Münchener Rück
Munich Re Group

Press release – Munich, 25 July 2008

Munich Re Group: Lower profit in 2nd quarter of 2008 due to capital market turmoil; more cautious profit forecast for the financial year 2008 as a whole; medium-term target for the period up to 2010 confirmed

Against the background of steep falls in share and bond prices, Munich Re expects its profit for 2008 to be below the previously envisaged range of €3.0–3.4bn, but still well above €2bn. The main reason for this is the turmoil on the capital markets, which has led to an appreciable reduction in the Group's investment result in the first half of 2008.

On the basis of very provisional key figures, the Group expects its consolidated profit to total around €600m (same period last year: €1,158m) for the second quarter and about €1.4bn (2.1bn) for the first half-year. Group equity as at 30 June 2008 will probably be in the range of €21.5bn (compared with €23.8bn as at 31.3.2008).

Since the beginning of 2008, share prices have fallen substantially, with the EUROSTOXX50 and the DAX showing changes of between -20% and -24% up to 30 June 2008. Fixed-interest securities and currency parities have also been subject to exceptionally high volatility. As an investor with assets of around €166bn, the Munich Re Group has naturally been hit by these developments. Within the framework of its prudent and risk-conscious investment policy, the Group's economic exposure to equities only amounts to just under 7% of its overall assets. Nevertheless, substantial write-downs have had to be made for this equity portfolio, and net gains on disposals have remained well below the previous year's figure. Write-downs of fixed-interest securities were only small in scope, with the Group again benefiting from its proven policy of restraint with regard to higher-risk investments in this category. If price levels stay the same, further write-downs of equities would be necessary over the rest of the year. This will not apply if, as some market players expect, a significant price recovery takes place.

Munich Re's longer-term goals remain unaffected by this reassessment. CFO Jörg Schneider on the revised profit guidance: "We have always

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stated that our result forecasts are conditional on normal capital-market fluctuations and claims burdens. Now a strong fall in share prices has occurred. As one of the most significant investors in our industry, we cannot escape the current capital-market turmoil. But thanks to our balanced investment policy, we have succeeded in achieving quite an acceptable half-year result in this difficult overall environment. In the second half of 2008, we will also achieve a substantial profit, even assuming that the capital markets remain difficult. Should the capital-market situation show a considerable improvement, our profit guidance would also increase again."

Stressing that the medium-term outlook was definitely positive, Schneider confirmed: "We stand by the targets of our Changing Gear initiative. We aim to increase our earnings per share to more than €18 by 2010."

The share buy-back programme will be continued, too. In line with previous announcements, further shares with a volume of €1bn are to be repurchased before the Annual General Meeting in 2009.

As planned, Munich Re's figures for the first half-year 2008 and the outlook for the whole of 2008 will be published on 6 August 2008. All statements made today are, as always, conditional on normal claims and capital-market developments.

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The **Munich Re Group** operates worldwide, turning risk into value. In the financial year 2007, it achieved a profit of €3,937m, the highest since the company was founded in 1880, on premium income of approximately €37bn. The Group operates in all lines of business, with more than 38,000 employees at over 50 locations throughout the world and is characterised by particularly pronounced diversification, client focus and earnings stability. With premium income of around €21.5bn from reinsurance alone, it is one of the world's leading reinsurers. Its primary insurance operations are mainly concentrated in the ERGO Insurance Group. With premium income of over €17bn, ERGO is one of the largest insurance groups in Europe and Germany. It is the market leader in Europe in health and legal expenses insurance, and 34 million clients in 26 countries place their trust in the services and security it provides. The global investments of the Munich Re Group amounting to €176bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.