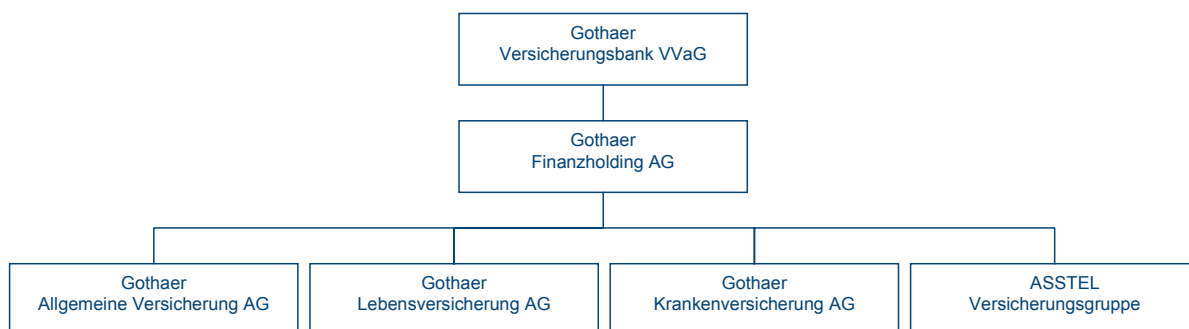
Business

Overview

The Issuer is a fully owned subsidiary of Gothaer Finanzholding AG, being a 94.96 % subsidiary of Gothaer Versicherungsbank VVaG (together with its subsidiaries, the “**Gothaer Insurance Group**”). The Gothaer Insurance Group was formed in August 2001 by former Gothaer Versicherungsbank VVaG, Gothaer Lebensversicherung a. G., Berlin-Kölnische Krankenversicherung a. G. and ASSTEL Lebensversicherung a. G. In a first step, the aforementioned mutual insurance corporations transferred their respective insurance businesses to corporations of the Gothaer Insurance Group, including the Issuer. In a second step, Gothaer Lebensversicherung a. G., Berlin-Kölnische Krankenversicherung a. G. and Asstel Lebensversicherung a. G. were merged with Gothaer Versicherungsbank VVaG as the acquiring entity. Gothaer Versicherungsbank VVaG is one of the largest mutual insurance corporations (*Versicherungsverein auf Gegenseitigkeit*) in Germany. Gothaer Insurance Group offers insurance, pension and investment products for individuals as well as for small and midsize enterprises. Internationally, Gothaer Insurance Group is part of the European Alliance Partners Company (“**EurAPCo**”), which engages in networking, exchange of knowledge, utilisation of synergies and business development.

The Issuer is the risk carrier property and casualty insurance within the Gothaer Insurance Group. Since its formation in 1820, the Issuer is one of the largest German property insurance companies. Within the Gothaer Insurance Group, Gothaer Lebensversicherung AG comprises the life insurance business and Gothaer Krankenversicherung AG comprises the health insurance business. ASSTEL-Versicherungsgruppe, formed in 1998, offers direct insurance. Gothaer Finanzholding AG is responsible for the financial management of Gothaer Insurance Group.

The following chart shows the basic structure of Gothaer Insurance Group. For a more detailed chart of Gothaer Insurance Group see “*Organisational Structure*”.



The Issuer's Operations

The Issuer's focus is on combined insurance concepts and multi-risk-products for individuals and enterprises in the fields of casualty insurance, third party liability insurance, motor third party liability insurance and other motor insurance, fire insurance, household contents insurance, building insurance and other property insurance as well as transport and aviation insurance. In addition, the Issuer offers credit insurance, surety insurance and other insurances.

In the financial year 2005, the Issuer's aggregate gross premiums written increased by 1.4 % (2004: 2.0 %) to € 1.39 billion (2004: € 1.38 billion). The growth resulted from a slight increase in gross premiums written from the direct insurance business and a significant increase in gross premiums written in assumed insurance business.

| | Gross premiums written |
|------------|---------------------------------------|
| | (in € millions) |
| 2003 | 1,349 |
| 2004 | 1,375 |
| 2005 | 1,395 |

In 2005, the overall number of reported events insured decreased by 35,181 or 7.2 %, respectively to 451,355. Due to an increase in the average claim amount, the overall gross loss expenses increased by € 14.2 million or 1.8 %, respectively to € 808.6 million. This resulted in an increase of the gross loss ratio on the balance sheet from 59.9 % in 2004 to 60.2 % in 2005.

The gross premiums written in the Issuer's assumed business increased from € 39.5 million in 2004 by € 13.8 million to € 53.3 million in 2005. This increase mainly resulted from the acquisition of parts of the reinsurance business of the former Gothaer Rückversicherungs AG.

After deduction of the reinsurer's share, the net loss expenses of the Issuer's entire business in 2005 remained at € 686.6 million (2004: € 638.8 million). Accordingly, the net loss ratio increased from 63.6 % in 2004 to 65.9 % in 2005. Due to a further increase of the deductible and the overall increased loss expenses, the loss reserves ratio with 135 % is higher than during the previous years. This equals an increase in the reserves resulting in an earnings reduction of € 67.2 million.

| | Gross loss expenses |
|------------|--------------------------------|
| | (in € millions) |
| 2003 | 777 |
| 2004 | 813 |
| 2005 | 843 |

The gross expenses for the Issuer's insurance operations increased in 2005 by 2.2 % or € 9.2 million, respectively to € 430.5 million (2004: € 421.3 million). € 78.4 million of these expenses were attributable to the acquisition of new business and € 352.1 million were attributable to administration in relation to existing policies.

| | Gross operating expenses |
|------------|---|
| | (in € millions) |
| 2003 | 424 |
| 2004 | 421 |
| 2005 | 430 |

The Issuer's Business Segments

Casualty insurance. In the financial year 2005, gross premiums written slightly decreased in the casualty insurance business to € 144.4 million (2004: € 147.3 million). The portfolio of policies decreased to 0.76 million policies. The number of occurrence of events insured was steady, the increase of the average claims amount, however, led to a negative technical result of €-1.4 million (2004: technical profit € 17.2 million). Essentially, the decrease in premium income results from a reduced insurance portfolio. The decrease in the technical result is due to an increase in the loss ratio which reflects the creation of additional loss reserves in order to increase the security level. The gross loss reserves ratio (*Brutto-Schadenreservequote*) increased from 117 % to 145 %.

Third party liability insurance. The Issuer's portfolio of policies in the third party liability insurance segment contained 1.4 million policies. The number of policies did not significantly change in comparison with the financial year 2004. Gross premiums written were increased by 8.6 % to € 305.3 million. Loss expenses in the third party liability insurance business increased, pursuant to the increased business volume, from € 147.1 million in 2004 to € 164.3 million in 2005. The Issuer's third party liability insurance segment generated a technical loss of € 11.1 million in 2005 after a loss of € 5.3 million in 2004. The technical loss results essentially from allocations to the equalisation reserve as well as a negative reinsurance result and a slight increase in the gross loss ratio.

Motor third party liability insurance and other motor insurance. The gross premiums written in the motor third party liability insurance business decrease by 6.7 % from € 230.7 million in 2004 to € 215.1 million in 2005. In the same period, the portfolio of policies decreased from 794,496 to 768,317 policies. The number of occurrences of events insured decreased by 8.6 % to 57,134 and the gross loss expenses for events insured decreased from € 200.0 million in 2004 to € 185.3 million in 2005. The decrease in average premium income per policyholder as a result of competition-related general premium reductions and a decreasing frequency of claims as a result of restructuring measures are the main causes for the reduced premium income and claims payments.

Regarding the other motor insurance business, including comprehensive collision coverage and comprehensive coverage excluding collision, a decrease in the portfolio of policies resulted in a decrease of gross premiums written by 8.8 % to € 125.1 million in 2005. Comprehensive collision coverage policies accounted for gross premiums written in the amount of € 98.6 million (2004: € 108.0 million) and comprehensive coverage policies excluding collision for gross premiums written in the amount of € 26.5 million (2004: € 29.3 million). Pursuant to the development of the gross premiums written, the gross loss expenses in the other motor insurance business segment decreased from € 86.3 million in 2004 to € 81.1 million in 2005. Accordingly, the technical result improved from € 3.4 million in 2004 to € 11.0 million in 2005.

Fire insurance. In 2005, the Issuer's portfolio of policies in the fire insurance business decreased by 1,543 to 90,726. Due to an increase of the average premium, the gross premiums written increased by 3.4 % to € 74.6 million. The gross loss expenses for events insured decreased significantly. Premium income was increased in the industrial fire insurance business, which essentially resulted from an increase in average premium charged. Premium income decreased in the other sub-classes of fire insurance. The declining claims payments result from a profit-oriented underwriting policy as well as from the absence of significant major claims. This was achieved by consistent re-underwriting, the commissioning of fire safety engineers and a risk scoring which had been implemented with the goal of broad risk management. The technical loss that had occurred despite a positive gross technical result was therefore mainly due to allocations to the equalisation reserve.

Household contents insurance. The Issuer's portfolio of policies in the household contents insurance business slightly decreased in the financial year 2005 from 859,428 to 836,541. Gross premiums written remained stable at € 93.7 million. The number of events insured significantly decreased from 57,162 in 2004 to 51,978 in

2005. Accordingly, gross loss expenses decrease from € 41.0 million in 2004 to € 37.5 million in 2005. The segment's technical result improved from € 22.3 million in 2004 to € 23.5 million in 2005. The decrease in the number of policies resulted in particular from a reduced insurance portfolio and a change in insurance cover in favour of multi-risk policies. Due to the reduction in the number of policies, the number of claims decreased as well. In addition, no major elementary losses insured occurred.

Building insurance. In the building insurance segment, the portfolio remained stable with 292,844 policies. Due to an increase of the average premium, the gross premiums written increased by 2.5% to € 103.6 million in 2005 (2004: € 101.1 million). In the same period, the number of events insured decreased by 6,546 to 53,610. Accordingly, the gross loss expenses decreased by € 4.9 million to € 74.7 million (2004: € 79.6 million). Pursuant to this development, the building insurance segment's technical loss was reduced from € 11.7 million in 2004 to € 10.2 million in 2005. Fortunately, there has been a reduction of the frequency in claims and an absence of elementary losses insured.

Other property insurance. The other property insurance business comprises various property-related insurances products regarding e.g. storm, theft accompanied by forcible entry, tap water, glass, technical equipment and extended coverage. In 2005, gross premiums written, which were generated by other property insurance, increased to € 145.1 million (2004: € 143.1 million). Gross loss expenses increased to € 70.1 million (2004: € 57.6 million). The increase in gross loss expenses for the most part was attributable to the technical equipment insurance divisions (*Technische Versicherungszweige*) (gross loss ratio increased from 53.4% in 2004 to 55.7% in 2005) and the extended coverage insurance business (gross loss ratio increased from - 7.6% in 2004 to 32.8% in 2005), both of which had reported disproportionately high surpluses in 2004 on account of claims reserves exceeding the actual claims paid (*Abwicklungsgewinn*). The increase in loss expenses and in particular the changes relating to the build-up of equalisation reserves led to a withdrawal from the equalisation reserves in an amount of € 34.7 million. The result of the business segment improved to € 48.0 million in 2005 in comparison to € 2.3 million in 2004.

Transport and aviation insurance. In the transport and aviation insurance segment, gross premiums written increased by 9.9% from € 34.3 million in 2004 to € 37.7 million in 2005. Pursuant to the development of gross premiums written, the gross expenses in the transport and aviation insurance segment increased to € 13.9 million in 2005 (2004: € 10.8 million). The segment's technical loss increased to € 8.4 million in 2005 after € 5.8 million in 2004. Essentially, the increase in premiums is a result of the acquisition of the pertinent portfolio of INTER Zweigniederlassung, Köln. The number of policies increased by 3,562 to 22,854. Consequently, there was an increase in costs and reinsurance expenses. The payments for claims insured decreased from € 27.6 million to EUR 19.8 million, which ultimately led to higher allocations to the equalisation reserves.

Other insurances. In the financial year 2005 other insurances offered by the Issuer contributed gross premiums written in the amount of € 96.5 million (2004: € 94.0 million). The growth in this segment was mainly attributable to the loss-of-profits insurance business. This comprehensive class mainly includes business interruption insurance, multi-risk insurance, assistance insurance (*Beistandsleistungsversicherungen*), fidelity insurance and financial loss insurance.

Assumed Business. In its own reinsurance business, the Issuer's gross premiums written increased from € 39.5 million in 2004 by € 13.8 million to € 53.3 million in 2005. This increase mainly resulted from the acquisition of parts of the reinsurance business of the former Gothaer Rückversicherungs AG. In 2004, the portfolios of ASSTEL Sachversicherung AG and Car Garantie Versicherung AG were taken over; in 2005 the reinsurance policy with Roland Rechtsschutz AG followed.

International Activities

Outside of Germany, the Issuer conducts its business in The Netherlands, France, Italy, Austria, Spain and the Czech Republic. In its self-generated international business, the gross premiums written in 2005 were € 11.0 million (2004: € 11.6 million). In co-operation with Eureka and EurAPCo, the Issuer offers its services together with Achmea in The Netherlands, Friends Provident in the United Kingdom, Topdanmark in Denmark, PZU in Poland, ICI-Imperio in Portugal, Länsförsäkringar in Sweden and with Die Mobiliar in Switzerland.

Reinsurance

The Issuer transfers a part of its exposure to certain risks in its property and casualty insurance business to reinsurers through reinsurance arrangements. Under these arrangements reinsurers assume a portion of the Issuer's losses and expenses associated with reported and unreported losses in exchange for a portion of policy premiums. In 2005, the Issuer transferred approximately 25 % (2004: 26 %) of the insurance premiums in connection with its insurance business mainly to Gen Re, Swiss Re, E+S Re, Munich Re and Transatlantic Re. In 2005, reinsurers assumed approximately 19 % of the gross loss expenses of the Issuer (2004: approximately 21 %). Furthermore, in 2005, reinsurers refunded to the Issuer expenses in an amount equal to 32 % (2004: 31 %) of the reinsurance premiums (reinsurance commissions (*Rückversicherungsprovisionen*)). On average during the last five business years, approximately 28 % of the insurance premiums assumed by the Issuer were transferred to reinsurers, the reinsurers' share in the Issuer's gross loss expenses amounted to 25 % and the reinsurance commissions (*Rückversicherungsprovisionen*) amounted to 30 % of the reinsurance premiums.

Market/Competition

Despite a strong competition within the property and casualty insurance market, and the changed general framework in the life insurance sector, the German insurance industry has shown a solid development in 2005. The 453 members of the German Insurance Association (*Gesamtverband der Deutschen Versicherungswirtschaft e. V. – GDV*) received gross premiums written in the aggregate amount of € 157.8 billion in 2005 (2004: € 152.1 billion). The growth rate in gross premiums written increased from 2.9 % to 3.8 %. The main driving factor was the significant growth in the life insurance sector.

In 2005, the German property and casualty insurers achieved a good operative result. With a slight decrease by 0.2 % in gross premiums written to approximately € 55.5 billion and a moderate increase by 0.8 % in gross loss expenses to € 39.7 billion, the overall loss and expenses ratio increased to 92.0 % (2004: 91.2 %).

Investments

The volume of the Issuer's investments increased in 2005 to € 2,344.4 million (2004: € 2,219.3 million). Despite the declining rates of return for fixed-income securities, the Issuer generated results from investments in the amount of € 96.6 million in 2005 (2004: € 103.3 million). The result was positively influenced by the development of the international stock markets. The Issuer's net income from capital investments came to 4.2 % in 2005 after 4.9 % in 2004.

The Issuer currently adapts its capital investment policy to the changing general framework. With view to the expected changes in equity standards in accordance with Solvency II and Gothaer Insurance Group's intention to achieve a financial strength rating in line with the market, the Issuer aims to reduce volatile risks and focuses its investment strategy on financial instruments with current yields. As at 31 December 2004 and 2005 the Issuer's investment portfolio was composed as follows:

| | Percentage based on book value | |
|--|---|-------------|
| | 2005 | 2004 |
| Fixed-income securities | 68 % | 65 % |
| Equities and similar investments | 12 % | 13 % |
| Real estate property | 9 % | 9 % |
| Strategic holdings | 8 % | 9 % |
| Alternative investments | 3 % | 4 % |

The majority of the Issuer's fixed-income securities was issued by European sovereigns and credit institutions. The following table shows the rating classes of the Issuer's fixed-income securities in accordance with the capital investments stress test of the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) as at 31 December 2005:

| | Percentage based on book value |
|---|---|
| Investment-Grade (rating AAA – BBB) | 98.1 % |
| Non-Investment-Grade (rating BB – B)..... | 0.4 % |
| Speculative-Grade (rating CCC – D)..... | 0.0 % |
| Not rated. | 1.5 % |

Rating

In 2005, the Issuer was rated for the first time. The rating agency Standard & Poor’s assigned a financial strength rating of “A–” to the Issuer.

Risk Management

Within Gothaer Insurance Group, centralised and decentralised risk management and risk controlling are established at all levels. The chairman of the management board is responsible for the entire risk management and is being supported by the chief risk officer.

The primary objective of risk management is to ensure the sustainable existence of the Gothaer Group and its core companies. Securing the further existence of the Group is at the same time a guarantee for a high security of fulfilment of the assumed liabilities. Risk management provides the framework for identifying, assessing and monitoring risks, as well as steering the risk bearing ability within set limits. Therefore, risk management is to provide the prerequisites for a maximum use of the existing opportunities while at the same time maintaining the required safety level.

In cooperation with the central risk controlling and the risk committee Gothaer Insurance Group intends to ensure the group-wide organisation and the continuing development of uniform standards and methods for internal risk assessment and risk management. Besides identifying and minimising risks the implemented methods are also intended to identify opportunities.

In accordance with the Corporate Sector Supervision and Transparency Act (*Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG*), Gothaer Insurance Group has developed methods to early identify and counteract risks. The implementation of these methods is procured and the methods are further developed by the central risk controlling unit, which is subject to supervision by the group revision. In 2005, Gothaer Insurance Group focused on the development of a central, indicator based, early warning system in addition to the existing decentralised early warning system.

In addition to risk inventory, different methods for quantitative risk controlling are applied, such as periodical stress tests, which analyse the Issuer’s capital investments’ sensitivity to risks connected with the capital markets, actuarial reserve assessment and project tests on product and inventory level. Gothaer Insurance Group also applies several management information systems for products and inventory controlling. Insolvency risks are measured by solvency models. In addition to these standardised calculation methods, the Issuer applies internal risk assessment models (dynamic finance analysis), such as the Monte-Carlo-Method, to precisely assess and manage its individual risk position and risk exposure.

The internal as well as the external models show that the Issuer can provide for an adequate risk bearing ability. The risk management system has been audited by external auditors and the internal auditing department for years. In addition, Gothaer Group is also active in external associations, e. g. the German Insurance Association, in order to be able to recognise and implement developments with regard to Solvency II at an early stage.

Employees

In 2005, the Issuer employed an average of 2,913 employees, 2,297 of which were office employees and 495 of which belonged to the field sales workforce. Furthermore, the Issuer employed an average of 121 trainees.

Recent Developments/Trend Information

No events of special importance have occurred after the close of the financial year 2005. The main financial performance figures developed as expected in the first half of the financial year 2006, whereas not all production targets were reached mainly due to intensive pricing competition in the market. Nevertheless it is expected that the Issuer will reach good overall results through the achievement of financial targets set for 2006.

However, natural catastrophes and adverse developments in the capital markets, as well as the risks described under “*Risk Factors*”, may adversely affect the Issuer’s business and profitability.

Material Changes

Unless described in the Section “Recent Developments/Trend Information”, there has been no material adverse change in the prospects of the Issuer and no significant change in the financial position or the trading position of the Issuer since 31 December 2005. The annual financial statements for the year ended 31 December 2005 were approved on 8 May 2006.

Outlook

Based on the development during this year and in view of the current market condition, a moderate reduction in premium income is expected. This is caused by intensive pricing competition, especially in the motor business, and the high degree of market penetration in the segments of property, casualty and accident insurance. Growth impulses by the overall economic environment are still weak and impulses by political decision-making are not likely. In order to respond to this market trend in the retail customer business, which is also characterised by price-driven customer behaviour with a high flexibility in changing to other insurers, the Issuer offers reasonably-priced insurance solutions in line with market conditions which are, however, calculated to provide sufficient profits.

In the segment of commercial and industrial customers, the pressure on the premium side has also strongly increased. This is inter alia actively countered by managing the business cycles ensuring that the Group stays in touch with the market while still maintaining its earnings-based strategy. The Issuer continues to focus its efforts in sustaining and selectively improving its operating profit. In particular, the Issuer intends to further improve its results by pursuing a profit-oriented organic growth. Additional growth may also be created by acquiring existing policy portfolios.

In the segment of private customers, the Issuer sees opportunities by consistently conforming its product policy with market and customer needs. Thus, the knowledge gained through market research is included in the product development process. This results, for example, in offering product lines with a combination of two insurance products which have already been successful in the market: One base product for customers who mainly focus on prices and one premium product with extended services and benefits. Offering additional services will gain in importance in the corporate and industrial customer segment, where the environment is characterised by continued intensive competition; this includes, for example, risk management strategies for small and medium-sized enterprises. The market position in the segments of target group- and multi-risk products also offers further opportunities, which are actively used by the Company. Co-operation agreements and the assumption of portfolios, to the extent that these have a positive effect on the value of the Company, lead to further opportunities for the Issuer resulting from increased competitive pressure and higher risk capital requirements in the market.

Corporate Bodies of the Issuer

Management Board (Vorstand)

| <u>Name</u> | <u>Function</u> | <u>Outside Activity/Other Mandates</u> |
|----------------------------|-----------------|---|
| Dr. Werner Görg | Chairman | Management board positions held: Chairman of the Management Board of: Gothaer Allgemeine Versicherung AG Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG Member of the Management Board of: ASSTEL Lebensversicherung AG Gothaer Krankenversicherung AG Gothaer Lebensversicherung AG Supervisory board positions held: ASSTEL Krankenversicherung AG ASSTEL Sachversicherung AG, Chairman Gothaer Credit Versicherung AG, Chairman Roland Rechtsschutz-Versicherungs-AG, Chairman Gothaer Pensionskasse AG, Chairman Zweite Gothaer Vermögensverwaltungs AG, Chairman Membership in similar control bodies in Germany and abroad: EurAPCo B. V. ASSTEL ProKunde Versicherungskonzepte GmbH |
| Ronald van het Hof | | Management board positions held: Member of the Management Board of: Gothaer Allgemeine Versicherung AG Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG ASSTEL Lebensversicherung AG Gothaer Krankenversicherung AG Gothaer Lebensversicherung AG Supervisory board positions held: ASSTEL Krankenversicherung AG ASSTEL Sachversicherung AG A&O Vertriebs-AG, Chairman A. S. I. Wirtschaftsberatung AG, Chairman Fingro AG, Chairman Janitos Versicherung AG, Deputy Chairman Aachener Bausparkasse AG, Chairman Membership in similar control bodies in Germany and abroad: GKC Gothaer Kunden-Service-Center GmbH ASSTEL ProKunde Versicherungskonzepte GmbH, Chairman |
| Dr. Helmut Hofmeier | | Management board positions held: Chairman of the Management Board of: Gothaer Lebensversicherung AG Member of the Management Board of: Gothaer Allgemeine Versicherung AG Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG |

| Name | Function | Outside Activity/Other Mandates |
|--------------------|----------|---|
| Michael Kurtenbach | | <p>ASSTEL Lebensversicherung AG Gothaer Krankenversicherung AG Gothaer Pensionskasse AG Zweite Gothaer Vermögensverwaltungs AG ASSTEL Krankenversicherung AG</p> <p>Supervisory board positions held: A. S. I. Wirtschaftsberatung AG Fingro AG, Deputy Chairman Gothaer Asset Management AG</p> <p>Membership in similar control bodies in Germany and abroad: Gothaer Invest- und FinanzService GmbH Gothaer Kunden-Service-Center GmbH Pensus Pensionsmanagement GmbH, Chairman GBG Consulting für betriebliche Altersversorgung GmbH</p> <p>Management board positions held: Deputy Chairman of the Management Board of: Gothaer Krankenversicherung AG Member of the Management Board of: Gothaer Allgemeine Versicherung AG Gothaer Finanzholding AG ASSTEL Lebensversicherung AG Gothaer Lebensversicherung AG Gothaer Pensionskasse AG Zweite Gothaer Vermögensverwaltungs AG</p> <p>Supervisory board positions held: A. S. I. Wirtschaftsberatung AG Fingro AG</p> <p>Membership in similar control bodies in Germany and abroad: Gothaer Kunden-Service-Center GmbH IDG Informationsverarbeitung und Dienstleistungen GmbH, Chairman</p> |
| Jürgen Meisch | | <p>Management board positions held: Member of the Management Board of: Gothaer Allgemeine Versicherung AG Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG ASSTEL Lebensversicherung AG Gothaer Krankenversicherung AG Gothaer Lebensversicherung AG</p> <p>Supervisory board positions held: Gothaer Pensionskasse AG Zweite Gothaer Vermögensverwaltungs AG, Deputy Chairman Gothaer Asset Management AG, Chairman Capiton AG Fingro AG CG Car-Garantie Versicherungs-AG</p> <p>Membership in similar control bodies in Germany and abroad: European Credit Managment Limited, London</p> |

| <u>Name</u> | <u>Function</u> | <u>Outside Activity/Other Mandates</u> |
|---|-----------------|---|
| Dr. Hartmut Nickel- Waninger | | <p>Management board positions held:</p> <p>Member of the Management Board of: Gothaer Allgemeine Versicherung AG Gothaer Finanzholding AG and</p> <p>Supervisory board positions held: janitos Versicherung AG</p> <p>Membership in similar control bodies in Germany and abroad: GKC Gothaer Kunden-Service-Center GmbH GSC Gothaer Schaden-Service-Center GmbH, Chairman</p> |
| Dr. Herbert Schmitz | | <p>Management board positions held:</p> <p>Chairman of the Management Board of: Gothaer Krankenversicherung AG</p> <p>Member of the Management Board of: Gothaer Allgemeine Versicherung AG Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG ASSTEL Lebensversicherung AG Gothaer Lebensversicherung AG</p> <p>Supervisory board positions held: ASSTEL Krankenversicherung AG, Chairman ASSTEL Sachversicherung AG Zweite Gothaer Vermögensverwaltungs AG</p> <p>Membership in similar control bodies in Germany and abroad: GSC Gothaer Schaden-Service-Center GmbH ASSTEL ProKunde Versicherungskonzepte GmbH Deputy Chairman BKK Gothaer VuD Chairman des Verwaltungsrates GKC Gothaer Kunden-Service-Center GmbH</p> |
| Gerd Schulte | | <p>Management board positions held:</p> <p>Chairman of the Management Board of: ASSTEL Lebensversicherung AG</p> <p>Member of the Management Board of: Gothaer Allgemeine Versicherung AG ASSTEL Sachversicherung AG, Sprecher ASSTEL Krankenversicherung AG, Sprecher ASSTEL ProKunde Versicherungskonzepte GmbH, Sprecher</p> <p>Supervisory board positions held: janitos Versicherung AG, Chairman</p> <p>Membership in similar control bodies in Germany and abroad: GSC Gothaer Schaden-Service-Center GmbH GKC Gothaer Kunden-Service-Center GmbH, Chairman</p> |

The members of the Management Board may be contacted at the business address of the Issuer.

Supervisory Board (Aufsichtsrat)

| <u>Name</u> | <u>Function</u> | <u>Outside Activity/Other Mandates</u> |
|------------------------------------|-----------------|--|
| Dr. Roland Schulz | Chairman | Former managing shareholder Gothaer Finanzholding AG (chairman); ASSTEL Lebensversicherung AG (deputy chairman); Gothaer Krankenversicherung AG (chairman); Gothaer Allgemeine Versicherung AG (chairman); Gothaer Lebensversicherung AG Stüttgen & Haeb AG (deputy chairman) |
| Diethelm Garvelmann*) , | Deputy Chairman | Insurance employee |
| Dieter Bick | | Management Consultant |
| Carl Graf von Hardenberg | | Chairman Supervisory Board Hardenberg – Wilten AG |
| Judith Kerschbaumer*) | | Secretary of works council |
| Michael Nicolai*) | | Head of Organisationsdirektion Ausschließlichkeit |
| Franz-Josef Röllgen | | Agriculturist |
| Edgar Schoenen*) | | Economist |
| Peter-Josef Schützeichel *) | | Insurance employee |
| Dr. Hans Joachim Vits | | Attorney at law; managing director of Vermögensverwaltung Vits GbR, Wuppertal Gothaer Finanzholding AG; IVECO Magirus Brandschutztechnik GmbH; Gothaer Allgemeine Versicherung AG (chairman); Dr. Hönle AG (chairman) |
| Eckhard Voßkötter*) | | Insurance employee |
| Dr. Gerd Gustav Weiland | | Attorney at law |

*) Employee representative.

The members of the Supervisory Board may be contacted at the business address of the Issuer.

Advisory Board

| <u>Name</u> | <u>Outside Position</u> |
|---|--|
| Werner Dacol | Managing director of Aachener Siedlungs- und Wohnungsgesellschaft mbH, Köln |
| Clemens August Freiherr von Ketteler-Harkotten | Freiherrlich von Ketteler'sche Verwaltung, Sassenberg-Füchtorf |
| Dr. Berthold Reinartz | Notary public |
| Gerhard Schulz | Managing director of Interessengruppe Mittelständische Bauwirtschaft, Bauelemente Schulz GmbH, Leipzig |
| Prof. Dr. jur. Jürgen Vocke | Member of the Bavarian state parliament; president of Landesjagdverband Bayern e. V., Ebersberg |
| Axel F. Waschmann | Former member of the management board of EWE Aktiengesellschaft |
| Helmut Weissheimer | Managing general partner of Friedrich Weissheimer Malzfabrik, Andernach |

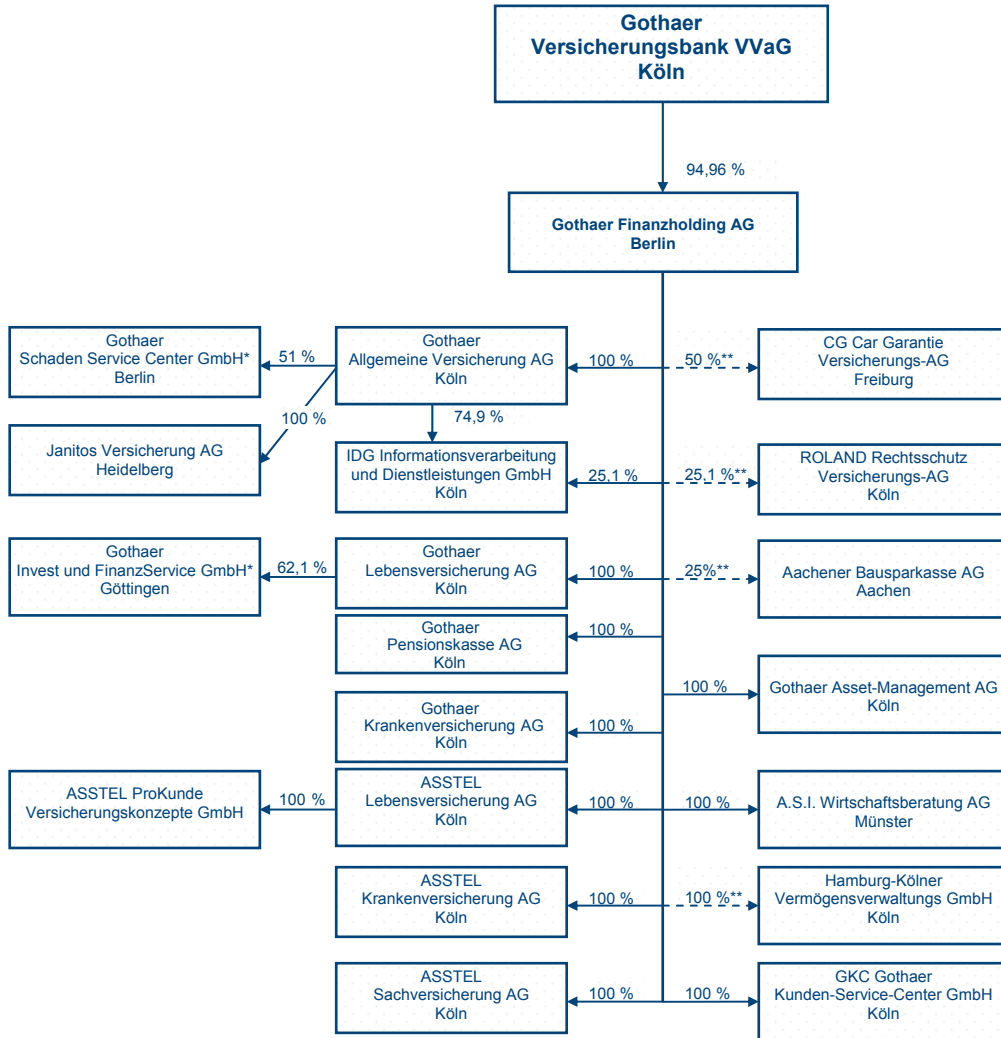
The members of the Advisory Board may be contacted at the business address of the Issuer.

Conflicts of Interest

There are no potential conflicts of interest between any duties of the Issuer of the members of the Management Board, of the Supervisory Board and of the Advisory Board and their private interests and or other duties.

Organisational Structure

The following chart sets forth the organisational structure of Gothaer Insurance Group, including the Issuer and Gothaer Insurance Group's material subsidiaries:



* total group share of 100 %

** total group share

For the purpose of clarity some group companies are not or not completely indicated.

Subsidiaries

In accordance with § 286 Abs. 3 HGB the following table omits certain subsidiaries which are of inferior importance to the Issuer's assets, financial position or results of operations.

| <u>Name, registered seat</u> | <u>Participation</u> | <u>Equity Capital</u> | <u>Last Annual Result</u> |
|---|----------------------|-----------------------|---------------------------|
| | <u>%</u> | <u>€'000</u> | <u>€'000</u> |
| Affiliated (domestic) companies | | | |
| Janitos Versicherung AG, Heidelberg | 100.00 | 24,864 | 1,919 |
| Gothaer Erste Kapitalbeteiligungs GmbH, Berlin | 20.00 | 17,468 | (1,610) |
| Gothaer Zweite Beteiligungsgesellschaft Niederlande mbH, Göttingen | 28.60 | 4,596 | (3,294) |
| Hamburg-Kölner-Vermögensverwaltungsgesellschaft mbH, Köln | 25.00 | 9,756 | 733 |
| IDG Informationsverarbeitung und Dienstleistung GmbH, Köln | 74.90 | 5,435 | 1,908 |
| Non-affiliated (domestic) companies | | | |
| Swiss Mobiliar Intern. Vers. AG i.L., Köln | 25.01 | 6,047 | 31 |
| Triforum Verw. Obj. IKS Köln, KG, Pöcking | 88.10 | 15,711 | 976 |
| CG Car-Garantie Versicherungs-AG, Freiburg | 20.00 | 47,813 | 9,646 |
| KILOS Beteiligungsgesellschaft mbH & Co. Vermietungs- KG, München | 93.06 | 54,869 | 3,543 |

Major Shareholders

The Issuer is a fully owned subsidiary of Gothaer Finanzholding AG, having its registered seat in Berlin.

Material Contracts in the Gothaer Insurance Group

Outsourcing and Servicing Contracts dated 15 February and 15 March 2002, respectively

Under the outsourcing contract (*Funktionsausgliederungsvertrag*) and servicing contract dated 15 February and 15 March 2002, completely revised 14 February 2006 respectively, the Issuer, Gothaer Lebensversicherung AG, Gothaer Krankenversicherung AG and/or Gothaer Finanzholding AG assumed administrative duties, in particular in the fields of sales, accounting, controlling, HR, inventory management, benefit and damage processing, corporate security, IT controlling, personnel development, and legal and tax issues, upon request for several companies of the Gothaer Group. i.e. Gothaer Versicherungsbank VVaG, Gothaer Allgemeine Versicherung AG, Gothaer Finanzholding AG, Gothaer Lebensversicherung AG, ASSTEL Lebensversicherung AG, Gothaer Krankenversicherung AG, ASSTEL Krankenversicherung AG, ASSTEL Sachversicherung AG, ASSTEL Pro Kunde Versicherungskonzepte GmbH, CG Car Garantie Versicherungs-Aktiengesellschaft, Gothaer Pensionskasse AG and Hamburger-Kölner Vermögensverwaltungsgesellschaft mbH.

Outsourcing Contract for Asset Management Services between Gothaer Asset Management AG and other companies of the Gothaer Group

Under an outsourcing contract dated 21 September 1998 and amended and supplemented as of 27 August 2001, Gothaer Asset Management AG took over the asset management and investment business for Gothaer Allgemeine Versicherung AG and for other companies of the Gothaer Insurance Group. Consequently, Gothaer Asset Management AG has agreed under the asset management outsourcing contract to provide comprehensive investment and asset management services to the Issuer, and in consideration of the services so rendered by Gothaer Asset Management AG the Issuer has agreed to pay certain commissions to Gothaer Asset Management AG.

General Agency Contracts (Generalagenturverträge)

The general agency contract between Gothaer Versicherungsbank VVaG and the Issuer dated 17 October 2002 provides that Gothaer Versicherungsbank VVaG, as general agent (*Generalagent*) within the meaning of sections 84 and, 92 of the German Commercial Code, is responsible for commissioning insurance contracts.

Gothaer Versicherungsbank VVaG, in turn, receives services for administrative activities with regard to the settlement of accounts and payment of commissions and other fees to the brokers.

Master Contract to the Gothaer-Mitglieder-Schutzbrief

In the master contract to the Gothaer-Mitglieder-Schutzbrief dated 10 November 2004, the Issuer together with further companies of the Gothaer Group undertake to reimburse the losses under the Mitgliederschutzbrief issued by the Gothaer Versicherungsbank VVaG.

Servicing Contract between IDG Informations-Verarbeitung und Dienstleistungen GmbH and other companies of the Gothaer Group

The IT department of the companies of the Gothaer Group, including the Issuer, was outsourced to IDG Informations-Verarbeitung und Dienstleistungen GmbH with effect as of 1 November 1994. The services of IDG are rendered on the basis of a master servicing contract.

Profit and Loss Transfer Contract between Gothaer Finanzholding AG and the Issuer

Pursuant to the profit and loss transfer contract dated 14 October 2002 between Gothaer Finanzholding AG and the Issuer, the Issuer is obliged to pay its total profits to the Gothaer Finanzholding AG. Pursuant to section 302 (1) of the German Stock Corporation Act (*Aktiengesetz – AktG*), Gothaer Finanzholding AG is obliged to balance out any net loss otherwise arising during the term of the contract, unless such loss is balanced out by withdrawing amounts from the other earnings reserves pursuant to section 272 (3) of the German Commercial Code and/or the capital reserve set up from additional contributions pursuant to section 272 (2) no. 4 of the German Commercial Code, which have been contributed to such reserves during the term of the contract. Such withdrawal shall not be made if it conflicts with the provisions on capital requirements under supervisory law.

The contract has a fixed term until the end of 31 December 2006 and shall each time be automatically renewed without any change for another year, unless it is terminated by either party with at least six months' notice prior to its expiration.

Servicing Contract between the Issuer, Gothaer Versicherungsbank VVaG and Gothaer Schaden Service Center GmbH

On 3 February 2000, Gothaer Versicherungsbank VVaG entered into a servicing contract with Gothaer Schaden Service Center GmbH. The contract was transferred to the Issuer in the course of the restructuring effected within the Gothaer Group in 2002. Essentially, it includes the recording of claims, immediate settlement of simple claims, giving of information to policyholders of the Issuer and recording of claims settlements and related accounting entries.

Furthermore, a servicing contract was entered into between Gothaer Versicherungsbank VVaG and Gothaer Schaden Service Center GmbH on 17 April 2002, pursuant to which Gothaer Schaden Service Center GmbH is in charge of recording the claims under the new products of Gothaer Versicherungsbank VVaG and dealing with all telephone queries concerning the Gothaer-Mitglieder-Schutzbrief.

Contract between the Issuer and GKC Gothaer Kunden Service-Center GmbH

Under the pre-contract dated 18 March 2005 and the addendum dated 25 March 2005 to the draft outsourcing and servicing contract between the Issuer and GKC Gothaer Kunden Service-Center GmbH, GKC Gothaer Kunden Service-Center GmbH is in charge of the processing of transactions of the Issuer in the private and business customer motor vehicle segment and acts as a contact for answering telephone queries of policyholders and agencies. Furthermore, GKC Gothaer Kunden Service-Center GmbH will render sales services to the respective contracting partners.

Servicing Contract between the Issuer and Gothaer Invest- und FinanzService GmbH

With effect as of 1 January 2000, Gothaer Invest- und FinanzService GmbH entered into a servicing and assumption contract with the Issuer, pursuant to which Gothaer Invest- und FinanzService GmbH assumed the mortgage management and credit department and thus the authority to make loan decisions in the name and for account of individual companies.

Profit participation rights capital of the Issuer

Through a contract dated 14 December 2001 between the Issuer, Gothaer Versicherungsbank VVaG and Landesbank Berlin, all rights and obligations under profit participation certificates (“*Genussschein*”) in the total amount of € 31 million issued by Gothaer Versicherungsbank VVaG on 1 December 1997 in accordance with section 53c (3a) sentence 1 no. 3 of the German Insurance Supervisory Act were transferred from Gothaer Versicherungsbank VVaG to the Issuer. These profit participation certificates are bearer certificates with nominal amounts of € 51,129.19 each. Their term shall end on 31 December 2007. They bear interest at 6.57% p. a. of their nominal amount.

Legal Proceedings

Damage claims

Regarding the pending court proceedings in which damage claims are raised against the Issuer, the Issuer has set up reserves in an adequate amount. Furthermore, the claims are risks covered by reinsurance policies.

Therefore, these litigation proceedings do not have or have had a material effect on the ability of the Issuer to perform its obligations under the bonds.

Fining Decision of the Federal Cartel Office (Bundeskartellamt) dated 21 March 2005

With a fining decision dated 21 March 2005, a fine in the amount of € 6.4 million was imposed on the Issuer.

In this decision, the Federal Cartel Office assumes that the Issuer has participated in arrangements violating antitrust rules in the industry insurance business. The Issuer appealed this decision within due time. The Cartel Division of the Higher Regional Court of Düsseldorf will deal with this objection later this year. In this matter, reserves have been set up in an adequate amount. Therefore, these proceedings do not have a material effect on the ability of the Issuer to perform its obligations under the bonds.

USE OF PROCEEDS

The net proceeds of the issuance of the Bonds, amounting to approximately € 248,625,000, will be used to strengthen the regulatory capital base of the Issuer and for general corporate purposes of the Gothaer Insurance Group.

TAXATION

The following is a general description of certain tax considerations relating to the purchasing, owning and disposing of Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Bonds. Prospective purchasers of Bonds should consult their tax advisers as to the consequences, under the tax laws of the country in which they are resident for tax purposes and under the tax laws of the Grand Duchy of Luxembourg and the Federal Republic of Germany, of acquiring, holding and disposing of Bonds and receiving payments of principal, interest and other amounts under the Bonds. This summary is based upon the laws in force and their interpretation on the date of this Prospectus and is subject to any change in law or interpretation that may occur after such date, even with retroactive effect.

Grand Duchy of Luxembourg

The statements herein regarding taxation in Luxembourg are based on the laws in force in the Grand Duchy of Luxembourg as of the date of this Base Prospectus and are subject to any changes in law. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Bonds. Each prospective holder or beneficial owner of the Bonds should consult its tax advisor as to the Luxembourg tax consequences of the ownership and disposition of the Bonds.

Luxembourg withholding tax

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to individual holders of the Bonds, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to individual holders of the Bonds, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Bonds.

Luxembourg non-resident individuals

Under the Luxembourg laws dated 21 June 2005 implementing the European Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”) and several agreements concluded between Luxembourg and certain dependent territories of the European Union, a Luxembourg based paying agent (within the meaning of the Savings Directive) is required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State, unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments made to individuals resident in certain EU dependent territories.

The withholding tax rate is initially 15 per cent., increasing steadily to 20 per cent. and to 35 per cent.

The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

Luxembourg resident individuals

A 10 per cent. withholding tax has been introduced, as from 1 January 2006, on interest payments made by Luxembourg paying agents (defined in the same way as in the Savings Directive) to Luxembourg individual residents. Only interest accrued after 1 July 2005 falls within the scope of the withholding tax.

This withholding tax represents the final tax liability for the Luxembourg resident individuals taxpayers.

Federal Republic of Germany

The following summary of certain German tax consequences of purchasing, owning and disposing the Bonds is based on the effective tax law at the date of this Prospectus which may be changed, even with retroactive effect. The summary does not describe all tax considerations that may be relevant to an individual purchaser's decision to purchase Bonds. It is not a substitute for tax advice.

Prospective purchasers of Bonds are advised to consult their own tax advisors for the tax consequences of the purchase, the ownership and the disposition of Bonds, including the effect of any state or local taxes under the tax laws of the Federal Republic of Germany as well as in each other country of which they are residents.

Tax Residents

Interest Payments

Interest, including interest having accrued up to the disposition of a Bond and credited separately (“**Accrued Interest**” – *Stückzinsen*) paid to a Holder resident in Germany (a person whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) is subject to German personal or corporate income tax. On the basis of the assessed personal or corporate income tax solidarity surcharge of 5.5 % is levied. In addition, if Bonds are held as assets of a German commercial business, any interest is subject to trade tax. If Bonds are held as a non-business asset, any Accrued Interest paid by an individual upon the acquisition of Bonds may give rise to negative income and may, therefore, reduce such Holder’s personal or corporate income tax liability.

If Bonds are held in a custodial account which the Holder maintains with the German branch of a German or non-German bank or financial services institution (the “**Disbursing Agent**” – *inländische Zahlstelle*), such Disbursing Agent will withhold tax (*Zinsabschlag*) at a rate of 30 % of the gross amount of all interest payments to the Holder, including Accrued Interest, plus 5.5 % solidarity surcharge thereon. As a result, 31.65 % of the gross amount of interest, including Accrued Interest, paid to a Holder will be withheld by the Disbursing Agent.

The tax withheld by the Disbursing Agent will be credited as a prepayment against the Holders’ total annual tax burden for German personal or corporate income tax purposes. No tax is withheld by the Disbursing Agent, if the Holder is an individual who has filed a certificate of exemption (*Freistellungsauftrag*) with the Disbursing Agent and the Bonds held by such individual are not part of a German commercial business property or generate income from the letting and leasing of property. However, this exemption applies only to the extent that the aggregate interest income derived from the Bonds after deduction of Accrued Interest paid upon the purchase of the Bonds and the deductible expense allowance (€ 51 for individuals and € 102 for married couples filing jointly), together with an individual’s other investment income administered by the Disbursing Agent, does not exceed the maximum annual exemption amount shown on the certificate of exemption (up to € 1,370 (as from 2007 up to € 750) for individuals and € 2,740 (as from 2007 € 1,500) for married couples filing jointly). No withholding obligation exists also, if the Holder submits to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the local tax office.

According to German tax law the Issuer is not obliged to withhold withholding tax since the Bonds will be held in a custodial account with a credit or financial services institution.

Sale or Redemption of Bonds

The Issuer believes that the Bonds qualify as financial innovation (*Finanzinnovation*) in the meaning of § 20 para. 2 no. 4 of the German Income Tax Act (*Einkommensteuergesetz*). This qualification results in a tax treatment as laid out in this summary. It is, however, not possible to predict reliably whether or not the competent tax authorities will share this view. Should the Bonds not qualify as financial innovation in the aforementioned meaning according to the view of the tax authorities, a different tax treatment may apply.

Gains from the sale, assignment or redemption of Bonds, including gains derived by a secondary or subsequent purchaser, are considered as interest and are subject to personal or corporate income tax as well as solidarity surcharge at a rate of 5.5 % thereon. If Bonds are held as assets of a German commercial business, such gains are subject to trade tax also. If the Holder will not prove a lower predetermined yield to maturity (*Emissionsrendite*) of the Bonds attributable to the period over which the holder has held such Bonds, the taxable gain from the sale, assignment or redemption of Bonds is calculated as the difference between the proceeds from the sale, assignment or redemption and the issue or purchase price of the Bonds (*Marktrendite*).

If the Bonds are held in a custodial account maintained with a Disbursing Agent, tax is deducted at a rate of 30 % (plus solidarity surcharge of 5.5 % thereon) from the excess of the proceeds arising from the sale or redemption over the issue or purchase price paid for the Bonds, if the Bonds were held in custody with such Disbursing Agent since the acquisition of the Bonds. If custody has changed since the acquisition of the Bonds, this tax deduction will be due on an amount equal to 30 % of the proceeds arising from the sale, assignment or redemp-

tion of the Bonds. In computing the tax to be withheld, the Disbursing Agent may deduct from the basis of the withholding tax any Accrued Interest previously paid during the calendar year by the Holder to the Disbursing Agent. The tax deduction will be credited against the Holder's annual tax liability for personal or corporate income tax purposes. No tax will be withheld, if the Holder is an individual whose Bond does not form part of the property of a German business nor gives rise to income from the letting and leasing of property and who filed a certificate of exemption (*Freistellungsauftrag*) with the Disbursing Agent to the extent that the interest income derived from the Bonds together with other investment income does not exceed the maximum exemption amount shown on this certificate (see above "Interest Payments"). The same applies if the Holder submits to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the local tax office.

Should the Bonds – contrary to the belief of the Issuer (see above) – not qualify as a financial innovation, gains from the sale, assignment or redemption of the Bonds (other than Accrued Interest and certain other amounts) may be tax free, if the Bonds are held by private investors and if the time period between the acquisition and the sale or redemption of the Bonds exceeds one year. In this case, tax losses may not be deductible.

Taxation of income from capital gains is presently subject to the planning of the implementation of basic changes in the German tax system. In particular it is discussed that gains from private sales transactions derived from the sale and redemption of securities may become generally taxable at a flat tax rate. However, it is presently uncertain if and in how these plans will be implemented.

Non-Residents

Interest, including Accrued Interest, paid to a Holder and capital gains realized by a Holder not resident in Germany will not be taxable in Germany, and no withholding tax will be withheld (even if the Bonds are kept with a Disbursing Agent) so long as (1) the Bonds are not held as a business asset of a German permanent establishment or through a permanent German representation of the Holder, (2) the interest income of such Bonds does not otherwise constitute German source income (such as income from the letting and leasing of certain German situs property) and (3) the non-resident Holder complies with the procedural rules to prove his status as a non-tax resident. Otherwise, the Holder not resident in Germany will be subject to a tax regime similar to that described above under "Tax Residents."

Tax treaties concluded by Germany generally do not permit Germany to tax the capital gains derived by a Holder resident in the other treaty country, unless the Bonds form part of the business property of a permanent establishment or a fixed base maintained in Germany by the Holder.

Inheritance and Gift Tax

The receipt of Bonds in case of succession upon death, or by way of a gift among living persons is subject to German inheritance and/or gift tax if the deceased, donor and/or the recipient is a German resident. German inheritance and gift tax is also triggered if neither the deceased, nor the donor nor the recipient of the Bonds are German residents, if the Bonds are attributable to German business activities and if for such business activities a German permanent establishment is maintained or a permanent representative is appointed in Germany. In specific situations German expatriates that were tax resident in Germany may be subject to inheritance and gift tax. Double taxation treaties may provide for exceptions to the domestic inheritance and gift tax regulations.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transition period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have (agreed to) adopt(ed) similar measures (a withholding system in the case of Switzerland) with effect from the same date. Germany has implemented EU Council Directive 2003/48/EU effective 1 July 2005.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement dated 27 September 2006 (the “**Subscription Agreement**”) among the Issuer and Morgan Stanley (the “**Lead Manager**”), Bayerische Hypo- und Vereinsbank AG and DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (together with the Lead Manager, the “**Managers**” and each a “**Manager**”), the Issuer has agreed to sell to the Managers, and the Managers have agreed, subject to certain customary closing conditions, to purchase, the Bonds on 29 September 2006. The Issuer has furthermore agreed to pay certain fees to the Managers and to reimburse the Lead Manager for certain expenses incurred in connection with the issue of the Bonds.

The Subscription Agreement will provide that the Lead Manager, acting on behalf the Managers, is entitled, under certain circumstances, to terminate the Subscription Agreement. In such event, no Bonds will be delivered to investors. Furthermore, the Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Bonds.

The Managers or their affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer and its affiliates, for which the Managers or their affiliates have received or will receive customary fees and commissions.

There are no interests of natural and legal persons involved in the issue, including conflicting ones, that are material to the issue.

Selling Restrictions

United States of America and its Territories

The Bonds have not been and will not be registered under the Securities Act and the Bonds are subject to U. S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States. Each Manager has agreed that it will not offer, sell or deliver any Securities within the United States.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom of Great Britain and Northern Ireland

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

General

Each Manager has acknowledged that no action is taken or will be taken by the Issuer in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of any offering material relating to them, in any jurisdiction where action for that purpose is required.

Each Manager has represented and agreed that it will comply with all applicable laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Bonds or has in its possession or distributes any offering material relating to them.

GENERAL INFORMATION

The creation and issue of the Bonds has been authorised by resolutions of the management board (*Vorstand*) of the Issuer dated 15/16 March 2006 and the supervisory board (*Aufsichtsrat*) of the Issuer dated 12 June 2006.

For so long as any Bond is outstanding, copies of the following documents may be inspected in physical form during normal business hours at the registered office of the Issuer and the specified office of each Paying Agent and as long as the Bonds are listed on the Luxembourg Stock Exchange the documents set out under (a), (b), (c), and (e) below will be available (free of charge) at the head office of the listing agent in Luxembourg:

- (a) the agency agreement relating to the Bonds;
- (b) the statutes (*Satzung*) of the Issuer;
- (c) the Prospectus;
- (d) the confirmation of the authorisation of the issue of the Bonds by the Issuer; and
- (e) all reports, letters and other documents, historical financial information, valuations and statements, prepared by any expert at the Issuer's request, any part of which is included or referred to in the Issuer's description.

Furthermore, the Annual Reports of the Issuer comprising the unconsolidated annual financial statements of the Issuer for each of the financial years ended 31 December 2004 and 31 December 2005 may be inspected in electronic form on the Gothaer Insurance Group's website (www.gothaer.de). This website does not form part of this Prospectus.

The Issuer does not publish consolidated financial information with respect to the Issuer and its subsidiaries taken as a whole.

The Issuer does not publish interim financial information.

In addition, the Prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

For as long as any of the Bonds are listed on the Luxembourg Stock Exchange:

- (a) the Luxembourg Stock Exchange will be informed by the Issuer of all notifications regarding payments and any decision to defer payment of interest on the Bonds; and
- (b) all notices to the Holders regarding the Bonds will be given to the Luxembourg Stock Exchange through the Luxembourg listing agent.

Payments and transfers of the Bonds will be settled through Euroclear and Clearstream, Luxembourg.

Application has been made to the CSSF, as competent authority under the Prospectus Directive, for this Prospectus to be approved. Application has been made to the Luxembourg Stock Exchange for the Bonds to be listed on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission (Regulated Market "*Bourse de Luxembourg*"). The Bonds are expected to be traded on the Luxembourg Stock Exchange from 29 September 2006 on.

The Issuer has appointed Deutsche Bank Aktiengesellschaft as the initial Principal Paying Agent and Deutsche Bank Luxembourg S.A. as the initial Paying Agent in Luxembourg. For so long as any Bonds are listed on the Luxembourg Stock Exchange, the Issuer will maintain a paying agent in Luxembourg.

The Bonds have been accepted for clearance by Clearstream, Luxembourg and Euroclear. The ISIN for the Bonds is XS0269270566, the Common Code is 026927056 and the Wertpapierkennnummer (WKN) is A0KP4Q.

The expenses of the admission to trading of the Bonds will be approximately € 10,000.

The initial return on the issue (yield) is expected to be approximately 5.527%.

FINANCIAL INFORMATION

The audit for the years ended 31 December 2005 and 2004 in each case also extended to the Management Report (*Lagebericht*) for the relevant year. The Management Report for such years has not been reproduced below. This Prospectus contains a discussion of the business, financial condition and results of operations of the Issuer in the section “Description of the Issuer”.

The independent auditor has issued the audit reports for the years ended 31 December 2005 and 2004 appearing below in each case for the financial statements for the relevant year including the Management Report.

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| Equity and Liabilities | 2004 | | 2003 | |
|--|----------------|----------------|------------------|------------------|
| | thsd. € | thsd. € | thsd. € | thsd. € |
| A. Shareholders' equity | | | | |
| I. Subscribed capital | | 153,388 | | 153,388 |
| II. Capital reserves | | <u>138,854</u> | | <u>138,854</u> |
| B. Profit participation capital | | | 292,242 | 292,242 |
| C. Technical provisions | | | 81,807 | 81,807 |
| I. Provision for unearned premiums | | | | |
| 1. Gross amount | 190,654 | | | 171,622 |
| 2. Less: | | | | |
| Reinsurance amount | <u>26,873</u> | | | <u>19,870</u> |
| | | 163,781 | | 151,752 |
| II. Provision for future policy benefits | | | | |
| 1. Gross amount | 55,106 | | | 52,132 |
| 2. Less: | | | | |
| Reinsurance amount | <u>0</u> | | | <u>0</u> |
| | | 55,106 | | 52,132 |
| III. Provision for outstanding claims | | | | |
| 1. Gross amount | 1,869,155 | | | 1,856,092 |
| 2. Less: | | | | |
| Reinsurance amount | <u>546,562</u> | | | <u>588,035</u> |
| | | 1,322,593 | | 1,268,057 |
| IV. Provision for premium refunds | | | | |
| 1. Gross amount | 11,883 | | | 10,999 |
| 2. Less: | | | | |
| Reinsurance amount | <u>126</u> | | | <u>45</u> |
| | | 11,757 | | 10,954 |
| V. Equalisation and similar provisions | | 340,505 | | 278,909 |
| VI. Other technical provisions | | | | |
| 1. Gross amount | 10,831 | | | 11,266 |
| 2. Less: | | | | |
| Reinsurance amount | <u>2,108</u> | | | <u>2,379</u> |
| | | 8,723 | | 8,887 |
| | | | 1,902,465 | 1,770,691 |
| D. Provisions for other risks and charges | | | | |
| I. Provisions for taxation | | 1,700 | | 4,200 |
| II. Other provisions | | <u>71,710</u> | | <u>53,460</u> |
| E. Deposits received from reinsurers | | | 73,410 | 57,660 |
| F. Liabilities | | | 32,516 | 39,942 |
| I. Accounts payable on direct insurance operations to | | | | |
| 1. Policy holders | 70,639 | | | 57,811 |
| 2. Intermediaries | <u>82,164</u> | | | <u>90,975</u> |
| | | 152,803 | | 148,786 |
| II. Accounts payable on reinsurance operations | | 12,591 | | 17,617 |
| including affiliated companies: € 44 thsd. (prior year: € 3,270 thsd.) | | | | |
| III. Miscellaneous liabilities | | <u>47,337</u> | | <u>41,340</u> |
| including | | | 212,731 | 207,743 |
| tax: € 17,581 thsd. (prior year: € 15,632 thsd.) social security: | | | | |
| € 3,441 thsd. (prior year: € 3,511 thsd.) affiliated companies: | | | | |
| € 7,677 thsd. (prior year: € 7,370 thsd.) companies in which a | | | | |
| participating interest is held: € 58 thsd. (prior year: € 208 thsd.) | | | | |
| G. Deferred income | | | 174 | 180 |
| Total equity and liabilities | | | <u>2,595,345</u> | <u>2,450,266</u> |

I confirm that the provision for future policy benefits allocated to accident insurances with non-profit related premium refunds (balance sheet liabilities C II. no.1) amounting to Euro 55,106,247 and the provision for annuities of Euro 35,553,697 allocated to item C. III. no. 1 were calculated according to sections 341 f and 341g HGB (German Commercial Code) and the regulations enacted according to section 65 para. 1 VAG (German Insurance Supervisory Law); for old accident insurance contracts with non-profit related premium refunds as defined by section 11 c VAG the provision for future policy benefits was calculated on the basis of the approved and valid business plan.

Göttingen, 17 March 2005

Dr. Hofmeier
Actuary in charge

In accordance with section 73 VAG I certify that the guarantee assets have been properly invested and deposited.

Köln, 21 March 2005

Meyer
Trustee

Profit and Loss Account for the period from 1 January to 31 December 2004

| | 2004 | | 2003 | |
|--|-----------------|-----------------|--------------|-----------------|
| | thsd. € | thsd. € | thsd. € | thsd. € |
| I. Technical account | | | | |
| 1. Earned premiums, net of reinsurance | | | | |
| a) Gross premiums written | 1,375,075 | | | 1,348,609 |
| b) Outward reinsurance premiums | <u>360,462</u> | | | <u>388,865</u> |
| | | 1,014,613 | | 959,744 |
| c) Change in gross unearned premiums | - 17,049 | | | -3,558 |
| d) Change in the reinsurers' share of unearned premiums | <u>- 6,962</u> | | | <u>12,185</u> |
| | | <u>- 10,087</u> | | <u>- 15,743</u> |
| | | | 1,004,526 | 944,001 |
| 2. Technical interest, net of reinsurance | | | 4,806 | 4,479 |
| 3. Other technical income, net of reinsurance | | | 1,934 | 2,674 |
| 4. Claims incurred, net of reinsurance | | | | |
| a) Claims paid | | | | |
| aa) Gross amount | 808,023 | | | 866,340 |
| bb) Reinsurers' share | <u>217,827</u> | | | <u>243,163</u> |
| | | 590,196 | | 623,177 |
| b) Change in the provision for outstanding claims | | | | |
| aa) Gross amount | 5,284 | | | - 89,135 |
| bb) Reinsurers' share | <u>- 43,318</u> | | | <u>- 65,909</u> |
| | | <u>48,602</u> | | <u>- 23,226</u> |
| | | | 638,798 | 599,951 |
| 5. Change in other technical provisions, net of reinsurance | | | | |
| a) Provision for future policy benefits, net of reinsurance | | - 2,974 | | - 2,422 |
| b) Other technical provisions, net of reinsurance | | <u>165</u> | | <u>1,913</u> |
| | | | - 2,809 | - 509 |
| 6. Expenses for premium refunds, net of reinsurance | | | 2,860 | 2,516 |
| 7. Operating expenses, net of reinsurance | | | | |
| a) Gross operating expenses | | 421,263 | | 424,419 |
| b) less: | | | | |
| reinsurance commissions and profit participation | | <u>108,306</u> | | <u>125,950</u> |
| | | | 312,957 | 298,469 |
| 8. Other technical expenses, net of reinsurance | | | <u>7,913</u> | <u>6,555</u> |
| 9. Subtotal | | | 45,929 | 43,154 |
| 10. Change in equalisation provision and similar provisions | | | - 61,595 | - 42,481 |
| 11. Balance on the technical account, net of reinsurance | | | - 15,666 | 673 |

| | 2004 | | 2003 | |
|--|---------------|----------------|-----------------|-----------------|
| | thsd. € | thsd. € | thsd. € | thsd. € |
| II. Non-technical account | | | | |
| 1. Investment income | | | | |
| a) Income from participating interests | | 11,970 | | 10,955 |
| including affiliated companies € 1,333 thsd. | | | | |
| (prior year: € 3,576 thsd.) | | | | |
| b) Income from other investments including | | | | |
| affiliated companies € 2,011 thsd. | | | | |
| (prior year: € 4,618 thsd.) | | | | |
| aa) Income from land, land rights, buildings | | | | |
| including buildings on third party land. . . . | 30 | | | 85 |
| bb) Income from other investments | <u>65,901</u> | | | <u>67,440</u> |
| | | 65,930 | | 67,525 |
| c) Reversal of write-downs on investments | | 3,465 | | 30,829 |
| d) Realised investment gains | | <u>61,878</u> | | <u>41,889</u> |
| | | 143,243 | | 151,198 |
| 2. Investment expenses | | | | |
| a) Investment management, interest paid and other | | | | |
| investment expenses | | 3,503 | | 2,390 |
| b) Amortisation of investments | | 22,628 | | 17,539 |
| including write-downs according to | | | | |
| section 277 para. 3, phrase 1 HGB € 0 thsd. | | | | |
| (prior year: € 0 thsd.) | | | | |
| c) Realised investment losses | | <u>13,853</u> | | <u>22,989</u> |
| | | <u>39,984</u> | | <u>42,918</u> |
| | | | 103,259 | 108,280 |
| 3. Technical interest | | | <u>- 4,938</u> | <u>- 4,561</u> |
| | | | 98,321 | 103,719 |
| 4. Other income | | 94,563 | | 104,893 |
| 5. Other expenses | | <u>123,328</u> | | <u>152,389</u> |
| | | | <u>- 28,765</u> | <u>- 47,496</u> |
| 6. Result from ordinary activities | | | 53,890 | 56,896 |
| 7. Taxes on income | | - 2,442 | | 2,698 |
| 8. Other taxes | | <u>- 24</u> | | <u>215</u> |
| | | | - 2,466 | 2,913 |
| 9. Profit transferred according to a profit pooling | | | | |
| or profit transfer agreement or to an agreement | | | | |
| to transfer part of the profits. | | | <u>56,356</u> | <u>53,983</u> |
| 10. Net income for the year | | | 0 | 0 |

NOTES TO THE FINANCIAL STATEMENTS ACCOUNTING POLICIES

This annual report has been prepared in compliance with the ordinance relating to the accounting of insurance companies (RechVersV) of 8 November 1994.

Intangible assets

Intangible assets were recognised at acquisition cost less systematic amortisation.

Investments

Land, land rights and buildings are recorded at acquisition or production cost and reduced by depreciation according to the straight-line method at the fiscal rates allowed (section 7 para. 4 of the German Federal Income Tax Law (EStG)). To determine the fair value of land at the balance sheet date of 2003 we applied the gross rental method.

Shares in affiliated companies and participating interests are stated at acquisition cost reduced by amortisation according to section 253 para. 2 German Commercial Code (HGB).

Shares, units in unit trusts, bearer bonds and other fixed-interest and non-fixed interest securities are valued according to section 341b para. 2 HGB combined with section 253 para. 1 phrase 1 para. 3 HGB. We did not apply the new section 341b para. 2 HGB.

To determine the fair value of shares held in affiliated companies and participating interests we internally applied the gross rental method or we used an up-to-date transaction value or the proportionate share of the shareholders' equity calculated according to the equity method.

Listed companies were recognised in accordance with section 56 RechVersV at their market value as is the case for shares, units in unit trusts and other fixed-interest securities. To determine the fair value of bearer bonds, other fixed-interest securities and other loans we used their quoted value as defined by section 56 RechVersV.

Registered bonds, promissory notes and loans, bank deposits, loans to affiliated companies, loans to companies, in which a participating interest is held, were recognised at par value less redemptions unless it was necessary to carry them at a lower value. Other loans were mainly stated at cost; all other items were stated at par value. To cover the general credit risk other loans were reduced by a general value adjustment. Mortgage loans were recognised at par value less received repayments. Withheld discounts on recently granted loans were disclosed under deferred income and spread over the period of the loan.

The company recognises structured products as one unit in compliance with the accounting of the respective underlying instrument. Structured products which need to be split according to IDW RH BFA 1,003 are stated at acquisition cost. If necessary they are written down to the fair value if the fair value at the balance sheet date is lower than the carrying amount (lower of cost or market principle). For derivatives please refer to the information according to section 285 no. 18 HGB given in this report.

Other assets

Deposits with ceding companies, accounts receivable on reinsurance operations and accounts receivable on direct insurance operations, interest and rents receivable, as well as other accounts receivable were recognised at par value taking into account repayments; non-interest bearing receivables and receivables of low-interest were discounted if necessary. Cash at bank and in hand were also recognised at par value.

For accounts receivable on direct insurance operations from policy holders and intermediaries general value adjustments were determined and deducted for bad debts due to insolvencies in the past.

Tangible assets and inventories were recognised at purchase cost less depreciation in accordance with section 253 para. 2 HGB. Low-value assets purchased in the financial year were written off in full in accordance with section 6 para. 2 German Income Tax Law (EStG).

Technical provisions

Technical provisions are based on the provisions of sections 341e to 341h HGB. Most of the reinsurance amounts are recognised with a delay of one year.

For calculating provisions for unearned premiums relating to direct insurance operations mainly the 1/360th-method is applied. On a small scale other proportional methods were applied. To determine provisions for unearned premiums in respect of technical insurance classes and marine insurance the flat-rate method is applied. Operations abroad were allocated to unearned premiums at a flat-rate of 40%.

Provisions for unearned premiums relating to domestic insurance operations are mainly calculated on the basis of statistic amounts of premiums. A smaller part of the provisions for unearned premiums of domestic and foreign insurance operations was calculated on the basis of premiums written. Unearned premiums of the reinsurers' share are calculated on the basis of the figures provided by the ceding companies. In case they were not available they were calculated on the basis of the premiums written according to the 1/8th-method.

We determined provisions for future policy benefits for accident insurances with non-profit related premium refunds and the annuity reserves in accordance with the relevant statutory provisions, in particular with the ordinance relating to the accounting of insurance companies and certified under the balance sheet by the actuary in charge. Provisions for future policy benefits were calculated for each individual contract according to the prospective method taking into account future costs.

Reported losses and IBNR losses (incurred but not reported) were individually determined and evaluated.

Provisions for outstanding claims relating to the direct insurance business include provisions for damages (except annuities) estimated and calculated for each single claim expected to arise. Not reported losses were estimated and added to provisions for IBNR losses in accordance with section 341g para. 2 HGB.

The provision for IBNR losses of the financial year was determined on the basis of the BAV method. This arithmetic method takes into account the number of IBNR losses reported at a later date and relating expenses, based on experience gained over an observation period of 13 years including a sufficient safety loading. For calculating the provision for IBNR losses for prior years we took into account the development of provision for IBNR losses or payments made in the financial year for IBNR losses.

Provisions for the settlement of claims were calculated in accordance with the directive in the letter issued by the Federal Ministry of Finance dated 02.02.1973.

Provisions for outstanding claims arising out of reinsurance operations were recognised at the amount advised by the ceding companies plus additions, if necessary.

The funds earmarked for the terminal bonus included in provisions for premium refunds were calculated in accordance with recognised actuarial methods. The calculation rules are stipulated in the approved principle business plan for surplus participation (old contracts as defined by section 11c VAG) or comply with section 28 para. 7 RechVersV (new contracts as defined by section 11c VAG).

The terminal bonus is calculated for each contract separately to determine the designated amount of the terminal bonus at the lapse of the contract which corresponds to the expired insurance period in proportion to the entire insurance period discounted at an interest rate of 7.5%.

Equalisation provisions are calculated on the basis of section 29 RechVersV and the appendix to section 29 RechVersV.

Provisions for major risks covered by the product liability insurance for pharmaceutical articles were determined in accordance with section 341h HGB combined with section 30 para. 1 RechVersV.

Provisions for nuclear power plants are calculated according to section 341h HGB combined with section 30 para. 2 RechVersV.

The provision for unused premiums from dormant motor vehicle insurances is recognised at the amount of the unused premiums for the period between the date the coverage was suspended and the balance sheet date. The unused premiums have been determined for each individual contract.

The provision for liabilities arising from the membership in the Verkehrsofopferhilfe e. V. (association for the support of road casualties) corresponds to the allocation provided by this association.

The cancellation reserve was determined for each single kind of insurance on the basis of experiences gained.

The provision for contractual premium adjustment according to section 9 FBUB was set up on a flat-rate basis.

The reinsurers' share in the provision for premium refunds was recognised according to the figures provided by the ceding company.

The reinsurers' shares in liabilities arising from underwriting operations are calculated on the basis of the contractual agreements.

Other liabilities

The provision for additional expenses in respect of the agreement on the pre-retirement part-time employment scheme was estimated according to actuarial principles using the mortality tables of 1998 by Prof. Dr. Klaus Heubeck and at an interest rate of 5.5 %.

The relief fund of BERLIN-KÖLNISCHE Lebens- und Sachversicherung GmbH has an effective cash fund deficit of Euro 1,054,492.82 compared to the value determined according to section 6a EStG which results from having taken over pension entitlements and obligations.

The provision for anniversary commitments was recognised at the amount expected to be needed in the future.

Tax and other provisions are recognised at the amount of expected expenses.

Deposits received from reinsurers, accounts payable on reinsurance operations, accounts payable on direct insurance operations and miscellaneous liabilities are recognised at their amount repayable.

Currency translation

Amounts in foreign currency are translated at the average exchange rate at the balance sheet date.

As defined by section 54 a para. 3 VAG technical liabilities to be paid in foreign currency are covered by funds of the same currency as far as possible since uncertain liabilities are difficult to be estimated.

For valuation purposes assets and liabilities in that currency were treated as one single unit. For each single currency a surplus or deficit balance is determined and entered into the non-technical account.

NOTES TO THE FINANCIAL STATEMENTS

BALANCE SHEET

Movement of assets in the financial year (balance sheet items B., C I. to C III.)¹⁾

| | Carrying amount prior year | Additions |
|---|-------------------------------------|------------------|
| | thsd. € | thsd. € |
| B. Intangible assets | | |
| Other intangible assets | 26,189 | 8,267 |
| C I. Land, land rights and buildings including buildings on third party land | 1,139 | 0 |
| C II. Investments in affiliated companies and participating interests | | |
| 1. Shares in affiliated companies | 175,420 | 27,692 |
| 2. Loans to affiliated companies | 119,039 | 0 |
| 3. Participating interests | 199,337 | 19,148 |
| 4. Loans to companies in which a participating interest is held | 2,613 | 0 |
| 5. Total of C II. | 496,410 | 46,839 |
| C III. Other investments | | |
| 1. Shares, units in unit trusts and other non-fixed-interest securities | 774,665 | 371,318 |
| 2. Bearer bonds and other fixed-interest securities | 100,336 | 65,919 |
| 3. Mortgage loans | 9,466 | 915 |
| 4. Other loans | | |
| a) Registered bonds | 185,361 | 530,000 |
| b) Promissory notes and loans | 382,760 | 373,149 |
| c) Loans and prepayments on insurance policies | 194 | 303 |
| d) Other | 14,943 | 0 |
| 5. Bank deposits | 25,547 | 67,507 |
| 6. Miscellaneous investments | 2 | 0 |
| 7. Total of C III. | 1,493,274 | 1,409,112 |
| Total. | <u>2,017,013</u> | <u>1,464,218</u> |

¹⁾ Exchange rate gains or losses from currency translation of the amounts brought forward as of 1 January are included in additions or disposals.

| Transfers | Disposals | Reversal of write-downs | Amortisation/ depreciation | Carrying amount financial year |
|------------------|------------------|--------------------------------|---------------------------------------|---|
| thsd. € | thsd. € | thsd. € | thsd. € | thsd. € |
| 0 | 0 | 0 | 10,968 | 23,488 |
| 0 | 0 | 0 | 74 | 1,065 |
| 0 | 35,464 | 0 | 3,564 | 164,084 |
| 0 | 1,013 | 0 | 8,818 | 109,208 |
| 0 | 15,687 | 0 | 4,344 | 198,454 |
| 0 | 0 | 0 | 0 | 2,613 |
| 0 | 52,164 | 0 | 16,726 | 474,359 |
| 0 | 261,681 | 3,300 | 2,258 | 885,344 |
| 0 | 38,250 | 165 | 2,670 | 125,500 |
| 0 | 1,325 | 0 | 0 | 9,056 |
| 0 | 415,361 | 0 | 0 | 300,000 |
| 0 | 439,182 | 0 | 901 | 315,827 |
| 0 | 360 | 0 | | 137 |
| 0 | 0 | 0 | 0 | 14,943 |
| 0 | 0 | 0 | 0 | 93,055 |
| 0 | 0 | 0 | 0 | 2 |
| 0 | 1,156,160 | 3,465 | 5,828 | 1,743,863 |
| 0 | 1,208,324 | 3,465 | 33,596 | 2,242,775 |

Participating interests and securities

Liabilities arising from additional payments amount to Euro 0.1 million for shares, to Euro 35.5 million and USD 2.7 million for participating interests and to USD 1.7 million and Euro 7.8 million for other interests.

Fair value and carrying amount of investments

| Type of investment | Fair value 2004 thsd. € | Carrying amount 2004 thsd. € | Hidden reserves 2004 thsd. € |
|---|----------------------------------|---------------------------------------|---------------------------------------|
| I. Land, land rights and buildings including buildings on third party land mainly used by third party | 1,500 | 1,065 | 435 |
| II. Investments in affiliated companies and participating interests.. | 458,000 | 362,538 | 95,462 |
| III. Other investments recognised at acquisition cost | 1,049,670 | 1,037,383 | 12,287 |
| Total | 1,509,170 | 1,400,986 | 108,184 |

Disclosures required for derivative instruments according to section 285 no. 18 HGB

| Balance sheet item | Type | Trading/ nominal volume in thsd. | Fair value in thsd. | Carrying amount in thsd. | Valuation method |
|--------------------|--------------------|---|---------------------------|--------------------------------|---|
| C. II. | futures | 17,600 USD | 12,951 | 13,474 | interest rate differential method (Zinsdifferenz-Methode) |
| C. III. 1. | futures | 49,900 USD | 70,231 | 69,220 | interest rate differential method (Zinsdifferenz-Methode) |
| C. III. 2. | futures | 56,426 USD | 42,894 | 42,684 | interest rate differential method (Zinsdifferenz-Methode) |
| C. III. 1. | long call option | 27,230 certificates | 1,688 | 1,640 | Black-Scholes |
| C. III. 1. | interest-rate swap | 115,100 EUR | 116,515 | 115,100 | Moosmüller/Bloomberg present value |
| C. III. 2. | interest-rate swap | 13,920 USD | 60 | 0 | |
| C. III. 4.b) | interest-rate swap | 10,000 EUR | 9,997 | 10,000 | Moosmüller/Bloomberg |

The transactions form a valuation unit with their underlying.

Disclosures according to section 285 no. 19 HGB required for financial instruments classified as fixed assets

The definition of financial instruments classified as fixed assets corresponds to the definition given in section 1 para. 11 of the German Banking Law (KWG).

| Balance sheet item | Fair value | Carrying amount |
|--------------------------------------|------------|-----------------|
| | thsd. € | thsd. € |
| C. II. ¹⁾ | 4,711 | 5,889 |
| C. III. 4.b) ²⁾ | 9,875 | 12,500 |

¹⁾ The fair value of quoted participating interests at the balance sheet date is below the disclosed carrying amount. Due to long-term studies on their performance in the past and relevant information provided by analysts on these participating interests we are convinced that these impairments are only temporary. For this reason, we believe that at present the participating interests concerned need not to be amortised.

²⁾ The fair value of interest-bearing securities is below their stated carrying amounts. We believe that all loans concerned will be held to maturity. For this reason we do not think that they need to be written down.

Accounts receivable on direct insurance operations from

| | 2004 | 2003 |
|---|----------------|----------------|
| | thsd. € | thsd. € |
| 1. Policy holders | 43,445 | 47,640 |
| 2. Intermediaries | | |
| including: | | |
| companies in which a participating interest is held | 4,761 | 6,006 |
| other | 115,617 | 111,877 |
| Subtotal | <u>120,377</u> | <u>117,883</u> |
| Total | <u>163,823</u> | <u>165,523</u> |

Accounts receivable from policy holders and intermediaries were written down by Euro 6,969 thsd. in total (prior year Euro 14,461 thsd.).

Prepaid expenses

| | 2004 | 2003 |
|--|--------------|--------------|
| | thsd. € | thsd. € |
| I. Accrued interest and rents | 8,575 | 7,571 |
| II. Other | 40 | 115 |
| Total | <u>8,615</u> | <u>7,686</u> |

Shareholders' equity

| | 2004 | 2003 |
|--|----------------|----------------|
| | thsd. € | thsd. € |
| I. Subscribed capital | 153,388 | 153,388 |
| II. Capital reserves | | |
| Other capital reserves | 138,854 | 138,854 |
| Total | <u>292,242</u> | <u>292,242</u> |

The subscribed capital of DEM 300,000,000 is split up into 8,000 non-par-value shares of DEM 100 per share, 16,000 non-par-value shares of DEM 200 per share and 296,000 non-par-value shares of DEM 1,000 per share.

In accordance with section 20 para. 4 of the German Stock Corporation Law (AktG) Gothaer Finanzholding AG informed us that it holds the majority of the voting shares of Gothaer Allgemeine Versicherung AG.

Profit participation capital

On the basis of an agreement on the assumption of debts (*Schuldübernahmevertrag*) dated 14 December 2001 Gothaer Allgemeine Versicherung AG assumed all obligations involved in the profit participation certificates of the Gothaer Versicherungsbank VVaG at the amount of Euro 81,807 thsd. These registered certificates have a maturity of 10 years. The annual interest rate varies between 6.57% and 7.51%. The requirements as defined by section 53 c para. 3 a VAG are met by a profit participation certificate of Euro 30,678 thsd.

Technical provisions – gross amounts

Total

| | <u>2004</u> | <u>2003</u> |
|------------------------------------|-------------------------|-------------------------|
| | thsd. € | thsd. € |
| Accident | 260,816 | 248,895 |
| Liability | 832,569 | 810,050 |
| Motor vehicle liability | 742,101 | 731,001 |
| Other motor vehicle | 79,522 | 81,080 |
| Fire and property | 347,453 | 323,250 |
| Including: | | |
| Fire | 71,960 | 63,668 |
| Household | 63,693 | 65,246 |
| Buildings | 66,310 | 60,713 |
| Other property | 145,491 | 133,623 |
| Marine and aviation | 58,182 | 50,950 |
| Other insurance classes | 89,140 | 80,373 |
| Direct insurance classes | <u>2,409,783</u> | <u>2,325,598</u> |
| Reinsurances | 68,351 | 55,423 |
| Total | <u><u>2,478,134</u></u> | <u><u>2,381,021</u></u> |

Including

Gross provisions for outstanding claims

| | <u>2004</u> | <u>2003</u> |
|------------------------------------|-------------------------|-------------------------|
| | thsd. € | thsd. € |
| Accident | 172,359 | 164,395 |
| Liability | 685,337 | 681,493 |
| Motor vehicle liability | 683,290 | 672,019 |
| Other motor vehicle | 30,156 | 37,346 |
| Fire and property | 162,709 | 173,426 |
| Including: | | |
| Fire | 45,986 | 48,235 |
| Household | 17,574 | 17,771 |
| Buildings | 39,261 | 36,609 |
| Other property | 59,888 | 70,812 |
| Marine and aviation | 30,866 | 24,129 |
| Other insurances | 65,043 | 65,590 |
| Direct insurance classes | <u>1,829,761</u> | <u>1,818,398</u> |
| Reinsurances | 39,394 | 37,694 |
| Total | <u><u>1,869,155</u></u> | <u><u>1,856,092</u></u> |

For valuating gross provisions for outstanding claims we took into account amounts receivable from recourses, knock-for-knock agreements and proceeds of Euro 11,805 thsd. (prior year Euro 12,324 thsd.).

Provision for premium refunds – gross –

| | <u>Brought forward</u> | <u>With-drawal</u> | <u>Additions</u> | <u>Carrying amount</u> |
|-----------------------------|------------------------|--------------------|------------------|------------------------|
| | thsd. € | thsd. € | thsd. € | thsd. € |
| a) Non-profit related. | 961 | 821 | 821 | 961 |
| b) Profit related. | 9,677 | 1,353 | 2,210 | 10,534 |
| Direct insurances. | 10,638 | 2,174 | 3,031 | 11,495 |
| a) Non-profit related. | 361 | 149 | 176 | 388 |
| Reinsurances. | 361 | 149 | 176 | 388 |
| Total. | <u>10,999</u> | <u>2,323</u> | <u>3,207</u> | <u>11,883</u> |

a) Non-profit related

This item includes contractually agreed refunds in respect of the marine insurance and sub insurance classes which, due to favourable claims experiences, were credited at the agreed compensation rate less administration costs and catastrophic contribution.

The reinsurers' share of the non-profit related premium refunds for liability insurances for nuclear plants is calculated on the basis of the information provided by the ceding companies.

b) Profit related

Surplus participation in accident insurance with premium refund

The provision for accident insurance with premium refund includes Euro 2,311 thsd. for already determined but not yet allocated surplus participation and Euro 451 thsd. for already determined but not yet allocated terminal bonuses.

The terminal bonus reserve amounts to Euro 2,480 thsd. as of 31 December 2004.

In case the surplus participation becomes due in 2005 the following rates shall apply:

Old contracts:

| | | |
|------------------------|-----|---|
| Interest-surplus share | 3 % | on the surplus sharing provision for future policy benefits |
| Basic surplus share | 6 % | on the premium refund of the year |
| Terminal bonus share | 8 % | on the total surplus sharing premium refunds |

New contracts:

Contracts with the insurance premium rates of BR-E, BR-K, BR-S, BR/E, BR/K, BR/S:

| | | |
|------------------------|-----|---|
| Interest-surplus share | 3 % | on the surplus sharing provision for future policy benefits |
| Basic surplus share | 1 % | on the premium refund of the year |
| Terminal bonus share | 8 % | on the total surplus sharing premium refunds |

Contracts with the insurance premium rates of BRE1, BRK1, BRS1, BRT1:

| | | |
|------------------------|--------|--|
| Interest-surplus share | 2 % | on the surplus sharing provision for future policy benefits of the basic insurance |
| | 3,75 % | on the surplus sharing provision for future policy benefits of the bonus insurance |
| Basic surplus share | 1 % | on the premium refund of the year |
| Terminal bonus share | 9 % | on the total of surplus sharing premium refunds |

Contracts with the insurance premium rates of BRE1, BRK1, BRS1, BRT1:

| | | |
|------------------------|--------|--|
| Interest-surplus share | 2 % | on the surplus sharing provision for future |
| | 4,25 % | on the surplus sharing provision for future policy benefits of the bonus insurance |
| Basic surplus share | 1 % | on the premium refund of the year |
| Terminal bonus share | 9 % | on the total of surplus sharing premium refunds |

Equalisation and similar provisions

| | <u>2004</u> | <u>2003</u> |
|------------------------------------|-----------------------|-----------------------|
| | thsd. € | thsd. € |
| Accident | 0 | 0 |
| Liability | 94,610 | 78,501 |
| Motor vehicle liability | 52,637 | 52,497 |
| Other motor vehicle | 47,220 | 41,461 |
| Fire and property | 92,913 | 66,639 |
| Including: | | |
| Fire | 17,451 | 8,043 |
| Household | 18,370 | 20,205 |
| Buildings | 0 | 2,324 |
| Other property | 57,092 | 36,067 |
| Marine and aviation | 21,977 | 20,841 |
| Other insurance classes | 11,334 | 3,269 |
| Direct insurance classes | <u>320,690</u> | <u>263,208</u> |
| Reinsurances | <u>19,815</u> | <u>15,701</u> |
| Total | <u><u>340,505</u></u> | <u><u>278,909</u></u> |

Provisions for other risks and charges

| | <u>2004</u> | <u>2003</u> |
|--|----------------------|----------------------|
| | thsd. € | thsd. € |
| I. Provisions for taxation | <u>1,700</u> | <u>4,200</u> |
| II. Other provisions for: | | |
| Bonuses and competitive wages | 3,302 | 3,643 |
| Anniversary allowances | 14,111 | 14,811 |
| Social compensation plan | 16,885 | 6,939 |
| Pre-retirement part-time employment scheme | 17,025 | 14,562 |
| Financial statements | 342 | 635 |
| Holidays | 921 | 1,093 |
| Interest for profit participation capital | 5,855 | 5,855 |
| Outstanding invoices | 9,130 | 2,633 |
| Pending lawsuits | 1,900 | 875 |
| Other expenses | 1,687 | 2,115 |
| Interest on subsequent payment of taxes | 552 | 300 |
| Subtotal | <u>71,710</u> | <u>53,460</u> |
| Total | <u><u>73,410</u></u> | <u><u>57,660</u></u> |

Accounts payable on direct insurance operations to

| | <u>2004</u> | <u>2003</u> |
|---|-----------------------|-----------------------|
| | thsd. € | thsd. € |
| 1. Policy holders | <u>70,639</u> | <u>57,811</u> |
| 2. Intermediaries | | |
| Including | | |
| Companies in which a participating interest is held | 10,182 | 13,381 |
| Other | <u>71,982</u> | <u>77,595</u> |
| Subtotal | <u>82,164</u> | <u>90,975</u> |
| Total | <u><u>152,803</u></u> | <u><u>148,786</u></u> |

Deferred income

| | <u>2004</u> | <u>2003</u> |
|--|-------------|-------------|
| | thsd. € | thsd. € |
| Discounts from registered bonds and promissory notes | 174 | 180 |

Gross premiums written

| | <u>2004</u> | <u>2003</u> |
|--------------------------------|-------------------------|-------------------------|
| | thsd. € | thsd. € |
| Accident | 147,318 | 150,704 |
| Liability | 281,241 | 267,305 |
| Motor vehicle liability | 230,698 | 247,238 |
| Other motor vehicle | 137,259 | 145,358 |
| Fire and property | 410,671 | 392,118 |
| Including: | | |
| Fire | 72,197 | 62,521 |
| Household. | 94,286 | 94,434 |
| Buildings | 101,076 | 100,362 |
| Other property | 143,112 | 134,801 |
| Marine and aviation | 34,345 | 37,916 |
| Other insurance classes | 94,042 | 92,071 |
| Direct insurance classes | <u>1,335,574</u> | <u>1,332,712</u> |
| Reinsurances | 39,501 | 15,898 |
| Total | <u><u>1,375,075</u></u> | <u><u>1,348,609</u></u> |

Earned premiums gross

| | <u>2004</u> | <u>2003</u> |
|--------------------------------|-------------------------|-------------------------|
| | thsd. € | thsd. € |
| Accident | 147,396 | 151,053 |
| Liability | 278,789 | 267,584 |
| Motor vehicle liability | 230,665 | 247,341 |
| Other motor vehicle | 137,280 | 145,452 |
| Fire and property | 403,607 | 391,804 |
| Including: | | |
| Fire | 71,287 | 62,051 |
| Household. | 94,077 | 93,152 |
| Buildings | 96,493 | 102,139 |
| Other property | 141,750 | 134,462 |
| Marine and aviation | 34,963 | 32,221 |
| Other insurance classes | 92,914 | 88,770 |
| Direct insurance classes | <u>1,325,614</u> | <u>1,329,227</u> |
| Reinsurances | 32,412 | 15,825 |
| Total | <u><u>1,358,026</u></u> | <u><u>1,345,051</u></u> |

Earned premiums net

| | <u>2004</u> | <u>2003</u> |
|------------------------------------|-------------------------|-----------------------|
| | thsd. € | thsd. € |
| Accident | 125,315 | 128,472 |
| Liability | 212,259 | 187,348 |
| Motor vehicle liability | 144,566 | 155,132 |
| Other motor vehicle | 87,200 | 94,083 |
| Fire and property | 303,682 | 291,627 |
| Including: | | |
| Fire | 27,084 | 24,138 |
| Household. | 92,966 | 91,632 |
| Buildings | 64,963 | 78,788 |
| Other property | 118,669 | 97,069 |
| Marine and aviation | 31,461 | 23,947 |
| Other insurance classes | 72,170 | 49,943 |
| Direct insurance classes | <u>976,651</u> | <u>930,553</u> |
| Reinsurances | <u>27,874</u> | <u>13,449</u> |
| Total. | <u><u>1,004,526</u></u> | <u><u>944,001</u></u> |

Gross amount of claims incurred

| | <u>2004</u> | <u>2003</u> |
|------------------------------------|-----------------------|-----------------------|
| | thsd. € | thsd. € |
| Accident | 80,208 | 68,188 |
| Liability | 147,140 | 129,994 |
| Motor vehicle liability | 199,980 | 184,191 |
| Other vehicle | 86,273 | 100,790 |
| Fire and property | 210,809 | 226,475 |
| Including: | | |
| Fire | 32,646 | 42,009 |
| Household. | 40,992 | 41,998 |
| Buildings | 79,596 | 66,016 |
| Other property | 57,575 | 76,452 |
| Marine and aviation | 27,550 | 16,626 |
| Other insurance classes | 42,427 | 40,846 |
| Direct insurance classes | <u>794,387</u> | <u>767,110</u> |
| Reinsurances | <u>18,290</u> | <u>10,095</u> |
| Total. | <u><u>813,307</u></u> | <u><u>777,205</u></u> |

The gross amount of claims incurred consists of claims incurred in the financial year and the result from the settlement of prior year's provisions for outstanding claims. The run-off result accounts for 8.2 % of the provision brought forward.

Technical interest net of reinsurance

In direct insurance operations the technical interest was calculated on the basis of the provisions for annuities and provisions for future policy benefits. The income from provision for annuities accounts for 2.75 % of the arithmetic average of the provision at the beginning and at the end of the financial year.

For accident insurances with non-profit related premium refunds the technical interest represents the income from investments less direct expenses of the premium reserve stock.

The reinsurers' share in interest income incurred from the provision for annuities corresponds to the interest paid for deposits. Interests for deposits with ceding companies were booked according to the amount advised by the ceding companies.

Expenses for premium refunds, net of reinsurance

| | <u>2004</u> | <u>2003</u> |
|-----------------------------|--------------|--------------|
| | thsd. € | thsd. € |
| Profit related. | 2,210 | 1,670 |
| Non-profit related. | 624 | 793 |
| Direct insurances | 2,834 | 2,463 |
| Reinsurances | 26 | 54 |
| Total. | <u>2,860</u> | <u>2,516</u> |

Gross operating expenses

| | <u>2004</u> | <u>2003</u> |
|------------------------------------|----------------|----------------|
| | thsd. € | thsd. € |
| Accident. | 47,932 | 52,322 |
| Liability | 103,154 | 104,229 |
| Motor vehicle liability | 47,833 | 43,781 |
| Other motor vehicle | 34,149 | 32,896 |
| Fire and property | 133,479 | 139,542 |
| Including: | | |
| Fire | 24,454 | 26,113 |
| Household. | 31,178 | 32,347 |
| Buildings | 29,350 | 31,810 |
| Other property | 48,497 | 49,272 |
| Marine and aviation | 10,792 | 12,335 |
| Other insurance classes | 34,279 | 33,865 |
| Direct insurance classes | 411,618 | 418,970 |
| Reinsurances | 9,645 | 5,449 |
| Total. | <u>421,263</u> | <u>424,419</u> |

Gross expenses for the insurance business in detail**Expenses for effecting insurance contracts**

| | <u>2004</u> | <u>2003</u> |
|------------------------------------|---------------|---------------|
| | thsd. € | thsd. € |
| Accident. | 13,209 | 16,666 |
| Liability | 21,374 | 20,516 |
| Motor vehicle liability | 5,815 | 5,092 |
| Other motor vehicle | 4,638 | 4,145 |
| Fire and property | 27,832 | 35,820 |
| Including: | | |
| Fire | 4,755 | 6,341 |
| Household. | 8,946 | 10,706 |
| Buildings | 5,335 | 8,860 |
| Other property | 8,796 | 9,912 |
| Marine and aviation | 1,463 | 1,505 |
| Other insurance classes | 7,637 | 8,441 |
| Direct insurance classes | 81,968 | 92,184 |
| Reinsurances | 1,720 | 1,041 |
| Total. | <u>83,688</u> | <u>93,225</u> |

Administration expenses

| | <u>2004</u> | <u>2003</u> |
|------------------------------------|-----------------------|-----------------------|
| | thsd. € | thsd. € |
| Accident | 34,723 | 35,657 |
| Liability | 81,780 | 83,713 |
| Motor vehicle liability | 42,019 | 38,688 |
| Other motor vehicle | 29,512 | 28,751 |
| Fire and property | 105,646 | 103,723 |
| Including: | | |
| Fire | 19,699 | 19,772 |
| Household | 22,232 | 21,641 |
| Buildings | 24,015 | 22,951 |
| Other property | 39,700 | 39,360 |
| Marine and aviation | 9,329 | 10,830 |
| Other insurance classes | 26,641 | 25,425 |
| Direct insurance classes | <u>329,650</u> | <u>326,787</u> |
| Reinsurances | <u>7,925</u> | <u>4,408</u> |
| Total | <u><u>337,575</u></u> | <u><u>331,194</u></u> |

Balance of reinsurers

(- = for the benefit of the reinsurer)

| | <u>2004</u> | <u>2003</u> |
|------------------------------------|------------------------|------------------------|
| | thsd. € | thsd. € |
| Accident | - 1,206 | - 4,495 |
| Liability | - 17,920 | - 23,487 |
| Motor vehicle liability | - 671 | - 14,763 |
| Other motor vehicle | - 7,789 | - 5,515 |
| Fire and property | - 27,542 | - 22,994 |
| Marine and aviation | - 766 | - 5,370 |
| Other insurance classes | - 13,262 | - 22,011 |
| Direct insurance classes | - 69,156 | - 98,637 |
| Reinsurances | <u>1,529</u> | <u>791</u> |
| Total | <u><u>- 67,627</u></u> | <u><u>- 97,845</u></u> |

Balance on the technical account, net of reinsurance

| | <u>2004</u> | <u>2003</u> |
|------------------------------------|------------------------|-------------------|
| | thsd. € | thsd. € |
| Accident | 17,188 | 26,052 |
| Liability | - 5,295 | - 1,943 |
| Motor vehicle liability | - 17,385 | - 5,103 |
| Other motor vehicle | 3,354 | 1,799 |
| Fire and property | 764 | - 7,349 |
| Including: | | |
| Fire | - 12,118 | - 15,752 |
| Household | 22,341 | 13,499 |
| Buildings | - 11,733 | - 3,688 |
| Other property | 2,274 | - 1,408 |
| Marine and aviation | - 5,802 | - 3,688 |
| Other insurance classes | - 6,689 | - 7,521 |
| Direct insurance classes | <u>- 13,865</u> | <u>2,246</u> |
| Reinsurances | <u>- 1,801</u> | <u>- 1,573</u> |
| Total | <u><u>- 15,666</u></u> | <u><u>673</u></u> |

Number of direct insurance contracts with a minimum term of one year

| | <u>2004</u> | <u>2003</u> |
|-----------------------------------|------------------|------------------|
| Accident | 793,152 | 838,879 |
| Liability | 1,416,336 | 1,423,072 |
| Motor vehicle liability | 794,496 | 838,901 |
| Other motor vehicle | 586,597 | 600,458 |
| Fire and property | 1,732,653 | 1,815,099 |
| Including: | | |
| Fire | 92,269 | 95,870 |
| Household. | 859,428 | 884,358 |
| Buildings | 293,063 | 299,183 |
| Other property | 504,213 | 535,688 |
| Marine and aviation | 19,292 | 17,545 |
| Other insurance classes | 304,912 | 265,212 |
| Total | <u>5,663,758</u> | <u>5,799,166</u> |

Personnel expenses

| | <u>2004</u> | <u>2003</u> |
|---|----------------|----------------|
| | <u>thsd. €</u> | <u>thsd. €</u> |
| 1. All kinds of commissions paid to insurance agents as defined by section 92 HGB for direct insurances | 271,090 | 289,364 |
| 2. Other remunerations paid to insurance agents as defined by section 92 HGB . . | 2,514 | 0 |
| 3. Salaries and wages | 148,724 | 142,341 |
| 4. Social security and other employee benefit costs. | 26,441 | 27,440 |
| 5. Post-employment costs. | 9,444 | 6,016 |
| 6. Total expenses | <u>458,213</u> | <u>465,161</u> |

The emoluments paid to the Board of Directors amounted to Euro 1,059 thsd. Retirement benefits and dependents' benefits for former members of the Board of Directors amounted to Euro 38 thsd. To cover pensions and pension entitlements for these persons the Gothaer Finanzholding AG recognised provisions at the amount of Euro 441 thsd.

The emoluments paid to the Supervisory Board amounted to Euro 262 thsd. The emoluments paid to the Advisory Board amounted to Euro 8 thsd. We neither made any payments to nor any provisions for former members of the Supervisory Board and the Advisory Board.

As of 31 December 2004 the loans to members of the Board of Directors amounted to Euro 145 thsd. at an interest rate of 5.5 %. In 2004 Euro 103 thsd. of the loans were repaid.

In 2004 we did not grant any loans to members of the Supervisory Board.

Staff

In 2004 Gothaer Allgemeine Versicherung AG employed on average 3,139 people with an office staff of 2,480 and a field staff of 502, plus 157 trainees on average.

Personnel expenses of the financial year

Please refer to the personnel expenses above.

List of shareholdings in accordance with section 285 no. 11 HGB

| Name, domicile | Interest held | Equity | Result of last financial year |
|--|---------------|---------|-------------------------------|
| | % | thsd. € | thsd. € |
| a) Affiliated companies in Germany | | | |
| Direct investments | | | |
| Gothaer Erste Kapitalbeteiligungs GmbH, Berlin | 20.00 | 21,301 | – 891 |
| Gothaer Zweite Beteiligungsgesellschaft Niederlande mbH, Göttingen | 28.60 | 6,488 | – 3,200 |
| Hamburg-Kölner-Vermögensverwaltungsgesellschaft mbH, Köln | 25.00 | 9,024 | 673 |
| IDG Informationsverarbeitung und Dienstleistung GmbH . . . | 74.90 | 5,027 | 1,647 |
| KILOS Beteiligungsgesellschaft mbH & Co. Vermietungs-KG, München | 93.06 | 57,809 | 3,762 |
| b) Non affiliated companies in Germany | | | |
| Swiss Mobiliar Intern. Vers. AG, Köln | 25.01 | 6,012 | 26 |
| Triform Verw. Obj. IKS Köln KG, Pöcking | 88.10 | 15,711 | 976 |

We applied section 286 para. 3 no. 1 HGB and section 286 para. 3 no. 2 HGB.

Contingent liabilities / other financial commitments

The contingent liabilities which are not disclosed in the balance sheet include liabilities arising from additional payments for shares we hold in public companies and limited liability companies. In addition to the contribution a contingent liability of Euro 61,425,201 arises from affiliated companies. There is a joint liability for pension entitlements of employees, members of the Board of Directors, former employees and members of the Board of Directors disclosed in the financial statements of Gothaer Finanzholding AG since 15.12.2003. Due to our membership of "Verkehrsoferhilfe e.V" we are committed to provide this association with funds needed by the association to fulfil its purpose. The funds to be paid by us amount to our proportion of the premiums received, which the members realised in the direct motor vehicle liability insurance business in the year before prior year.

Pre-emptions were only effected within the framework of supervisory regulations.

Consolidated financial statements

The financial statements of our company will be included in the consolidated financial statements of Gothaer Versicherungsbank VVaG, Köln.

The Gothaer Versicherungsbank VVaG prepares consolidated financial statements for the largest and smallest number of companies.

The consolidated financial statements of the Gothaer Versicherungsbank VVaG will be filed with the commercial register Köln under commercial register code HRB 660.

Köln, 7 April 2005

The Board of Directors

| | | | |
|-----------|-------------|---------|--------|
| Dr. Görg | van het Hof | Meisch | |
| Rupprecht | Dr. Schmitz | Schulte | Söhler |

Auditor's Report

We have audited the annual financial statements, together with the bookkeeping system, and the management report of the Gothaer Allgemeine Versicherung AG, Köln, for the business year from 1 January to 31 December 2004. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of 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 reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. On the whole the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Köln, 18 April 2005

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Husch
Wirtschaftsprüfer

Glößner
Wirtschaftsprüfer

[Diese Seite wurde aus technischen Gründen absichtlich freigelassen.]

| Equity and Liabilities | 2005 | | 2004 |
|---|----------------|----------------|-------------------------|
| | thsd. € | thsd. € | thsd. € |
| A. Shareholders' equity | | | |
| I. Subscribed capital | | 153,388 | 153,388 |
| II. Capital reserves | | <u>138,854</u> | <u>138,854</u> |
| | | | 292,242 |
| B. Profit participation capital | | | <u>81,807</u> |
| C. Technical provisions | | | |
| I. Provision for unearned premiums | | | |
| 1. Gross amount | 196,352 | | 190,654 |
| 2. Less: | | | |
| Reinsurance amount | <u>24,431</u> | | <u>26,873</u> |
| | | 171,921 | <u>163,781</u> |
| II. Provision for future policy benefits | | | |
| 1. Gross amount | 57,491 | | 55,106 |
| 2. Less: | | | |
| Reinsurance amount | <u>0</u> | | <u>0</u> |
| | | 57,491 | <u>55,106</u> |
| III. Provision for outstanding claims | | | |
| 1. Gross amount | 1,954,927 | | 1,869,155 |
| 2. Less: | | | |
| Reinsurance amount | <u>549,022</u> | | <u>546,562</u> |
| | | 1,405,905 | <u>1,322,593</u> |
| IV. Provision for premium refunds | | | |
| 1. Gross amount | 12,068 | | 11,883 |
| 2. Less: | | | |
| Reinsurance amount | <u>53</u> | | <u>126</u> |
| | | 12,015 | <u>11,757</u> |
| V. Equalisation and similar provisions | | 345,512 | 340,505 |
| VI. Other technical provisions | | | |
| 1. Gross amount | 12,116 | | 10,831 |
| 2. Less: | | | |
| Reinsurance amount | <u>2,204</u> | | <u>2,108</u> |
| | | <u>9,912</u> | <u>8,723</u> |
| | | | 2,002,756 |
| D. Provisions for other risks and charges | | | <u>1,902,465</u> |
| I. Provisions for taxation | | 2,055 | 1,700 |
| II. Other provisions | | <u>64,075</u> | <u>71,710</u> |
| | | | 66,130 |
| E. Deposits received from reinsurers | | | <u>27,034</u> |
| F. Liabilities | | | |
| I. Accounts payable on direct insurance operations to | | | |
| 1. Policy holders | 66,397 | | 70,639 |
| 2. Intermediaries | <u>90,353</u> | | <u>82,164</u> |
| | | 156,750 | <u>152,803</u> |
| II. Accounts payable on reinsurance operations | | 10,132 | 12,591 |
| including affiliated companies: € 393 thsd. (prior year: € 44 thsd.) | | | |
| III. Miscellaneous liabilities | | <u>83,806</u> | <u>47,337</u> |
| including: | | | 250,688 |
| tax: € 18,021 thsd. (prior year: € 17,581 thsd.) social security: € 3,196 thsd. (prior year: € 3,441 thsd.) affiliated companies: € 44,952 thsd. (prior year: € 7,677 thsd.) companies in which a participating interest is held: € 93 thsd. (prior year: € 58 thsd.) | | | <u>212,731</u> |
| G. Deferred income | | | <u>157</u> |
| | | | <u>174</u> |
| Total equity and liabilities | | | <u><u>2,720,814</u></u> |
| | | | <u><u>2,595,345</u></u> |

I confirm that the provision for future policy benefits allocated to accident insurances with non-profit related premium refunds (balance sheet liabilities C II. no.1) amounting to Euro 57,491,477 and the provision for annuities of Euro 41,005,171 allocated to item C. III. no. 1 were calculated according to sections 341f and 341g HGB (German Commercial Code) and the regulations enacted according to section 65 para. 1 VAG (German Insurance Supervisory Law); for old accident insurance contracts with non-profit related premium refunds as defined by section 11 c VAG the provision for future policy benefits was calculated on the basis of the approved and valid business plan.

Köln, 23 March 2006

Dr. Hofmeier
Actuary in charge

In accordance with section 73 VAG I certify that the investments listed in the statement of assets have been properly made and deposited according to the legal and supervisory requirements.

Köln, 24 March 2006

Meyer
Trustee

Profit and Loss Account for the period from 1 January to 31 December 2005

| | 2005 | | 2004 | |
|--|-----------|-----------|-----------|-----------|
| | thsd. € | thsd. € | thsd. € | thsd. € |
| I. Technical account | | | | |
| 1. Earned premiums, net of reinsurance | | | | |
| a) Gross premiums written | 1,394,545 | | | 1,375,075 |
| b) Outward reinsurance premiums | 346,178 | | | 360,462 |
| | | 1,048,367 | | 1,014,613 |
| c) Change in gross unearned premiums | - 3,681 | | | - 17,049 |
| d) Change in the reinsurers' share of unearned premiums | 3,257 | | | - 6,962 |
| | | 6,938 | | - 10,087 |
| | | | 1,041,429 | 1,004,526 |
| 2. Technical interest, net of reinsurance | | | 4,284 | 4,806 |
| 3. Other technical income, net of reinsurance | | | 2,283 | 1,934 |
| 4. Claims incurred, net of reinsurance | | | | |
| a) Claims paid | | | | |
| aa) Gross amount | 784,616 | | | 808,023 |
| bb) Reinsurers' share | 165,119 | | | 217,827 |
| | | 619,497 | | 590,196 |
| b) Change in the provision for outstanding claims | | | | |
| aa) Gross amount | 58,752 | | | 5,284 |
| bb) Reinsurers' share | - 8,399 | | | - 43,318 |
| | | 67,151 | | 48,602 |
| 5. Change in other technical provisions, net of reinsurance | | | 686,648 | 638,798 |
| a) Provision for future policy benefits, net of reinsurance | - 2,385 | | | - 2,974 |
| b) Other technical provisions, net of reinsurance | - 989 | | | 165 |
| | | | - 3,374 | - 2,809 |
| 6. Expenses for premium refunds, net of reinsurance | | | 2,380 | 2,860 |
| 7. Operating expenses, net of reinsurance | | | | |
| a) Gross operating expenses | | 430,471 | | 421,263 |
| b) Less: | | | | |
| Reinsurance commissions and profit participation | | 113,299 | | 108,306 |
| | | | 317,172 | 312,957 |
| 8. Other technical expenses, net of reinsurance | | | 8,324 | 7,913 |
| 9. Subtotal | | | 30,098 | 45,929 |
| 10. Change in equalisation provisions and similar provisions | | | - 1,658 | - 61,595 |
| 11. Balance on the technical account, net of reinsurance | | | 28,440 | - 15,666 |
| II. Non-technical account | | | | |
| 1. Investment income | | | | |
| a) Income from participating interests including affiliated companies € 2,604 thsd. (prior year: € 1,333 thsd.) | | 22,673 | | 11,970 |
| b) Income from other investments including affiliated companies € 603 thsd. (prior year: € 2,011 thsd.) | | | | |
| aa) Income from land, land rights, buildings including buildings on third party land | 56 | | | 30 |
| bb) Income from other investments | 68,188 | | | 65,901 |
| | | 68,244 | | 65,930 |
| c) Reversal of write-downs on investments | | 17,562 | | 3,465 |
| d) Realised investment gains | | 20,213 | | 61,878 |
| | | 128,692 | | 143,243 |
| 2. Investment expenses | | | | |
| a) Investment management, interest paid and other investment expenses | | 2,231 | | 3,503 |
| b) Amortisation of investments including write-downs according to section 277 para. 3 phrase 1 HGB € 2,707 thsd. (prior year: € 0 thsd.) | | 19,561 | | 22,628 |
| c) Realised investment losses | | 10,263 | | 13,853 |
| | | 32,055 | | 39,984 |
| | | | 96,637 | 103,259 |
| 3. Technical interest | | | - 4,387 | - 4,938 |
| | | | 92,250 | 98,321 |
| 4. Other income | | 79,061 | | 94,563 |
| 5. Other expenses | | 131,675 | | 123,328 |
| | | | - 52,614 | - 28,765 |
| 6. Result from ordinary activities | | | 68,076 | 53,890 |
| 7. Taxes on income | | 987 | | - 2,442 |
| 8. Other taxes | | 89 | | - 24 |
| | | | 1,076 | - 2,466 |
| 9. Profit transferred according to a profit pooling or profit transfer agreement or an agreement to transfer part of the profits | | | 67,000 | 56,356 |
| 10. Net income for the year | | | 0 | 0 |

NOTES TO THE FINANCIAL STATEMENTS ACCOUNTING POLICIES

This annual report has been prepared in compliance with the ordinance relating to the accounting of insurance companies (RechVersV) of 8 November 1994.

Intangible assets

Intangible assets were recognised at acquisition cost less systematic amortisation.

Investments

Land, land rights and buildings are recorded at acquisition or production cost and reduced by depreciation according to the straight-line method at the fiscal rates allowed (section 7 para. 4 of the German Federal Income Tax Law (EStG)). To determine the fair value of land at the balance sheet date we applied the gross rental method specified under section 55 RechVers.

Shares in affiliated companies and participating interests are stated at acquisition cost or if necessary at the lower fair value.

Loans to affiliated companies and companies, in which a participating interest is held were recognised at par value or at the fair value in case of write-downs.

Shares, units in unit trusts, and other fixed-interest securities classified as current assets were recognised at acquisition cost, if necessary at their quoted or market price taking into account write-downs (strict lower of cost or market principle). When section 280 para. 1 HGB was applicable we reversed write-downs.

In 2005 we transferred fixed-interest securities (prior year's portfolio) from current to fixed assets. At the same time we bought numerous other fixed-interest securities to be held in the long-term and classified as fixed assets.

Fixed assets are recognised at acquisition cost. In accordance with section 341 b para 2, phrase 1 HGB we charged amortisation and depreciation if impairment was expected to be permanent (modified lower of cost or market principle). Amortisation and depreciation were reversed in case section 280 para. 1 HGB was fulfilled. For securities with a buying rate exceeding 100% the carrying amount is proportionally reduced over the period the securities are held. Their current income is reduced accordingly.

Fixed-interest securities classified as current assets were recognised at acquisition cost, if necessary at their lower market price (strict lower of cost or market principle). When section 280 para. 1 HGB was applicable we reversed write-downs.

Mortgage loans were recognised at par value less received repayments. Withheld discounts on recently granted loans were disclosed under deferred income and spread over the period of the loan.

Registered bonds, promissory notes and loans were recognised at par value less redemptions and amortisations on their fair value. Discounts withheld from recently granted loans were disclosed under deferred income and spread over the period of the loan.

The company recognises structured products as one unit in compliance with the accounting of the respective underlying instrument. Structured products which need to be split according to IDW RH BFA 1,003 are stated at acquisition cost. If necessary they are written down to the fair value if the fair value at the balance sheet date is lower than the carrying amount (lower of cost or market principle). Write-downs may also be reversed (section 280 para. 1 HGB). For derivatives please refer to the information provided according to section 285 no. 18 HGB.

Loans and prepayment on insurance policies were recognised at par value.

Bank deposits were stated at par value.

All other loans and miscellaneous investments were recognised at acquisition cost or at their fair value when write-downs or reversal of write-downs were necessary. Loans were stated at their amount repayable.

Other assets

Deposits with ceding companies, accounts receivable on reinsurance operations and accounts receivable on direct insurance operations, interest and rents receivable, as well as other accounts receivable were recognised at par value taking into account repayments; non-interest bearing receivables and receivables of low-interest were discounted if necessary. Cash at bank and in hand were also recognised at par value.

For accounts receivable on direct insurance operations from policy holders and intermediaries general value adjustments were determined and deducted for bad debts due to insolvencies in the past.

Tangible assets and inventories were recognised at purchase cost less depreciation in accordance with section 253 para. 2 HGB. Low-value assets purchased in the financial year were written off in full in accordance with section 6 para. 2 German Income Tax Law (EStG).

Technical provisions

Technical provisions are based on the provisions of sections 341e to 341h HGB. Most of the reinsurance amounts are recognised with a delay of one year.

For calculating provisions for unearned premiums relating to direct insurance operations mainly the 1/360th-method is applied. On a small scale other proportional methods were applied. To determine provisions for unearned premiums in respect of technical insurance classes and marine insurance the flat-rate method is applied. Direct insurance and reinsurance operations abroad were allocated to unearned premiums at a flat-rate.

Provisions for unearned premiums relating to domestic insurance operations are mainly calculated on the basis of statistic amounts of premiums. A smaller part of the provisions for unearned premiums of domestic and foreign insurance operations was calculated on the basis of premiums written. Unearned premiums of the share of domestic reinsurers are calculated on the basis of the figures provided by the ceding companies. In case they were not available they were calculated on the basis of the premiums written according to the 1/8th-method.

We determined provisions for future policy benefits for accident insurances with non-profit related premium refunds and the annuity reserves in accordance with the relevant statutory provisions, in particular with the ordinance relating to the accounting of insurance companies and certified under the balance sheet by the actuary in charge. Provisions for future policy benefits were calculated for each individual contract according to the prospective method taking into account future costs.

Reported losses and IBNR losses (incurred but not reported) were individually determined and evaluated.

Provisions for outstanding claims relating to the direct insurance business include provisions for damages (except annuities) estimated and calculated for each single claim expected to arise. Not reported losses were estimated and added to provisions for IBNR losses in accordance with section 341g para. 2 HGB.

The provision for IBNR losses of the financial year was determined on the basis of the BAV method. This arithmetic method takes into account the number of IBNR losses reported at a later date and relating expenses, all based on experience gained over an observation period of 15 years. For calculating the provision for IBNR losses for prior years we took into account the development of provision for IBNR losses or payments made in the financial year for IBNR losses.

Provisions for the settlement of claims were calculated in accordance with the directive in the letter issued by the Federal Ministry of Finance dated 02.02.1973.

Provisions for outstanding claims arising out of reinsurance operations were recognised at the amount advised by the ceding companies plus additions, if necessary.

The funds earmarked for the terminal bonus included in provisions for premium refunds were calculated in accordance with recognised actuarial methods. The calculation rules are stipulated in the approved principle business plan for surplus participation (old contracts as defined by section 11c VAG) or comply with section 28 para. 7 RechVersV (new contracts as defined by section 11c VAG).

The terminal bonus is calculated for each contract separately to determine the designated amount of the terminal bonus at the lapse of the contract which corresponds to the expired insurance period in proportion to the entire insurance period discounted at an interest rate of 7.5 %.

Equalisation provisions are calculated on the basis of section 29 RechVersV and the appendix to section 29 RechVersV.

Provisions for major risks covered by the product liability insurance for pharmaceutical articles were determined in accordance with section 341h HGB combined with section 30 para. 1 RechVersV.

Provisions for nuclear power plants are calculated according to section 341h HGB combined with section 30 para. 2 RechVersV.

The provision for unused premiums from dormant motor vehicle insurances is recognised at the amount of the unused premiums for the period between the date the coverage was suspended and the balance sheet date. The unused premiums have been determined for each individual contract.

The provision for liabilities arising from the membership in the Verkehrsoferhilfe e. V. (association for the support of road casualties) corresponds to the allocation provided by this association.

The cancellation reserve was determined for each single kind of insurance on the basis of experiences gained.

The provision for contractual premium adjustment according to section 9 FBUB was set up on a flat-rate basis.

The reinsurers' share in the provision for premium refunds was recognised according to the figures provided by the ceding company.

The reinsurers' shares in liabilities arising from underwriting operations are calculated on the basis of the contractual agreements.

Other liabilities

The provision for additional expenses in respect of the agreement on the pre-retirement part-time employment scheme was estimated according to actuarial principles using the mortality tables 2005G by Prof. Dr. Klaus Heubeck and at an interest rate of 5.5 %.

The relief fund of BERLIN-KÖLNISCHE Lebens- und Sachversicherung GmbH has an effective cash fund deficit of Euro 538,590.92 compared to the value determined according to section 6a EStG which results from having taken over pension entitlements and obligations.

The provision for anniversary commitments was recognised at the amount expected to be needed in the future.

Tax and other provisions are recognised at the amount of expected expenses.

Deposits received from reinsurers, accounts payable on reinsurance operations, accounts payable on direct insurance operations and miscellaneous liabilities are recognised at their amount repayable.

Currency translation

Amounts in foreign currency are translated at the average exchange rate at the balance sheet date.

As defined by section 54 a para. 3 VAG technical liabilities to be paid in foreign currency are covered by funds of the same currency as far as possible since uncertain liabilities are difficult to be estimated.

For valuation purposes assets and liabilities in that currency were treated as one single unit. For each single currency a surplus or deficit balance is determined and entered into the non-technical account.

**NOTES TO THE FINANCIAL STATEMENTS
BALANCE SHEET**

NOTES TO THE FINANCIAL STATEMENTS
BALANCE SHEET

Movement of assets in the financial year (balance sheet items B., C I. to C III.)¹⁾

| | Carrying amount prior year | Additions |
|---|---------------------------------------|------------------|
| | thsd. € | thsd. € |
| B. Intangible assets | | |
| Other intangible assets | 23,488 | 12,997 |
| C I. Land, land rights and buildings including buildings on third party land | 1,065 | 0 |
| C II. Investments in affiliated companies and participating interests | | |
| 1. Shares in affiliated companies | 164,084 | 21,415 |
| 2. Loans to affiliated companies. | 109,208 | 0 |
| 3. Participating interests | 198,454 | 12,152 |
| 4. Loans to companies in which a participating interest is held | 2,613 | 0 |
| 5. Total of C II. | 474,359 | 33,567 |
| C III. Other investments | | |
| 1. Shares, units in unit trusts and other non-fixed interest securities. | 885,344 | 223,657 |
| 2. Bearer bonds and other fixed-interest securities | 125,500 | 283,016 |
| 3. Mortgage loans. | 9,056 | 176 |
| 4. Other loans | | |
| a) Registered bonds | 300,000 | 25,000 |
| b) Promissory notes and loans | 315,827 | 130,100 |
| c) Loans and prepayments on insurance policies. | 137 | 55 |
| d) Other | 14,943 | 0 |
| 5. Bank deposits | 93,055 | 0 |
| 6. Miscellaneous investments. | 2 | 0 |
| 7. Total of C III. | 1,743,863 | 662,004 |
| Total | 2,242,775 | 708,567 |

¹⁾ Exchange rate gains or losses from currency translation of the amounts brought forward as of 1 January are included in additions or disposals.

| Transfers | Disposals | Reversal of write-downs | Amortisation/ depreciation | Carrying amount Financial year |
|------------------|------------------|--------------------------------|---------------------------------------|---|
| thsd. € | thsd. € | thsd. € | thsd. € | thsd. € |
| 0 | 3,056 | 0 | 6,840 | 26,588 |
| 0 | 0 | 0 | 74 | 991 |
| 0 | 12,565 | 1,365 | 285 | 174,013 |
| 0 | 97,508 | 0 | 0 | 11,700 |
| -38,140 | 12,806 | 1,812 | 1,076 | 160,397 |
| 0 | 0 | 0 | 0 | 2,613 |
| -38,140 | 122,879 | 3,177 | 1,361 | 348.723 |
| 38,140 | 276,458 | 12,127 | 11,202 | 871,608 |
| 0 | 27,234 | 2,257 | 3,471 | 380,068 |
| 0 | 1,344 | 0 | 0 | 7,887 |
| 0 | 45,000 | 0 | 0 | 280,000 |
| 0 | 70,750 | 0 | 3,453 | 371,724 |
| 0 | 62 | 0 | 0 | 130 |
| 0 | 0 | 0 | 0 | 14,943 |
| 0 | 24,705 | 0 | 0 | 68,349 |
| 0 | 0 | 0 | 0 | 2 |
| 38,140 | 445,554 | 14,385 | 18,126 | 1,994,711 |
| 0 | 571,489 | 17,562 | 26,401 | 2,371,013 |

Participating interests and securities

Liabilities arising from additional payments amount to Euro 0.1 million for shares, to Euro 41.1 million and USD 10.4 million for participating interests. For other interests there are no additional payment liabilities.

Fair value and carrying amount of investments

| Type of investment | Fair value 2005 thsd. € | Carrying amount 2005 thsd. € | Hidden reserves 2005 thsd. € |
|---|-------------------------------|------------------------------------|------------------------------------|
| I. Land, land rights and buildings including buildings on third party land mainly used by third party | 1,480 | 991 | 489 |
| II. Shares in affiliated companies, participating interests, shares, units in unit trusts and other non-fixed interest securities | 1,357,144 | 1,206,018 | 151,126 |
| III. Bearer bonds and other fixed-interest securities and other loans and miscellaneous investments. | 404,877 | 395,011 | 9,866 |
| Total | 1,763,501 | 1,602,020 | 161,481 |

1. Items no. II. and III. include shares, units in unit trusts, bearer bonds and other fixed-interest securities at a carrying amount of Euro 193,683 thsd., classified as fixed assets according to section 341b para. 2 HGB. At a fair value of these assets amounts to Euro 194,961 thsd. no depreciation with an amounting of Euro 1,060 thsd. were conducted.

2. In cases a quoted price was not available we recognised shares in affiliated companies and participating interests according to the simplified gross rental method. Shares, units in unit trusts and other non-fixed interest securities were recognised at their quoted price or repurchase price.

3. We recognised bearer bonds and other fixed-interest securities classified as current assets as well as other loans and miscellaneous investments at their quoted price.

Disclosures required for derivative instruments according to section 285 no. 18 HGB

| Balance sheet item | Type | Trading/ nominal volume thsd. € | Fair value ¹⁾ thsd. | Carrying amount ²⁾ thsd. € | Valuation method |
|--------------------|---------------|--|--------------------------------------|---|--|
| C. II. | futures | 20,905 USD | 23,330 | 21,216 | Interest rate differential method (Zinsdifferenz-Methode) |
| C. III. 1. | futures | 15,150 USD | 12,933 | 11,935 | Interest rate differential method (Zinsdifferenz-Methode) |
| C. III. 2. | futures | 95,894 USD | 108,202 | 106,044 | Interest rate differential method (Zinsdifferenz-Methode) |
| C. III. 2. | futures | 3,500,000 certificates | 5,505 | 5,288 | Interest rate differential method (Zinsdifferenz-Methode) |
| C. III. 1. | Interest swap | 115,100 EUR | 114,783 | 114,523 | Present value acc. to valuation notice of the LBBW |
| C. III. 2. | Interest swap | 13,920 USD | 32,011 | 31,194 | Present value acc. to valuation notice of LBBW |
| C. III. 4.b) | Interest swap | 10,000 EUR | 9,991 | 10,000 | Moosmüller/Bloomberg |

The transactions form a valuation unit with their underlying.

¹⁾ Fair value of the valuation unit

²⁾ Carrying amount of the valuation unit

Disclosures according to section 285 no. 19 HGB required for financial instruments classified as fixed assets

| Balance sheet item | Carrying amount | Fair value |
|---------------------------|------------------------|-------------------|
| | thsd. € | thsd. € |
| C. II. ³⁾ | 2,273 | 1,694 |

³⁾ No amortisation since impairment is not expected to be permanent.

Accounts receivable on direct insurance operations from

| | 2005 | 2004 |
|---|----------------|----------------|
| | thsd. € | thsd. € |
| 1. Policy holders | 44,126 | 43,445 |
| 2. Intermediaries | | |
| including: | | |
| companies in which a participating interest is held | 14,479 | 4,761 |
| other | 114,405 | 115,617 |
| Subtotal | 128,884 | 120,377 |
| Total | <u>173,010</u> | <u>163,823</u> |

Accounts receivable from policy holders and intermediaries were written down by Euro 12,417 thsd. in total (prior year Euro 6,969 thsd.)

Prepaid expenses

| | 2005 | 2004 |
|--|----------------|----------------|
| | thsd. € | thsd. € |
| I. Accrued interest and rents | 13,921 | 8,575 |
| II. Other | 133 | 40 |
| Total | <u>14,054</u> | <u>8,615</u> |

Shareholders' equity

| | 2005 | 2004 |
|------------------------------------|----------------|----------------|
| | thsd. € | thsd. € |
| I. Subscribed capital | 153,388 | 153,388 |
| II. Capital reserves | | |
| Other capital reserves | 138,854 | 138,854 |
| Total | <u>292,242</u> | <u>292,242</u> |

The subscribed capital of DEM 300,000,000 is split up into 8,000 non-par-value shares of DEM 100 per share, 16,000 non-par-value shares of DEM 200 per share and 296,000 non-par-value shares of DEM 1,000 per share.

In accordance with section 20 para. 4 of the German Stock Corporation Law (AktG) Gothaer Finanzholding AG informed us that it holds the majority of the voting shares of Gothaer Allgemeine Versicherung AG.

Profit participation capital

On the basis of an agreement on the assumption of debts (*Schuldübernahmevertrag*) dated 14 December 2001 Gothaer Allgemeine Versicherung AG assumed all obligations involved in the profit participation certificates of the Gothaer Versicherungsbank VVaG at the amount of Euro 81,807 thsd. These registered certificates have a maturity of 10 years. The annual interest rate varies between 6.57 % and 7.51 %. The requirements as defined by section 53 c para. 3 a VAG are met by a profit participation certificate of Euro 30,678 thsd.

Technical provisions – gross amounts

| Total | 2005 | 2004 |
|------------------------------------|-------------------------|-------------------------|
| | thsd. € | thsd. € |
| Accident | 300,770 | 260,816 |
| Liability | 877,396 | 832,569 |
| Motor vehicle liability | 755,130 | 742,101 |
| Other motor vehicle | 78,749 | 79,522 |
| Fire and property | 319,444 | 347,453 |
| Including: | | |
| Fire | 74,669 | 71,960 |
| Household. | 61,700 | 63,693 |
| Buildings | 67,512 | 66,310 |
| Other property | 115,563 | 145,491 |
| Marine and aviation | 61,692 | 58,182 |
| Other insurance classes | 95,846 | 89,140 |
| Direct insurance classes | <u>2,489,027</u> | <u>2,409,783</u> |
| Reinsurances | 89,439 | 68,351 |
| Total | <u><u>2,578,466</u></u> | <u><u>2,478,134</u></u> |

Including

Gross provisions for outstanding claims

| | 2005 | 2004 |
|------------------------------------|-------------------------|-------------------------|
| | thsd. € | thsd. € |
| Accident | 209,988 | 172,359 |
| Liability | 712,089 | 685,337 |
| Motor vehicle liability | 700,311 | 683,290 |
| Other motor vehicle | 28,468 | 30,156 |
| Fire and property | 157,151 | 162,709 |
| Including: | | |
| Fire | 34,066 | 45,986 |
| Household. | 17,104 | 17,574 |
| Buildings | 41,331 | 39,261 |
| Other property | 64,650 | 59,888 |
| Marine and aviation | 28,609 | 30,866 |
| Other insurance classes | 66,972 | 65,043 |
| Direct insurance classes | <u>1,903,588</u> | <u>1,829,761</u> |
| Reinsurances | 51,339 | 39,394 |
| Total | <u><u>1,954,927</u></u> | <u><u>1,869,155</u></u> |

For valuating gross provisions for outstanding claims we took into account amounts receivable from recourses, knock-for-knock agreements and proceeds of Euro 8,188 thsd. (prior year Euro 11,805 thsd.).

Provision for premium refunds – gross

| | Brought forward | With- drawals | Additions | Carrying amount |
|--------------------------------|----------------------|---------------------|---------------------|----------------------|
| | thsd. € | thsd. € | thsd. € | thsd. € |
| a) Non-profit related. | 961 | 916 | 997 | 1,042 |
| b) Profit related. | <u>10,534</u> | <u>1,315</u> | <u>1,562</u> | <u>10,781</u> |
| Direct insurances | 11,495 | 2,231 | 2,559 | 11,823 |
| a) Non-profit related. | 388 | 293 | 151 | 246 |
| Reinsurances. | 388 | 293 | 151 | 246 |
| Total | <u><u>11,883</u></u> | <u><u>2,524</u></u> | <u><u>2,710</u></u> | <u><u>12,069</u></u> |

a) Non-profit related

This item includes contractually agreed refunds in respect of the marine insurance and sub insurance classes which, due to favourable claims experiences, were credited at the agreed compensation rate less administration costs and catastrophic contribution.

The reinsurers' share of the non-profit related premium refunds for liability insurances for nuclear plants is calculated on the basis of the information provided by the ceding companies.

b) Profit related

Surplus participation in accident insurance with premium refund

The provision for accident insurance with premium refund includes Euro 2,356 thsd. for already determined but not yet allocated surplus participation and Euro 475 thsd. for already determined but not yet allocated terminal bonuses.

The terminal bonus reserve amounts to Euro 2,688 thsd. as of 31 December 2005.

In case the surplus participation becomes due in 2006 and 2007 the following rates shall apply:

Old contracts:

| | | |
|------------------------|----|---|
| Interest-surplus share | 3% | on the surplus sharing provision for future policy benefits |
| Basic surplus share | 6% | on the premium refund of the year |
| Terminal bonus share | 8% | on the total surplus sharing premium refunds |

New contracts:

Contracts with the insurance premium rates of BR-E, BR-K, BR-S, BR/E, BR/K, BR/S:

| | | |
|------------------------|----|---|
| Interest-surplus share | 3% | on the surplus sharing provision for future policy benefits |
| Basic surplus share | 1% | on the premium refund of the year |
| Terminal bonus share | 8% | on the total surplus sharing premium refunds |

Contracts with the insurance premium rates of BR#E, BR#K, BR#S:

| | | |
|------------------------|-------|--|
| Interest-surplus share | 2% | on the surplus sharing provision for future policy benefits of the basic insurance |
| | 3,75% | on the surplus sharing provision for future policy benefits of the bonus insurance |
| Basic surplus share | 1% | on the premium refund of the year |
| Terminal bonus share | 9% | on the total of surplus sharing premium refunds |

Contracts with the insurance premium rates of BRE1, BRK1, BRS1, BRT1:

| | | |
|------------------------|-------|--|
| Interest-surplus share | 2% | on the surplus sharing provision for future policy benefits of the basic insurance |
| | 4,25% | on the surplus sharing provision for future policy benefits of the bonus insurance |
| Basic surplus share | 1% | on the premium refund of the year |
| Terminal bonus share | 9% | on the total of surplus sharing premium refunds |

Equalisation and similar provisions

| | <u>2005</u> | <u>2004</u> |
|------------------------------------|----------------|----------------|
| | thsd. € | thsd. € |
| Accident | 0 | 0 |
| Liability | 110,371 | 94,610 |
| Motor vehicle liability | 48,183 | 52,637 |
| Other motor vehicle | 47,927 | 47,220 |
| Fire and Property | 71,677 | 92,913 |
| Including: | | |
| Fire | 32,568 | 17,451 |
| Household | 16,678 | 18,370 |
| Buildings | 0 | 0 |
| Other property | 22,431 | 57,092 |
| Marine and aviation | 28,238 | 21,977 |
| Other insurance classes | 15,074 | 11,334 |
| Direct insurance classes | <u>321,470</u> | <u>320,690</u> |
| Reinsurances | 24,042 | 19,815 |
| Total | <u>345,512</u> | <u>340,505</u> |

Provisions for other risks and charges

| | <u>2005</u> | <u>2004</u> |
|--|---------------|---------------|
| | thsd. € | thsd. € |
| I. Provisions for taxation | 2,055 | 1,700 |
| II. Other provisions for: | | |
| Bonuses and competitive wages | 2,697 | 3,302 |
| Anniversary allowances | 13,757 | 14,111 |
| Social compensation plan | 11,670 | 16,885 |
| Pre-retirement part-time employment scheme | 17,721 | 17,025 |
| Financial statements | 362 | 342 |
| Holidays | 978 | 921 |
| Interest for profit participation capital | 5,855 | 5,855 |
| Outstanding invoices | 7,485 | 9,130 |
| Pending lawsuits | 1,400 | 1,900 |
| Other expenses | 1,598 | 1,687 |
| Interest on subsequent payment of taxes | 552 | 552 |
| Subtotal | <u>64,075</u> | <u>71,710</u> |
| Total | <u>66,130</u> | <u>73,410</u> |

Accounts payable on direct insurance business to

| | <u>2005</u> | <u>2004</u> |
|---|----------------|----------------|
| | thsd. € | thsd. € |
| 1. Policy holders | 66,397 | 70,639 |
| 2. Intermediaries | | |
| including: | | |
| Companies in which a participating interest is held | 16,195 | 10,182 |
| Other | 74,158 | 71,982 |
| Subtotal | <u>90,353</u> | <u>82,164</u> |
| Total | <u>156,750</u> | <u>152,803</u> |

Deferred income

| | <u>2005</u> | <u>2004</u> |
|--|-------------|-------------|
| | thsd. € | thsd. € |
| Discounts from registered bonds and Promissory notes | 157 | 174 |

Gross premiums written

| | <u>2005</u> | <u>2004</u> |
|------------------------------------|-------------------------|-------------------------|
| | thsd. € | thsd. € |
| Accident | 144,432 | 147,318 |
| Liability | 305,276 | 281,241 |
| Motor vehicle liability | 215,128 | 230,698 |
| Other motor vehicle | 125,131 | 137,259 |
| Fire and property | 417,068 | 410,671 |
| Including: | | |
| Fire | 74,620 | 72,197 |
| Household | 93,747 | 94,286 |
| Buildings | 103,623 | 101,076 |
| Other property | 145,078 | 143,112 |
| Marine and aviation | 37,735 | 34,345 |
| Other insurance classes | 96,459 | 94,042 |
| Direct insurance classes | <u>1,341,229</u> | <u>1,335,574</u> |
| Reinsurances | 53,316 | 39,501 |
| Total | <u><u>1,394,545</u></u> | <u><u>1,375,075</u></u> |

Earned premiums gross

| | <u>2005</u> | <u>2004</u> |
|------------------------------------|-------------------------|-------------------------|
| | thsd. € | thsd. € |
| Accident | 144,756 | 147,396 |
| Liability | 304,685 | 278,789 |
| Motor vehicle liability | 215,023 | 230,665 |
| Other motor vehicle | 125,124 | 137,280 |
| Fire and property | 418,954 | 403,607 |
| Including: | | |
| Fire | 75,831 | 71,287 |
| Household | 93,596 | 94,077 |
| Buildings | 104,063 | 96,493 |
| Other property | 145,464 | 141,750 |
| Marine and aviation | 38,398 | 34,963 |
| Other insurance classes | 95,641 | 92,914 |
| Direct insurance classes | <u>1,342,581</u> | <u>1,325,614</u> |
| Reinsurances | 48,283 | 32,412 |
| Total | <u><u>1,390,864</u></u> | <u><u>1,358,026</u></u> |

Earned premiums net

| | <u>2005</u> | <u>2004</u> |
|------------------------------------|------------------|------------------|
| | thsd. € | thsd. € |
| Accident | 125,335 | 125,315 |
| Liability | 228,138 | 212,259 |
| Motor vehicle liability | 145,173 | 144,566 |
| Other motor vehicle | 85,464 | 87,200 |
| Fire and property | 309,272 | 303,682 |
| Including: | | |
| Fire | 29,445 | 27,084 |
| Household. | 92,348 | 92,966 |
| Buildings | 68,564 | 64,963 |
| Other property | 118,915 | 118,669 |
| Marine and aviation | 33,014 | 31,461 |
| Other insurance classes | 70,256 | 72,170 |
| Direct insurance classes | <u>996,652</u> | <u>976,651</u> |
| Reinsurances | 44,777 | 27,874 |
| Total. | <u>1,041,429</u> | <u>1,004,526</u> |

Gross amount of claims incurred

| | <u>2005</u> | <u>2004</u> |
|------------------------------------|----------------|----------------|
| | thsd. € | thsd. € |
| Accident | 104,379 | 80,208 |
| Liability | 164,307 | 147,140 |
| Motor vehicle liability | 185,317 | 199,980 |
| Other motor vehicle | 81,063 | 86,273 |
| Fire and property | 204,813 | 210,809 |
| Including: | | |
| Fire | 22,475 | 32,646 |
| Household. | 37,541 | 40,992 |
| Buildings | 74,725 | 79,596 |
| Other property | 70,072 | 57,575 |
| Marine and aviation | 19,843 | 27,550 |
| Other insurance classes | 48,859 | 42,427 |
| Direct insurance classes | <u>808,582</u> | <u>794,387</u> |
| Reinsurances | 34,786 | 18,920 |
| Total. | <u>843,368</u> | <u>813,307</u> |

The gross amount of claims incurred consists of claims incurred in the financial year and the result from the settlement of prior year's provisions for outstanding claims. The run-off result accounts for 7.3 % of the provision brought forward.

Technical interest net of reinsurance

In direct insurance operations the technical interest was calculated on the basis of the provisions for annuities and provisions for future policy benefits. The income from provision for annuities accounts for 2.75 % of the arithmetic average of the provision at the beginning and at the end of the financial year.

For accident insurances with non-profit related premium refunds the technical interest represents the income from investments less direct expenses of the guarantee assets.

The reinsurers' share in interest income incurred from the provision for annuities corresponds to the interest paid for deposits. Interests for deposits with ceding companies were booked according to the amount advised by the ceding companies.

Expenses for premium refunds, net of reinsurance

| | 2005 | 2004 |
|-----------------------------|----------------|----------------|
| | thsd. € | thsd. € |
| Profit related. | 1,492 | 2,210 |
| Non-profit related. | 1,030 | 624 |
| Direct insurances | 2,522 | 2,834 |
| Reinsurances | – 142 | 26 |
| Total. | 2,380 | 2,860 |

Gross operating expenses

| | 2005 | 2004 |
|------------------------------------|----------------|----------------|
| | thsd. € | thsd. € |
| Accident. | 46,267 | 47,932 |
| Liability | 111,038 | 103,154 |
| Motor vehicle liability | 42,551 | 47,833 |
| Other motor vehicle | 27,554 | 34,149 |
| Fire and property | 142,467 | 133,479 |
| Including: | | |
| Fire | 26,625 | 24,454 |
| Household. | 32,595 | 31,178 |
| Buildings | 32,371 | 29,350 |
| Other property | 50,876 | 48,497 |
| Marine and aviation | 13,850 | 10,792 |
| Other insurance classes | 30,078 | 34,279 |
| Direct insurance classes | 413,805 | 411,618 |
| Reinsurances | 16,666 | 9,645 |
| Total. | 430,471 | 421,263 |

Gross expenses for the insurance business in detail**Expenses for effecting insurance contracts**

| | 2005 | 2004 |
|------------------------------------|----------------|----------------|
| | thsd. € | thsd. € |
| Accident. | 11,135 | 13,209 |
| Liability | 19,289 | 21,374 |
| Motor vehicle liability | 3,214 | 5,815 |
| Other motor vehicle | 2,762 | 4,638 |
| Fire and property | 33,453 | 27,832 |
| Including: | | |
| Fire | 5,175 | 4,755 |
| Household. | 14,192 | 8,946 |
| Buildings | 5,227 | 5,335 |
| Other property | 8,859 | 8,796 |
| Marine and aviation | 2,579 | 1,463 |
| Other insurance classes | 5,934 | 7,637 |
| Direct insurance classes | 78,366 | 81,968 |
| Reinsurances | 0 | 1,720 |
| Total. | 78,366 | 83,688 |

Administration expenses

| | <u>2005</u> | <u>2004</u> |
|------------------------------------|-----------------------|-----------------------|
| | thsd. € | thsd. € |
| Accident | 35,133 | 34,723 |
| Liability | 91,749 | 81,780 |
| Motor vehicle liability | 39,337 | 42,019 |
| Other motor vehicle | 24,791 | 29,512 |
| Fire and property | 109,013 | 105,646 |
| Including: | | |
| Fire | 21,449 | 19,699 |
| Household. | 18,403 | 22,232 |
| Buildings | 27,144 | 24,015 |
| Other property | 42,017 | 39,700 |
| Marine and aviation | 11,271 | 9,329 |
| Other insurance classes | 24,145 | 26,641 |
| Direct insurance classes | <u>335,439</u> | <u>329,650</u> |
| Reinsurances | <u>16,666</u> | <u>7,925</u> |
| Total | <u><u>352,105</u></u> | <u><u>337,575</u></u> |

Balance of reinsurers

(- = for the benefit of the reinsurer)

| | <u>2005</u> | <u>2004</u> |
|------------------------------------|------------------------|------------------------|
| | thsd. € | thsd. € |
| Accident | 4,590 | - 1,206 |
| Liability | - 23,786 | - 17,920 |
| Motor vehicle liability | - 5,646 | - 671 |
| Other motor vehicle | - 4,665 | - 7,789 |
| Fire and property | - 38,416 | - 27,542 |
| Marine and aviation | - 5,810 | - 766 |
| Other insurance classes | - 6,769 | - 13,262 |
| Direct insurance classes | <u>- 80,502</u> | <u>- 69,156</u> |
| Reinsurances | <u>1,086</u> | <u>1,529</u> |
| Total | <u><u>- 79,416</u></u> | <u><u>- 67,627</u></u> |

Balance on the technical account, net of reinsurance

| | <u>2005</u> | <u>2004</u> |
|------------------------------------|----------------------|------------------------|
| | thsd. € | thsd. € |
| Accident | - 1,438 | 17,188 |
| Liability | - 11,101 | - 5,295 |
| Motor vehicle liability | - 13,777 | - 17,385 |
| Other motor vehicle | 11,024 | 3,354 |
| Fire and property | 50,693 | 764 |
| Including: | | |
| Fire | - 10,588 | - 12,118 |
| Household. | 23,480 | 22,341 |
| Buildings | - 10,211 | - 11,733 |
| Other property | 48,012 | 2,274 |
| Marine and aviation | - 8,383 | - 5,802 |
| Other insurance classes | 4,480 | - 6,689 |
| Direct insurance classes | <u>31,498</u> | <u>- 13,865</u> |
| Reinsurances | <u>- 3,058</u> | <u>- 1,801</u> |
| Total | <u><u>28,440</u></u> | <u><u>- 15,666</u></u> |

Number of direct insurance contracts with a minimum term of one year

| | <u>2005</u> | <u>2004</u> |
|-------------------------------|------------------|------------------|
| Accident | 755,873 | 793,152 |
| Liability | 1,408,939 | 1,416,336 |
| Motor vehicle liability | 768,317 | 794,496 |
| Other motor vehicle | 567,007 | 586,597 |
| Fire and property | 1,684,828 | 1,748,973 |
| Including: | | |
| Fire | 90,726 | 92,269 |
| Household. | 836,541 | 859,428 |
| Buildings | 292,844 | 293,063 |
| Other property | 464,717 | 504,213 |
| Marine and aviation | 22,854 | 19,292 |
| Other insurance classes | 345,357 | 304,912 |
| Total | <u>5,553,175</u> | <u>5,663,758</u> |

**NOTES TO THE FINANCIAL STATEMENTS
OTHER DISCLOSURES**

| Personnel expenses | <u>2005</u> | <u>2004</u> |
|---|----------------|----------------|
| | <u>thsd. €</u> | <u>thsd. €</u> |
| 1. All kinds of commissions paid to insurance agents as defined by section 92 HGB for direct insurances | 277,574 | 271,090 |
| 2. Other remunerations paid to insurance agents as defined by section 92 HGB .. | 3,012 | 2,514 |
| 3. Salaries and wages | 136,319 | 148,724 |
| 4. Social security and other employee benefit costs..... | 25,333 | 26,441 |
| 5. Post-employment costs..... | 13,528 | 9,444 |
| 6. Total expenses | <u>455,766</u> | <u>458,213</u> |

The emoluments paid to the Board of Directors amounted to Euro 853 thsd. Retirement benefits and dependents' benefits for former members of the Board of Directors amounted to Euro 39 thsd. To cover pensions and pension entitlements for these persons the Gothaer Finanzholding AG recognised provisions at the amount of Euro 444 thsd.

The emoluments paid to the Supervisory Board amounted to Euro 262 thsd. The emoluments paid to the Advisory Board amounted to Euro 8 thsd. We neither made any payments to nor any provisions for former members of the Supervisory Board and the Advisory Board.

We did not grant any loans to members of the Board of Director as of 31 December 2005. In 2004 Euro 145 thsd. of the loans were repaid. The interest rate amounted to 5.5 %.

In 2005 we did not grant any loans to members of the Supervisory Board.

Staff

In 2005 Gothaer Allgemeine Versicherung AG employed on average 2,913 people with an office staff of 2,297 and a field staff of 495, plus 121 trainees on average.

Personnel expenses of the financial year

Please refer to the personnel expenses above.

List of shareholdings in accordance with section 285 no. 11 HGB

| <u>Name, domicile</u> | <u>Interest held</u> | <u>Equity</u> | <u>Result of last financial-year</u> |
|---|----------------------|---------------|--------------------------------------|
| | % | thsd. € | thsd. € |
| a) Affiliated companies in Germany | | | |
| Direct Investments | | | |
| Janitos Versicherung AG, Heidelberg..... | 100.00 | 24,864 | 1,919 |
| Gothaer Erste Kapitalbeteiligungs GmbH, Berlin | 20.00 | 17,468 | - 1,610 |
| Gothaer Zweite Beteiligungsgesellschaft Niederlande mbH, Göttingen..... | 28.60 | 4,596 | - 3,294 |
| Hamburg-Kölner-Vermögensverwaltungsgesellschaft mbH, Köln. | 25.00 | 9,756 | 733 |
| IDG Informationsverarbeitung und Dienstleistung GmbH | 74.90 | 5,435 | 1,908 |
| b) Non-affiliated companies in Germany | | | |
| Swiss Mobiliar Intern. Vers. AG i. L., Köln | 25.01 | 6,047 | 31 |
| Triforum Verw. Obj. IKS Köln KG, Pöcking | 88.10 | 15,711 | 976 |
| CG Car-Garantie Versicherungs-AG, Freiburg..... | 20.00 | 47,813 | 9,646 |
| KILOS Beteiligungsgesellschaft mbH & Co. Vermietungs-KG, München | 93.06 | 54,869 | 3,543 |

We applied section 286 para. 3 no. 1 HGB and section 286 para. 3 no. 2 HGB.

Contingent liabilities / other financial commitments

The contingent liabilities which are not disclosed in the balance sheet include liabilities arising from additional payments for shares we hold in public companies and limited liability companies. In addition to the contribution a contingent liability of Euro 61,425,201 arises from affiliated companies. There is a joint liability for pension entitlements of employees, members of the Board of Directors, former employees and members of the Board of Directors disclosed in the financial statements of Gothaer Finanzholding AG since 15.12.2003. Due to our membership of "Verkehrsofferhilfe e.V" we are committed to provide this association with funds needed by the association to fulfil its purpose. The funds to be paid by us amount to our proportion of the premiums received, which the members realised in the direct motor vehicle liability insurance business in the year before prior year.

Pre-emptions were only effected within the framework of supervisory regulations.

Consolidated financial statements

The financial statements of our company will be included in the consolidated financial statements of Gothaer Versicherungsbank VVaG, Köln.

The Gothaer Versicherungsbank VVaG prepares consolidated financial statements for the largest and smallest number of companies.

The consolidated financial statements of the Gothaer Versicherungsbank VVaG will be filed with the commercial register Köln under commercial register code HRB 660.

Köln, 6 April 2006

The Board of Directors

| | | | |
|-------------|-------------|--------|---------------------|
| Dr. Görg | van het Hof | Meisch | Dr. Nickel-Waninger |
| Dr. Schmitz | Schulte | Söhler | |

AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Gothaer Allgemeine Versicherung AG, Köln, for the business year from 1 January to 31 December 2005. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of 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 reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Köln, 19 April 2006

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Husch
Wirtschaftsprüfer

Glößner
Wirtschaftsprüfer

ISSUER

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United Kingdom

SENIOR CO-LEAD MANAGERS

Bayerische Hypo- und Vereinsbank AG

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D-81925 Munich
Germany

**DZ BANK AG Deutsche Zentral-Genossenschafts-
bank, Frankfurt am Main**

Platz der Republik
60265 Frankfurt am Main
Germany

PRINCIPAL PAYING AGENT AND CALCULATION AGENT

Deutsche Bank Aktiengesellschaft

Große Gallusstrasse 10–14
60272 Frankfurt am Main
Germany

LUXEMBOURG PAYING AGENT

and Listing Agent in Luxembourg

Deutsche Bank Luxembourg S.A.

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Linklaters

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