



# ANNUAL REPORT 2009

SI Re – Mutually yours  
Sustainable, agile, committed

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# SI Re at a glance

SIGNAL IDUNA Reinsurance Ltd (SI Re) is a Swiss reinsurer based in Zug, operational since 2004. We primarily serve mutual insurance companies and focus on selected European countries. Sustainability, agility and commitment are the building blocks of our franchise. We are strongly capitalized as evidenced by an «A-» financial strength rating from Fitch.

	2009 in mio. CHF	2008 in mio. CHF	Change in mio. CHF
Net premiums written	127.3	129.4	-2.1
Net premiums earned	126.6	125.9	0.7
Technical result	0.9	4.1	-3.2
Net investment income	12.1	4.4	7.7
Result for the year	4.4	0.3	4.1
Net technical provisions	214.5	166.0	48.5
Investments	292.8	241.4	51.4
Shareholders' equity	108.8	104.5	4.3

## BOARD OF DIRECTORS

Dr. Klaus Sticker, Chairman  
 Ulrich Leitermann  
 Dr. Otto Bruderer  
 Armin L. Landtwing  
 Rainer Schönberg  
 Peter Schmid  
 Bertrand R. Wollner, Executive Member

## EXECUTIVE BOARD

Bertrand R. Wollner, Chief Executive Officer  
 Beat Landtwing, Chief Financial Officer

## SHAREHOLDERS

100% SIGNAL IDUNA Allgemeine Versicherung AG,  
 Dortmund

## RATING

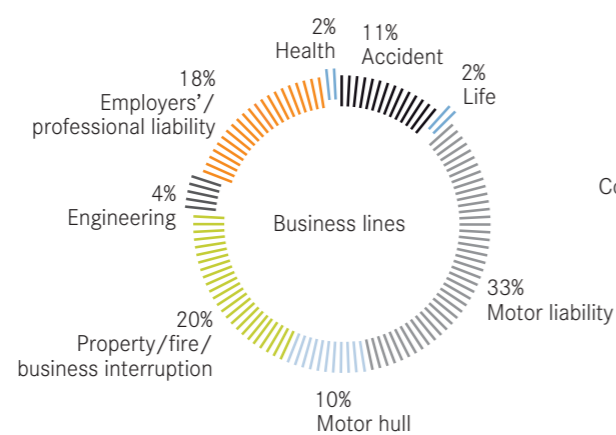
Fitch: A-

## AUDITORS

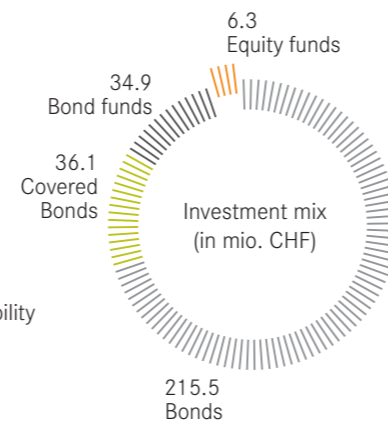
PricewaterhouseCoopers AG, Zurich

The Annual Report is published in German, English, French and Spanish. In the case of inconsistencies in the English, French and Spanish translations, the German original version shall prevail.

PORTFOLIO COMPOSITION 2009



INVESTMENTS 2009



# Report of the Board of Directors



Dr. Klaus Sticker



Bertrand R. Wollner

Dear Readers

Building on our long-term strategy, we are delighted to announce that SI Re posted another positive set of results in 2009. After adjusting for currency effects, business volume once again increased. Technical provisions and investments grew substantially and our client base expanded significantly. In light of our pleasing 2009 performance, we have decided to pay the first shareholder dividend in SI Re's still short history. We are naturally proud of this achievement given the exceptionally challenging overall operating environment.

In the 2009 financial year we generated a premium volume of CHF 127 million. In EUR, in which 97% of our premiums are denominated, this translates to EUR 84.5 million – a growth of 2.8%. This is a solid result in view of the tough economic situation and lacklustre growth of primary insurance markets. Our performance was helped by the fact that clients are increasingly recognising SI Re as a trusted reinsurance player. All of our growth in 2009 was attributable to external business originated outside the Group. We increased SI Re's share of business with one-third of our clients without compromising our stringent underwriting standards and doubled our share in a strategically important treaty. Overall, we managed to expand our client base by a third.

SI Re's combined ratio rose from 99.7% to 102.7%, reflecting our ongoing adherence to a prudent and disciplined reserving policy. Our net technical provisions rose by almost 30% to CHF 214 million and our investments, too, grew very dynamically by close to 22% to CHF 293 million. This was due partly to the recovery of the global capital markets and partly to the growth of our technical underwriting business.

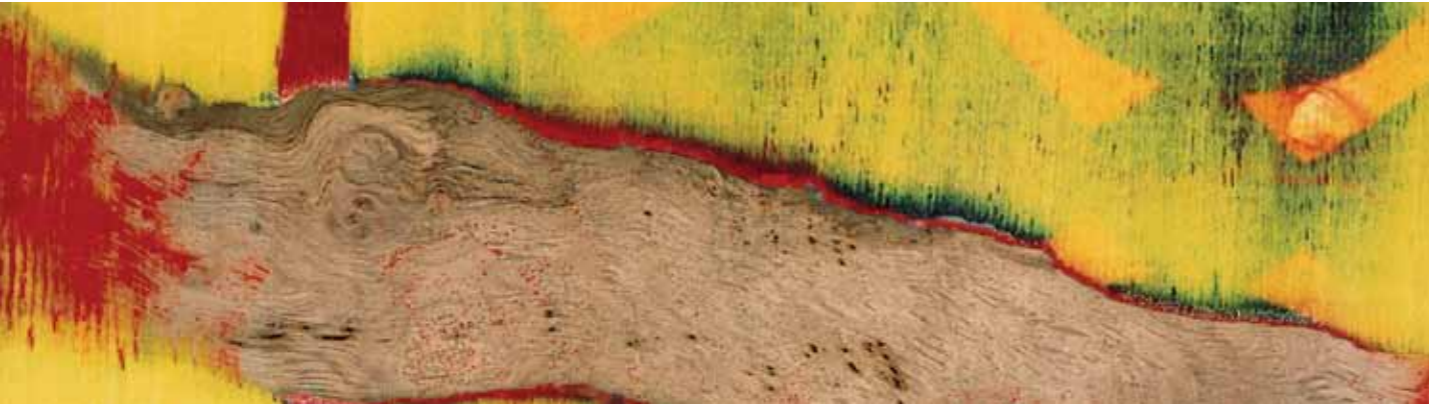
Shareholders' equity before allocation of profit was CHF 109 million, compared to CHF 104.5 million in the previous year. Given SI Re's strong financial and earnings position, the Annual General Meeting has, at the recommendation of the Board, approved a dividend of CHF 4.2 million for the 2009 financial year.

Our success is due to the growing trust of our clients in SI Re. We are sincerely grateful to them as well as to our talented and highly motivated team.

Dr. Klaus Sticker  
Chairman of the Board

Bertrand R. Wollner  
Executive Member of the Board  
and Chief Executive Officer

# The financial year 2009



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## CONTINUED PREMIUM GROWTH IN EUR

SI Re generates 97% of its premium volume in the eurozone, the majority of whose members experienced the worst recession in decades in 2009. Virtually all of the countries in the eurozone were confronted with a decline in gross domestic product. As a result, the growth of many primary insurance markets more or less ground to a halt. The resulting cost pressure caused many insurers to increase their retentions, with a negative effect on reinsurance volume, particularly in proportional business.

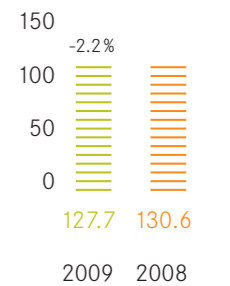
Despite these difficult conditions, our premium volume grew by a gratifying 2.8% to EUR 84.5 million in our sixth year of business. This performance was generated exclusively in our core markets. Our profitable growth – and the fact that our premium growth is attributable entirely to business originated outside the Group – is proof that SI Re is increasingly well respected as a European alternative in the reinsurance market. The trend towards a greater diversification of reinsurance cessions also benefited financially strong reinsurers like SI Re. Furthermore, clients are becoming more and more interested in doing business with reinsurers that belong to an insurance group, as such players tend to be faced with similar challenges on group level. On that basis, both parties find it easier to enter into a mutually beneficial dialogue.

The deepening and broadening of our client base was central to our performance in 2009. We successfully increased our share of business with one-third of our existing cedants, doubled our share in a strategically important treaty, and were once again able to acquire numerous new clients. Overall, we expanded our client portfolio by one-third in the year under review.

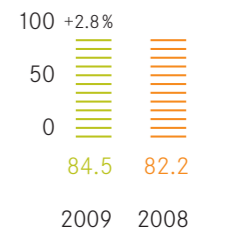
## SUBSTANTIAL GROWTH OF TECHNICAL PROVISIONS

Net technical provisions rose by 29% to CHF 214 million, reflecting the sustained growth of our reinsurance business. SI Re also bolstered its technical provisions in 2009 while continuing to adhere to its traditionally cautious and conservative reserving policy. Consequently, our claims ratio rose by 6.7 percentage points to 75.9% of net premiums earned, whereas our expense ratio fell by 3.7 percentage points to 26.8%, causing our combined ratio to increase by 3.0 percentage points to 102.7% of net premiums.

PREMIUMS WRITTEN GROSS (in mio. CHF)

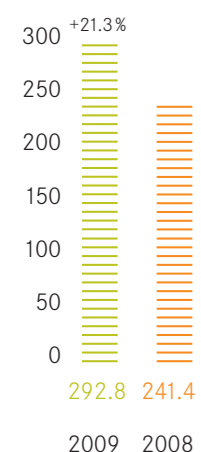


PREMIUMS WRITTEN GROSS (in mio. EUR)





INVESTMENTS  
(in mio. CHF)



IMPRESSIVE GROWTH AND GRATIFYING PERFORMANCE OF INVESTMENTS

Growth in our reinsurance business was once again accompanied by a significant increase in the size of our investment portfolio, which grew 21% from CHF 241.4 million to CHF 292.8 million.

BOOK VALUE IN CHF MILLION	2009	2008	Change
Fixed-term deposits	0	16.4	(16.4)
Bonds	215.5	159.8	55.7
Covered bonds	36.1	41.8	(5.7)
Bond funds	34.9	18.3	16.6
Equity funds	6.3	5.1	1.2

SI Re maintained its conservative investment strategy in 2009. As in 2008, just over 2% of our investments were held in equities. The remainder of the portfolio was comprised of fixed-income securities and shares in a bond fund. As the financial markets began to normalise, we completely wound up our holdings of fixed-term deposits, which had been significant (7% of the portfolio) in the previous year. Approximately 85% of our investments were in bonds (previous year: 74%).

In 2009 the credit quality of our bond portfolio was once again above average. Around two-thirds of the securities have an issue rating of AA or higher.

Current investment income rose from CHF 8.2 million in 2008 to CHF 9.4 million in 2009. This translates to a current investment return of 3.5% – a remarkable achievement in a phase of historically low interest rates and significant falls in credit spreads. Thanks to the recovery of the financial markets, we also recorded positive valuation differences in our investments in the year under review. These were reflected in a capital gain of CHF 2.7 million – in stark contrast to 2008 when we were obliged to write off CHF 3.8 million on our equity and bond fund investments. All in all, at CHF 12.1 million, we trebled our total investment result in 2009. The total investment return rose to 4.5%, compared to 1.8% the year before. We also recorded major changes in unrealised capital gains and losses. While we incurred capital losses of CHF 4.6 million in 2008, we are pleased to report a positive valuation reserve of CHF 8.3 million for the year under review.

INVESTMENT RESULTS IN CHF MILLION	2009	2008	Change
Current investment income	9.4	8.2	1.2
Capital gains / losses	2.7	(3.8)	6.5
Total investment result	12.1	4.4	7.7

ADMINISTRATIVE EXPENSES

We continued to reinforce our team in 2009 in line with our strong performance. We have hired an experienced underwriting expert to improve our coverage of the Iberian Peninsula and strengthened our position in Switzerland, our home market. We also recruited a highly qualified financial mathematician to support our actuarial unit. These investments caused our administrative expense ratio to rise slightly from 3.4% to 3.6% of premiums earned.

EQUITY POSITION REMAINS STABLE AND ROBUST

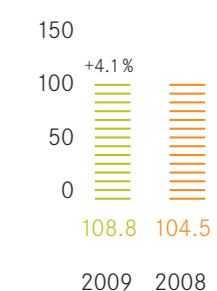
SI Re's shareholders' equity stood at CHF 109 million before allocation of profit, a rise of over 4% compared to the previous year. In light of our healthy financial condition, the Annual General Meeting approved the Board's proposal to pay a CHF 4.2 million dividend for the first time in our company's history. After allocation of profit, our shareholders' equity therefore stands at CHF 105 million, marginally above the 2008 figure.

ONGOING BUSINESS DEVELOPMENT ACTIVITIES

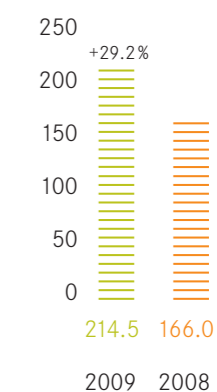
Fitch's decision to award SI Re an "A-" financial-strength rating in the summer of 2008 signalled the end of our company's start-up phase and has allowed us not only to underwrite additional risks but to expand our client base. We have also redesigned our corporate identity and strengthened our external communications.

SI Re's new brand, which was launched at the beginning of 2009, highlights our core values. Everything we do – from our relationships with clients, business partners and staff to the elaboration and implementation of our strategies and processes – reflects our commitment to professionalism, reliability, innovation, flexibility, cosmopolitanism and discretion. Our new-look visual identity has also been applied to our website [www.sire.ch](http://www.sire.ch)

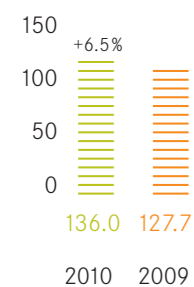
SHAREHOLDERS' EQUITY  
(in mio. CHF)



NET TECHNICAL PROVISIONS  
(in mio. CHF)



RENEWALS  
(in mio. CHF)



OUTLOOK FOR THE 2010 FINANCIAL YEAR

We expect headwinds to remain strong in 2010 as European nations continue to wrestle with the fallout of the recession. New risks related to the precarious fiscal situation in some EU countries also need to be factored into the equation. As most of our business is done in the European Union, we are monitoring these developments, especially the increasing volatility of the CHF/EUR exchange rate and uncertainty in the markets for European government bonds, very closely indeed.

Thanks to the dramatic recovery of the capital markets since spring 2009 and the exceptionally low number of major claims last year, reinsurers have managed to rebuild their capital bases substantially; by the end of 2009, they had even exceeded mid-2007, pre-crisis levels. Precisely how the most recent equity-market correction and the falling value of certain countries' government bonds will impact reinsurance capacity remains to be seen.

Reinsurers had a difficult 2010 renewal season, as prices and conditions came under pressure. Economic woes caused insurance premiums to decline in numerous markets and lines of business and insurance demand among both private and corporate clients dropped off. More generally, cedants were keen to optimise their reinsurance cessions as far as possible. We expect this trend to persist throughout 2010.

Given this environment, we were very pleased with the outcome of the 2010 renewals. Measured in Euro, we once again anticipate growth in total gross premium volume of 5% in the current year, driven first and foremost by new client relationships. The volume of internal group business has remained unchanged. Accordingly, the proportion of external business in the portfolio as a whole has risen from 65% to 67% and we have simultaneously been able to gain market share in our target markets.

Irrespective of economically and cyclically-driven developments on the supply and demand side, the "flight to diversification" which we have observed across the reinsurance market since 2008, has remained an important trend in 2009 and to date in 2010. Primary insurers' sensitivity to counterparty risks has become noticeably more acute in the course of the financial crisis. Clients are increasingly seeking to spread their own risk by ceding their business to a larger number of reinsurance providers – a trend that naturally favours financially strong players like SI Re.

## Balance sheet

### Assets

	31.12.2009	31.12.2008
	CHF	CHF
<b>INVESTMENTS</b>		
Short-term investments	0	16 424 100
Fixed-income securities	251 542 446	201 576 789
Shares in investment funds	41 225 270	23 394 653
Tangible assets	499 079	416 695
Intangible assets	187 291	227 496
	<b>293 454 086</b>	<b>242 039 733</b>
<b>CURRENT ASSETS</b>		
Cash	5 784 812	3 050 367
Receivables from insurance operations – Group	1 351 298	4 107 144
Receivables from insurance operations – Third parties	16 857 858	13 177 783
Deposits	10 344 137	9 509 760
Other assets	25 086	134 211
Accrued income	6 593 872	6 066 021
	<b>40 957 063</b>	<b>36 045 286</b>
<b>Total assets</b>	<b>334 411 149</b>	<b>278 085 019</b>

### Liabilities and shareholders' equity

	31.12.2009	31.12.2008
	CHF	CHF
<b>LIABILITIES</b>		
Net technical provisions		
Unearned premiums	3 149 067	2 888 544
Provision for annuity contracts	2 749 637	1 090 006
Provision for future life benefits	10 344 137	9 509 760
Provision for outstanding claims	198 284 937	150 885 663
Other technical provisions	0	1 586 605
	<b>214 527 778</b>	<b>165 960 578</b>
Other liabilities		
Liabilities from insurance operations – Group	2 222 495	102 570
Liabilities from insurance operations – Third parties	7 192 677	6 740 266
Other liabilities – Group	376 182	299 740
Other liabilities – Third parties	204 712	137 577
Other provisions	966 900	295 200
Accrued expenses	74 514	56 370
	<b>11 037 480</b>	<b>7 631 723</b>
	<b>225 565 258</b>	<b>173 592 301</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	100 000 000	100 000 000
Legal reserve	1 389 000	1 326 000
Other reserves (formerly organisation fund)	2 296 692	2 296 692
Retained earnings		
Retained earnings brought forward from previous year	807 026	556 153
Result for the year	4 353 173	313 873
	<b>108 845 891</b>	<b>104 492 718</b>
<b>Total liabilities and shareholders' equity</b>	<b>334 411 149</b>	<b>278 085 019</b>



## Income statement

### Technical income statement

(for own account)

	2009	2008
	CHF	CHF
<b>NON-LIFE REINSURANCE</b>		
Net premiums written	125 458 392	127 536 361
Change in unearned premiums	-686 141	-3 493 180
<i>Premiums earned</i>	124 772 251	124 043 181
<i>Income from technical interest</i>	4 423 384	3 766 136*
<i>Other technical income</i>	0	152
<i>Commissions and profit commissions</i>	-33 585 742	-38 074 305
Claims paid	-43 441 610	-38 399 363
Change in provision for outstanding claims	-50 927 086	-46 984 847
<i>Incurred claims</i>	-94 368 696	-85 384 210
<i>Other technical expenses</i>	-492 202	-430 025
Non-life reinsurance result	<b>748 995</b>	<b>3 920 929</b>
<b>LIFE REINSURANCE</b>		
Net premiums written	1 837 193	1 836 685
Change in unearned premiums	0	0
<i>Premiums earned</i>	1 837 193	1 836 685
<i>Income from technical interest</i>	336 208	321 331
<i>Commissions and profit commissions</i>	-329 487	-363 434
Life benefits	-821 186	8 549 066
Change in provision for future life benefits	-879 319	-10 186 836
<i>Total life benefits</i>	-1 700 505	-1 637 770
Life reinsurance result	<b>143 409</b>	<b>156 812</b>
Overall technical result	<b>892 404</b>	<b>4 077 741</b>

### Non-technical income statement

	2009	2008
	CHF	CHF
Investment income	9 396 779	8 234 146
Capital gains	4 308 693	143 136
Capital losses	-1 595 975	-3 991 050
Income from technical interest, non-life reinsurance	-4 423 384	-3 766 136*
Exchange-rate differences	1 169 598	89 537
Other income	1 283	70 407
Total non-technical income	<b>8 856 994</b>	<b>780 040</b>
Personnel expenses	-2 394 426	-1 944 000
Financial expenses	-570 349	-881 590
Other administrative expenses	-1 626 461	-1 420 618
Total administrative expenses	<b>-4 591 236</b>	<b>-4 246 208</b>
Valuation adjustments	-217 443	-186 565
Other expenses	-82 539	-54 808
Total non-technical expenses	<b>-4 891 218</b>	<b>-4 487 581</b>
Non-technical result	<b>3 965 776</b>	<b>-3 707 541</b>
Pre-tax result for the year	4 858 180	370 200
<i>Taxes</i>	-505 007	-56 327
Result for the year	<b>4 353 173</b>	<b>313 873</b>

# Notes to the 2009 financial statements

The following notes are an integral part of the income statement and balance sheet. Below SIGNAL IDUNA Reinsurance Ltd has disclosed all details required for compliance with Art. 663b of the Swiss Code of Obligations.

## 1. GENERAL

SIGNAL IDUNA Reinsurance Ltd is a subsidiary of SIGNAL IDUNA Group, Dortmund/Hamburg. 100% of the shares are owned by SIGNAL IDUNA Allgemeine Versicherung AG, Dortmund.

## 2. ACCOUNTING AND VALUATION PRINCIPLES

### Time period

Reinsurance business comprises the cedants' 2009 financial year. Cedant accounts that are not available at the time of closing have been estimated. General income and expenses are congruent with the financial year 2009.

### Foreign currency translation

As is common practice in the international reinsurance business, accounts are denominated in the original currencies. For the purposes of the balance sheet, translations are made into Swiss francs at year-end exchange rates; income statement amounts are translated at the relevant quarterly exchange rates. The resulting exchange-rate differences are recognised in the income statement. Net non-realised gains derived from foreign-currency translations are reserved.

### Investments

Fixed-income securities are valued at amortised cost using the linear cost amortisation method. The difference between the purchase price and the redemption value is distributed evenly over the remaining time to maturity and is recorded in the income statement as write-ups or write-downs. Value adjustments are made to reflect any decline in credit rating. Shares in investment funds are carried at fair value on the balance sheet date.

### Current assets

Receivables, deposits and other assets are carried at nominal value. In questionable cases, the value of the positions is reduced as appropriate.

### Net technical provisions

Unearned premiums, the provision for outstanding claims and other technical provisions are based on information supplied by cedants. Final calculations conducted internally may result in the original reported provisions being strengthened. Additional provisions are created based on estimates for claims incurred but not yet reported.

### Premium and claim portfolio movements

Premiums consist of premium portfolio inflows and outflows and claims paid consist of the corresponding claims portfolio inflows and outflows.

### Change in unearned premiums

The change in the provision for performance-related premium rebates is contained in the position «Change in unearned premiums».

### Other provisions

Other provisions for taxes include liabilities relating to taxes on income and capital at year-end as well as estimated income tax on years that have not yet been assessed for tax purposes.

### Deposit accounting

Contracts without risk transfer are not included in the technical account but are accounted for using the deposit accounting method.

### Technical interest, non-life reinsurance

The interest recorded in the technical income statement corresponds to the income from technical interest calculated in the pricing for the entire portfolio of reinsurance contracts. It is calculated by currency and as accrued, using the risk-free interest rate curve in effect at the time of pricing.

## 3. OWNERSHIP RESTRICTIONS ON RECORDED ASSETS PLEDGED TO SECURE OWN LIABILITIES

	2009	2008
	CHF	CHF
-----		
Technical provisions and other liabilities secured by pledged securities or current accounts		
Securities	75 669 270	55 480 153
Current account	85 000	187 776
-----		
Total book value of pledged assets	75 754 270	55 667 929

UBS AG has granted SIGNAL IDUNA Reinsurance Ltd a credit facility of EUR 20 million, available in EUR and other foreign currencies, to secure deposits, guarantees and letters of credit. On the balance sheet date, 31 December 2009, EUR 15 million of this facility had been used (31 December 2008: EUR 10.5 million).

## 4. FIRE INSURANCE VALUE OF TANGIBLE ASSETS

	2009	2008
	CHF	CHF
-----		
Tangible assets	800 000	800 000

## 5. OFF-BALANCE SHEET LEASING COMMITMENTS

Rental contract for office space with an earliest possible termination date 30 September 2011 – CHF 392 000.

6. ADDITIONAL INFORMATION ON SPECIFIC INCOME-STATEMENT POSITIONS

Breakdown of gross / net account:

2009	CHF	CHF	CHF
	Gross	Retro	Net
Premiums written	127 726 613	-431 028	127 295 585
Change in unearned premiums	-686 141	-	-686 141
<i>Premiums earned</i>	127 040 472	-431 028	126 609 444
<i>Technical interest</i>	4 759 592	-	4 759 592
<i>Other technical income</i>	-	-	-
<i>Commissions and profit commissions</i>	-33 915 229	-	-33 915 229
Claims paid / life benefits	-44 262 796	-	-44 262 796
Change in provision for outstanding claims and future life benefits	-51 806 405	-	-51 806 405
<i>Incurred claims and life benefits</i>	-96 069 201	-	-96 069 201
Other technical expenses	-492 202	-	-492 202
<b>Technical result</b>	<b>1 323 432</b>	<b>-431 028</b>	<b>892 404</b>

2008	CHF	CHF	CHF
	Gross	Retro	Net
Premiums written	130 595 904	-1 222 858	129 373 046
Change in unearned premiums	-3 493 180	-	-3 493 180
<i>Premiums earned</i>	127 102 724	-1 222 858	125 879 866
<i>Technical interest</i>	4 087 467	-	4 087 467
<i>Other technical income</i>	152	-	152
<i>Commissions and profit commissions</i>	-38 437 739	-	-38 437 739
Claims paid / life benefits	-29 850 297	-	-29 850 297
Change in provision for outstanding claims and future life benefits	-57 171 683	-	-57 171 683
<i>Incurred claims and life benefits</i>	-87 021 980	-	-87 021 980
Other technical expenses	-430 025	-	-430 025
<b>Technical result</b>	<b>5 300 599</b>	<b>-1 222 858</b>	<b>4 077 741</b>

7. ADDITIONAL INFORMATION ON SPECIFIC BALANCE-SHEET POSITIONS

Technical provisions gross and for own account are as follows:

	2009	2009	2008	2008
	Gross	Net	Gross	Net
	CHF	CHF	CHF	CHF
Unearned premiums	3 149 067	3 149 067	2 888 544	2 888 544
Provision for annuity contracts	2 749 637	2 749 637	1 090 006	1 090 006
Provision for future life benefits	10 344 137	10 344 137	9 509 760	9 509 760
Provision for outstanding claims	198 284 937	198 284 937	150 885 663	150 885 663
Other technical provisions	0	0	1 586 605	1 586 605
<b>Total technical provisions</b>	<b>214 527 778</b>	<b>214 527 778</b>	<b>165 960 578</b>	<b>165 960 578</b>

«Other provisions» contains the following amounts:

	2009	2008
	CHF	CHF
Unrealised foreign-exchange gains	106 200	0
Taxes	485 000	66 000
Other	375 700	229 200
<b>Total other provisions</b>	<b>966 900</b>	<b>295 200</b>

## Appropriation of available earnings



### 8. RISK MANAGEMENT ASSESSMENT

SIGNAL IDUNA Reinsurance Ltd has a modern and company-specific risk management and internal control system. The resulting risk management system is structured to reflect the complexity and size of the company and dovetails with the Swiss Solvency Test and the internal control system. Furthermore, the risk management system has been integrated into the SIGNAL IDUNA Group's central risk management system.

The risk management process is the responsibility of the company's risk manager who supplies the Executive Board with a half-yearly risk report based on information contained in the risk catalogue. The risk report analyses the company's overall risk position and examines the development and quantification of technical, financial and company-wide risks. It also gives details of any corporate governance incidents.

The Executive Board reports twice a year on the findings of the report to the Board of Directors at its regular board meetings.

	CHF
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Retained earnings brought forward from previous year	807 026
Result for the year	4 353 173
Retained earnings as per 31 December 2009 available to the Annual General Meeting	5 160 199
The Board of Directors proposes to the Annual General Meeting to appropriate available earnings as follows:	
Dividend	4 200 000
Allocation to legal reserve	871 000
Retained earnings carried forward	89 199
	<hr style="border-top: 1px dashed orange;"/> 5 160 199

Zug, 19 March 2010

# Auditor's report

Report of the statutory auditor  
to the general meeting of  
SIGNAL IDUNA Reinsurance Ltd  
Zug

## REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of SIGNAL IDUNA Reinsurance Ltd, which comprise the balance sheet, income statement and notes (pages 14-23), for the year ended 31 December 2009.

### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended 31 December 2009 comply with Swiss law and the company's articles of incorporation.

### REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Lüssi  
Audit expert  
Auditor in charge

Manuela Blättler  
Audit expert

Zurich, 26 March 2010



© Hannes Bok, detail of «Untiefen»

#### ARTIST HANNES BOK

Hannes Bok has worked from 1982 to 1988 as cabinet maker and furniture renovator. He then studied European Ethnology, History of Art and romance Language in Tübingen and Paris. He studied at the «Ecole Boulle» in Paris to become an «artist inlayer» (artiste marqueteur).

He now exhibits his works in Germany and in France.

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