

- **Gratifying first half-year 2002**
  - **EBIT +32%**
  - **Net income +23%**
  - **Gross written premiums +36%**
- **Profits forecast for the year as a whole confirmed**

Hannover, 21 August 2002: In its interim report published today Hannover Re expressed considerable satisfaction with the development of its business in the first half of 2002. Following an exceptionally favourable first quarter 2002, the course of the second quarter also proved gratifying in all business groups.

As announced by the company in a press release, EBIT for the second quarter amounted to EUR 110.0 million and for the first half-year as a whole it totalled EUR 284.3 million (+31.8% compared to the same period in the previous year). Net income for the quarter stood at EUR 56.2 million. Net income for the first half-year increased by 23.2% to EUR 146.3 million. This corresponds to earnings per share of EUR 1.51 (EUR 1.34). "Despite the difficult state of the capital markets we are thus right on course to achieve our targeted EBIT of more than EUR 600 million and net income of around EUR 300 million", emphasised Wilhelm Zeller, Chairman of the Executive Board. After factoring out special effects this would be the best result in the history of Hannover Re.

Premium income – especially in property and casualty reinsurance – recorded further vigorous growth. Gross written premiums across all four business groups totalled EUR 3.0 billion in the second quarter. For the first half-year as a whole they reached EUR 6.2 billion (same period in the previous year: EUR 4.5 billion, +36.0%). Growth would be 3.4 percentage points higher if changes in exchange rates were factored out. Net premiums earned in the second quarter amounted to EUR 1.5 billion. For the first half-year as a whole they totalled EUR 3.3 billion (EUR 2.8 billion, +18.9%).

Gross written premiums in **property and casualty reinsurance** totalled EUR 1.6 billion in the second quarter and EUR 3.3 billion for the first half-year (EUR 1.7 billion, +90.8%). Net premiums earned amounted to EUR 813.0 million in the second quarter and EUR 1.8 billion for the first half-year as a whole (EUR 1.2 billion, +51.4%). As Mr. Zeller stressed: "This development clearly demonstrates that we have systematically implemented our strategy of growing with the cyclical upswing". The profitability of the business is borne out by the underwriting result, which closed the first half-year positively at EUR

80.3 million (-EUR 57.6 million, +240%). The combined ratio for the second quarter was 100.0%, despite a burden of major losses that accounted for 5.1 percentage points. In the first half-year the ratio improved markedly by 8.9 percentage points to 96.2 % (105.1%). EBIT in the second quarter totalled EUR 50.7 million, while for the first half-year – despite lower investment income – EBIT amounted to EUR 196.2 (EUR 137.2 million, +43.0%). Quarterly net income reached EUR 14.8 million and net income for the first half-year stood at EUR 90.7 million (EUR 69.1 million, +31.3%). This corresponds to earnings per share of EUR 0.93 (EUR 0.78).

In the second quarter **life and health reinsurance** continued to develop as anticipated. Gross written premiums amounted to EUR 520.9 million. The gross premium income in the first half-year of EUR 1.1 billion (EUR 1.1 billion) was on a par with the same period in the previous year. Net premiums earned totalled EUR 281.5 million for the second quarter and EUR 797.3 million in the first half-year (EUR 813.8 million, -2.0%). EBIT reached EUR 15.6 million for the second quarter and EUR 22.5 million for the first half-year (EUR 23.8 million, -5.5%). Quarterly net income increased to EUR 12.6 million; net income for the first half-year totalled EUR 15.3 million (EUR 13.6 million, +12.9%). This corresponds to earnings per share of EUR 0.16 (EUR 0.15). Neither the premium growth nor the profit contribution in life and health reinsurance provide any indication of the expected year-end figures. This is due to the fact that premiums from life reinsurance treaties with financing components – which account for the bulk of the business in terms of premium volume – tend to accrue predominantly in the fourth quarter.

As was already demonstrated by the first quarter, the process of consolidation in **program business** is successful. "Especially in the USA we achieved gratifying expansion of our market position", Mr. Zeller explained. Gross written premiums for the second quarter totalled EUR 576.5 million, while for the first half-year they were on a par with the previous year at EUR 1.2 billion (EUR 1.2 billion). Net premiums earned climbed to EUR 193.9 million in the second quarter and EUR 395.9 million for the first half-year (EUR 271.3 million, +46.0%). This was due to the fact that the level of premiums retained increased from 25.3 % to 35.8%. EBIT totalled EUR 23.3 million in the second quarter and reached EUR 36.8 million for the half-year as a whole (EUR 22.8 million, +61.3%). Thus quarterly net income of EUR 13.9 million and net income for the first half-year of EUR 19.3 million (EUR 12.0 million, +61.1%) were generated. Earnings per share amounted to EUR 0.20 (EUR 0.14).

Demand for **financial reinsurance** products generally tends to be stronger in the second half of the year, and the premium growth and result of the first six months therefore cannot be taken as a pointer to the development for the year as a whole. Furthermore, the vigorous growth of the past two years is not expected to be sustained. Gross written premiums in financial reinsurance totalled EUR 287.6 million in the second quarter and EUR 504.7 million (EUR 536.7 million, -6.0%) for the first

half-year. Net premiums earned in the quarter just-ended stood at EUR 198.6 million. They amounted to EUR 304.9 million (EUR 503.8 million, -39.5%) in the first half-year. On a quarterly basis EBIT of EUR 20.4 million was generated, while in the first half-year EBIT totalled EUR 28.9 million (EUR 31.9 million, -9.5%). This resulted in a quarterly net income of EUR 14.9 million and net income for the half-year of EUR 21.0 million (EUR 24.1 million, -12.8%). Earnings per share for the first half-year stood at EUR 0.22 (EUR 0.27).

**Net investment income** deteriorated as expected due to the difficult situation on the capital markets. Although the equity ratio was merely around 7%, the portfolio was not spared a loss of value. Write-offs of EUR 54.8 million were made in the second quarter due to likely permanent diminutions in value, with EUR 47.6 million of this amount attributable to equities. As Mr. Zeller confirmed: "We have thus already made systematic allowance for any potential loss". Compared to the same period in the previous year, net investment income for the first half-year declined to EUR 380.1 million (EUR 423.4, -10.2%).

The most recent natural catastrophes in Germany, Austria, Italy and the Czech Republic have caused devastating economic losses, although only portions thereof are insured. It is too early to make reliable estimates of the precise burden of losses. Nevertheless, Hannover Re anticipates that the strain for its account will be within the multi-year average for natural catastrophe losses and it therefore continues to expect a very good overall result for 2002. "Provided no further extraordinary loss events occur and as long as the situation on the capital markets does not deteriorate, the current financial year is likely to pick up the thread of earlier record years", explained Mr. Zeller. For the 2002 year as a whole the company anticipates EBIT of more than EUR 600 million, net income of around EUR 300 million and earnings per share of more than EUR 3.00.

**For further information**, please contact Dr. Lutz Köhler (tel. +49/511/56 04-15 00; fax+49/511/56 04-16 48, e-mail lutz.koehler@hannover-re.com).

***Hannover Re**, with gross premiums of approx. EUR 12 bn., is the fifth-largest reinsurer in the world. It transacts all lines of property/casualty, life/health and financial/finite-risk reinsurance as well as program business. It maintains business relations with more than 2,000 insurance companies in over 100 countries. Its worldwide network consists of more than 100 subsidiaries, branch and representative offices in 19 countries. The American rating agencies Standard & Poor's and A.M. Best have awarded Hannover Re a rating of AA ("Very Strong") and A+ ("Superior"), respectively*

## ALL BUSINESS GROUPS *in comparison*

in m. EUR	Property/Casualty		Life/Health		Financial		Program		Total	
	1H/2002	1H/2001	1H/2002	1H/2001	1H/2002	1H/2001	1H/2002	1H/2001	1H/2002	1H/2001
Gross written premiums	3,334	1,748	1,099	1,077	505	537	1,217	1,165	6,154	4,526
Change in GWP	90.8%	22.9%	2.0%	(6.8%)	(6.0%)	88.7%	4.4%	30.7%	36.0%	20.6%
Net premiums earned	1,829	1,209	797	814	305	504	396	271	3,327	2,798
Underwriting result	80	(58)	(35)	(100)	(111)	(50)	36	23	(29)	(184)
Net investment income	153	209	72	121	139	82	17	11	380	423
Other income and expenses	(37)	(14)	(15)	2	2	(1)	(16)	(11)	(67)	(24)
Operating profit/loss (EBIT)	196	137	23	24	29	32	37	23	284	216
Interest on hybrid capital	(22)	(19)	(2)	(3)	(1)	(2)	(5)	(3)	(30)	(26)
Pre-tax result	174	119	20	21	28	30	32	20	254	189
Taxes	(64)	(44)	(6)	(7)	(5)	(2)	(11)	(7)	(86)	(60)
Minority interest	(20)	(6)	1	(1)	(2)	(4)	(2)	(1)	(22)	(11)
Net income	91	69	15	14	21	24	19	12	146	119
Net return on premium <sup>1)</sup>	10.7%	11.3%	2.8%	2.9%	9.5%	6.3%	9.3%	8.4%	8.5%	7.7%
EPS Contribution <sup>2)</sup>	0.93	0.78	0.16	0.15	0.22	0.27	0.20	0.14	1.51	1.34

1) Operating profit (EBIT)/Net premiums earned

2) Figures have been adjusted to the 3-for-1 share split in July 2002