

2/2001

Munich Re Group
Quarterly Report



Münchener Rück
Munich Re Group

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To our shareholders

Dear Shareholders,

In this interim report we wish to inform you about the business performance of the Munich Re Group in the first half-year 2001.

The most important event in this period was our agreement with Allianz to continue the restructuring of shareholdings in which both Munich Re and Allianz are involved. We informed you in detail about the far-reaching changes connected with this agreement at the beginning of April and on several occasions since, the most recent being Munich Re's AGM on 18th July.

An important part of the overall transaction was Munich Re's offer to ERGO shareholders to exchange their shares for Munich Re stock at a ratio of 2:1. This attractive offer, which included a cash component, met with an excellent response from the ERGO shareholders. Between 21st May and 19th July more than 90% of the outstanding shares were submitted to us for exchange. This means that in future Munich Re will have a 91.7% holding in ERGO Versicherungsgruppe, while our cooperation partner, the HVB Group, will hold a further 5%.

The Munich Re Group and the HVB Group will work together even more closely in future. Already VICTORIA, one of the members of the ERGO Group, is present with its products in all the branches of HypoVereinsbank and also on the website of DAB bank, which belongs to the HVB Group. Eight project committees are currently in the process of closely examining all further opportunities for collaboration in Germany and abroad – ranging from the exclusive cooperation between ERGO and HVB in marketing mass business to the joint development of customized capital-market products or project financing. The field of asset management is of substantial significance as well. In this area we already have a joint subsidiary, FondsServiceBank, which specializes in the management of deposits. Since its launch on 2nd January, FSB has succeeded in increasing the number of deposits by 20% to 240,000. Further projects will follow.

Overall economic conditions deteriorated worldwide in the first half of 2001. The world economy is slowing down; a string of bad news from companies is depressing the climate, also in the capital markets.

Given this difficult environment, the Munich Re Group did very well in the first six months of the business year. Compared to the first half-year 2000, our premium income rose by 12.1% to €17.1bn. The result after tax increased from €652m* to €1,298m. This improvement stems predominantly from the switch we made in the first quarter to a less deferred valuation of our shares in Allianz, a change we explained in our report for that quarter.

Our premium income from reinsurance grew by 16.1% to €10.1bn. In many markets we have been able to improve prices and conditions and optimize our portfolio, but it will take some time before these improvements make themselves fully felt in our results. The combined ratio for the first half-year remained almost unchanged at 110.3%; excluding claims arising from natural catastrophes it was 108.0%.

Our primary insurers continue to develop very positively and wrote gross premiums of €7.8bn, or 8.3% more than in the previous year. This growth is to a large extent attributable to the foreign acquisitions made last year, especially Bayerische Vita, Milan. But we also succeeded in expanding our premium volume in the highly competitive German market.

* Special funds in which we hold the majority of units were consolidated for the first time as at 31st December 2000. We have not adjusted the figures for the first-half year 2000, cf. the notes on page 24.

Investments increased by 3.9% to €165.6bn. The investment result was up on last year, taking into account the less deferred valuation of our shares in Allianz mentioned above. In the first half-year 2000, the high price levels prevailing on the stock markets had led to our taking substantial profits. So far this year we have held back owing to the weak state of the stock markets – and also with a view to the fact that sales of shares will be tax-free in Germany as from 2002.

If there is no worsening of the general economic environment, especially as regards the capital markets, and the claims situation does not deteriorate, our net result for 2001 will again show double-digit growth.

Given these prerequisites, we again expect to be able to pay our shareholders a dividend of €1.25 per share for the business year 2001.

Yours sincerely,

Handwritten signature of H. J. Schulte in blue ink.

Overall economic development

- **Slowdown in global growth**
- **Financial markets looking to stabilize**

The global economy cooled in the first half of 2001. Growth slowed especially markedly in industrial production and world trade. According to provisional figures, annualized and seasonally adjusted economic growth in the US fell to 0.7% in the second quarter – the lowest level since the first quarter of 1993. In Europe, too, important economic data was disappointing and trend indicators became more gloomy, although growth remained above the US level.

Inflation was unexpectedly high, especially in the eurozone. However, the signs point to this being only a temporary rise. Thus commodity prices are generally tending to ease and growth in the money supply is decelerating.

In view of the noticeable slowdown in world economic activity, the central banks have gradually lowered interest rates. The US Federal Reserve has reduced its key rates by a total of 300 basis points since the beginning of the year. The second quarter also saw further interest rate reductions in the UK and Switzerland, whilst the European Central Bank lowered its key rates by 25 basis points in May.

The performance of the capital markets has clearly been shaped by the negative macroeconomic developments. The bond markets followed this trend, generally easing in the second quarter. Yields on ten-year government bonds increased considerably from their March low, but in July a renewed bout of economic pessimism caused them to fall again.

On the foreign exchange markets, the US dollar continued its upward trend in the second quarter. In July it tested the record highs it had achieved against the euro last autumn. The Japanese yen also lost further ground against the greenback. After the dollar went back above the threshold of 90 cents per euro in the last few weeks, however, expectations of a trend reversal in favour of the euro have been growing.

Overall economic development in the coming months will be mainly influenced by the US economy. Unexpectedly weak development in the second half of the year would further aggravate the risks for the world economy and the capital markets and could particularly impair development in the emerging markets of Asia and Latin America and of individual other countries.

Business experience in the first half-year 2001

There are various reasons why the quarterly results of insurance companies, including Munich Re, are not a reliable indicator for the results of the business year as a whole. Losses from natural catastrophes and other major losses burden disproportionately the result of the reporting period in which they occur. Late reported claims for major loss events can also lead to substantial fluctuations in individual quarterly results. Moreover, gains and losses on the disposal of investments are accounted for in the quarter in which the investments are sold.

REINSURANCE

- Reinsurance group continues on growth course
- Successful round of renewals for 2001: prices and conditions considerably improved
- Combined ratio: upward trend of recent years broken

In our reinsurance treaty renewals in the first half of 2001, we succeeded in achieving further price increases and improving conditions – gratifyingly without losing desirable business in the process. On the contrary, we were even able to grow our business in important markets like Japan.

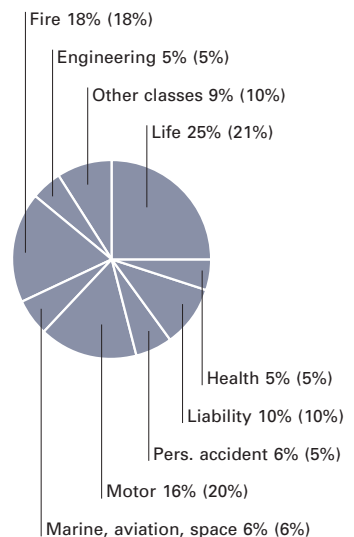
The terms of trade in many reinsurance markets are appreciably better today than a year ago but are still far from the required technical levels. In individual cases prices have reached risk-commensurate levels, especially for covers affected by losses from natural catastrophes in the last few years; but in a whole range of markets, terms and conditions still require further improvement. We are continuing to do our utmost to restore business as a whole to an appropriate level of profitability and, with this in mind, critically examine every client account.

Our reinsurance premium income rose by 16.1% (18.0%) to €10.1bn (8.7bn). Even at unchanged currency parities, it would have grown by a notable 13.2%. In other words, the fall in the value of the euro – especially against the US dollar – again had the effect of increasing our premium volume.

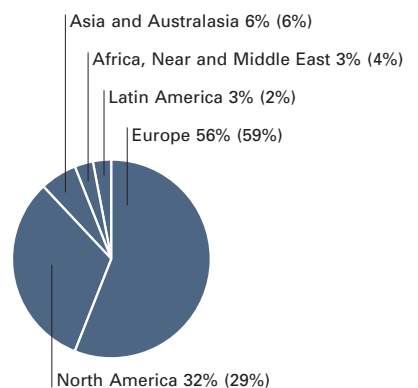
Reinsurance		Q1-2 2001	Q1-2 2000
Gross premiums	€bn	10.1	8.7
Loss ratio non-life	%	80.5	79.7
Expense ratio non-life	%	29.8	30.8
Result before amortization of goodwill	€m	1,482	895
		30.6.2001	31.12.2000
Investments	€bn	69.2	64.9
Net underwriting provisions	€bn	47.6	43.9

We continue to grow most strongly in life and health reinsurance: here we were able to increase our premium by no less than 35.9% (29.6%) to €3.1bn (2.3bn). One of the contributory factors was the first-time consolidation of the business acquired by our subsidiary Munich American Reassurance Company from CNA Financial Corporation. Additionally, our branches in London and Toronto also succeeded in considerably expanding their new life reinsurance business.

Gross premiums by class of business



Gross premiums by region



In property-casualty reinsurance we recorded premium growth of 9.2% (13.4%) to €7.0bn (6.4bn). The combined ratio, which had risen markedly in each of the last few years, was 110.3% (110.5%); excluding natural catastrophe losses, it amounted to 108.0% (108.1%). In the first quarter 2001 the respective figures were 112.1% and 110.4%.

Our Group reinsurers' result for the first half-year before amortization of goodwill totalled €1,482m (895m) and their contribution to the result after tax €1,208m (527m). The result for the current year was positively influenced by the less deferred valuation of our shares in Allianz, which compensated for the fall in realized capital gains.

PRIMARY INSURANCE

- **Good premium growth**
- **Results remain at a high level**
- **Marketing of pension-reform products gets off to a good start**

As part of our agreement with Allianz to restructure shareholdings in various jointly held companies, we also restructured our cooperation with banks, and in future ERGO will work together exclusively with the HVB Group throughout Germany.

The HVB Group is our partner of choice. Against the background of German pension reform in particular, both ERGO and the HVB Group will benefit from appreciable expansion of the business they market for each other. The cooperation in Germany will be extended to other European markets in which both groups operate.

The primary insurers in our Group – ERGO, Karlsruher and Europäische Reiseversicherung – achieved a marked increase in their premium income in the first half-year. Gross premiums written totalled €7.8bn as at 30th June 2001, compared with €7.2bn in the corresponding period last year. Major contributors to this rise of 8.3% (8.4%) were ERGO's foreign subsidiaries.

In life insurance, substantial premium growth of 8.0% (5.7%) was achieved. The business of the Italian life insurer Bayerische Vita, acquired by ERGO in the second half of 2000, clearly made itself felt, and in Germany there was a definite upturn, with new business recording double-digit growth.

The effects of the German pension reform are not yet reflected in the figures, even though ERGO's major life insurers, i.e. VICTORIA and Hamburg-Mannheimer, have already started selling products specially tailored to meeting the criteria for state subsidization. VICTORIA and Hamburg-Mannheimer are already responding extensively to the high demand for advice on such covers in the German market. Although state subsidization does not start until next year, our companies' first-class products have already convinced more than 100,000 customers.

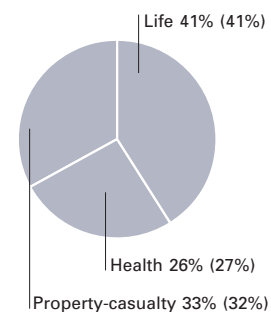
Our health insurers increased their premium income by 4.8% (7.0%). In Germany 45,000 new clients decided to take out comprehensive private health insurance with our companies – a very pleasing growth rate of 13.1% compared with the first half-year 2000.

In property-casualty insurance we achieved growth of 11.9% in the first half-year 2001. At over 5%, our rate of expansion in Germany was again above the market average. Premium adjustments in motor insurance also had a positive impact here.

Outside Germany our primary insurers recorded outstanding growth of 48.4%. Even without the acquisitions made in the second half of 2000, particularly Bayerische Vita, the organic growth rate of 20.2% is very good.

In view of the weak state of the stock markets in the first half of 2001, the net capital gains realized by our primary insurers were also lower than in the comparable period last year.

Gross premiums by class of business



Our mid-year result before amortization of goodwill therefore decreased to €345m from €454m last year, with the life and health insurers contributing €156m (250m) and the property-casualty insurers €189m (204m).

We are confident that our primary insurers will again better the high net profit they recorded in the previous year. This prognosis is based on the assumption that their business will develop even more favourably in the second half of the year than in the first six months. In addition, effects of the German tax reform will have a positive impact on the year-end result.

Primary insurance		Q1-2 2001	Q1-2 2000
Gross premiums	€bn	7.8	7.2
Result before amortization of goodwill	€m	345	454
		30.6.2001	31.12.2000
Investments	€bn	104.6	102.9
Net underwriting provisions	€bn	87.6	87.3

ASSET MANAGEMENT

- **Advantage taken of opportunities to buy into the stock markets**
- **Shifting of investments in bonds**
- **Realized capital gains distinctly lower**

In the first half of 2001 the downward trend on the international stock markets continued. Not only did the telecoms and technology sectors enter a depressed phase: the broader-based indices also fell worldwide, albeit to differing extents. The market did not start to settle down until mid-April. With our asset manager, MEAG, we adhered to a long-term investment policy oriented towards stocks and real assets; where prices fell, we expanded existing investments in shares and established new positions. Our careful choice of individual stocks and sectors, plus the strengthening of our equity investments outside Europe, protected us against the effects of major price losses.

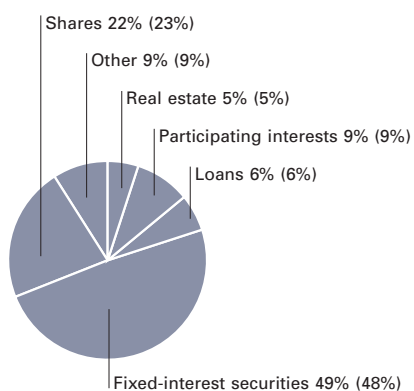
The bond markets did not show much movement in the first half of 2001. The general yield level only altered slightly in the first half of the year, although the difference between yields on short and long terms increased. Given the low yields, our investment in the bond markets has been restrained, focusing on the gradual expansion of our positions in corporate bonds and asset-backed securities. We see these products as a sound way of increasing the regular income from our fixed-interest securities.

The regional spread of our real estate portfolio was enhanced through investments in Paris and Singapore. We intend to continue this international diversification over the further course of the year.

A clear development was apparent on the foreign currency markets: the US dollar showed a steady upward trend against the euro and a slightly more volatile one against the yen, so that by mid-year it had reached its respective highs in relation to both currencies. We are able to view such developments on the foreign currency markets with relative equanimity, however, thanks to our policy of matching our underwriting commitments with assets in the same or similar currencies.

With our active asset management in MEAG, we aim to significantly enhance the yield on our investments in the long term with only very little increase in the investment risk. Our systematic investment process, our stringent risk controlling and the early-warning system we have established Group-wide enable us also to exploit so far untapped investment opportunities with strict consideration of the overall risk.

Investment mix



Despite the weak state of the stock markets in the first half-year, the Group's investments grew by 3.9% to €165.6bn. The Group investment result in the first six months totalled €5.3bn (5.0bn), including net capital gains of €207m (902m) besides the aforementioned less deferred valuation of our shares in Allianz. The active management of our investments of course means that we continually realize capital gains, but the extent to which we do so basically depends on our assessment of future market performance. In the first half-year there were good opportunities to buy into stocks, but extensive profit-taking was not justified in our view. There was also the consideration that gains on the sale of German shares will be tax-free as from next year.

Prospects

- Strong growth again in reinsurance and primary insurance
- Basis created for marked improvement in reinsurance underwriting result
- Investment result likely to be distinctly lower than last year
- Further relief as a consequence of the tax reform
- Another increase in the Group result expected

For the whole business year 2001, at unchanged currency parities, we currently expect Group premium income to reach €34bn (31bn).

Among the reinsurers in the Group, life business is the main driver of growth. Here the acquisition of CNA Financial Corporation's life reinsurance business by our subsidiary Munich American Reassurance Company will have a considerable impact. We will, however, also be able to expand our life business in the UK and Canada at an above-average rate. Higher prices and larger market shares will increase our gross premium income in non-life business as well. If claims costs from natural catastrophes and other major losses are within the normal range for the rest of 2001, our combined ratio will fall appreciably below the level of the first half-year.

Our premium growth in primary insurance in the current year will exceed that of the business year 2000. In particular, life insurance premiums will receive a strong boost from the first-time consolidation of Bayerische Vita for a full business year. In line with our objectives, the proportion of non-German business will therefore increase substantially.

Provided the general economic environment does not worsen, especially as regards the capital markets, and the claims situation does not deteriorate, our profit for 2001 should again show double-digit growth. Adjusted to eliminate exceptional factors, both our operating result and our result for the year should then follow on from the very large profit of last year.

Given these prerequisites, we again expect to be able to pay our shareholders a dividend of €1.25 for the business year 2001.

Munich, 30th August 2001

The Board of Management

Schmidt, James G. Kelly 830073

Michael Meyer 1. Uly, Michael

Schmidt im Stockhausen J. H. H. H.

Consolidated balance sheet as at 30th June 2001

ASSETS	€m	€m	€m	31.12.2000 €m	Change	
					€m	%
A. Intangible assets						
I. Goodwill		2,756		2,625	131	5.0
II. Other intangible assets		855		843	42	1.4
			3,611	3,468	143	4.1
B. Investments						
I. Real estate		8,731		8,405	326	3.9
II. Investments in affiliated enterprises and associated enterprises		15,101		13,538	1,563	11.5
III. Loans		9,964		9,150	814	8.9
IV. Other securities						
1. Held to maturity	1,128			1,186	-58	-4.9
2. Available for sale	115,334			112,756	2,578	2.3
3. Held for trading	252			259	-7	-2.7
		116,714		114,201	2,513	2.2
V. Other investments						
1. Deposits retained on assumed reinsurance	12,580			12,010	570	4.7
2. Miscellaneous	1,863			1,523	340	22.3
		14,443		13,533	910	6.7
			164,953	158,827	6,126	3.9
C. Investments for the benefit of life insurance policyholders who bear the investment risk			681	581	100	17.2
D. Ceded share of underwriting provisions			11,463	10,166	1,297	12.8
E. Receivables			11,432	9,145	2,287	25.0
F. Cash with banks, cheques and cash in hand			1,785	2,273	-488	-21.5
G. Deferred acquisition costs			6,252	6,361	-109	-1.7
H. Deferred tax			2,106	1,925	181	9.4
I. Other assets			804	821	-17	-2.1
Total assets			203,087	193,567	9,520	4.9

EQUITY AND LIABILITIES	€m	€m	31.12.2000 €m	Change	
				€m	%
A. Shareholders' equity					
I. Issued capital and capital reserve	3,165		3,165	–	–
II. Revenue reserves	12,025		9,174	2,851	31.1
III. Other reserves	8,306		9,513	–1,207	–12.7
IV. Consolidated profit	1,298		1,750	–452	–25.8
		24,794	23,602	1,192	5.1
B. Minority interests		2,129	2,354	–225	–9.6
C. Gross underwriting provisions					
I. Unearned premiums	5,854		5,376	478	8.9
II. Provision for future policy benefits	87,189		82,944	4,245	5.1
III. Provision for outstanding claims	34,413		31,248	3,165	10.1
IV. Other underwriting provisions	19,241		21,541	–2,300	–10.7
		146,697	141,109	5,588	4.0
D. Gross underwriting provisions for life insurance policies where the investment risks is borne by the policyholders		504	583	–79	–13.6
E. Other accrued liabilities		2,529	3,061	–532	–17.4
F. Liabilities					
I. Notes and debentures	1,905		1,793	112	6.2
II. Other liabilities	19,511		16,237	3,274	20.2
		21,416	18,030	3,386	18.8
G. Deferred tax liabilities		4,907	4,780	127	2.7
H. Other deferred items		111	48	63	>100.0
Total equity and liabilities		203,087	193,567	9,520	4.9

Consolidated income statement for the periods 1st April to 30th June 2001 and 1st January to 30th June 2001

ITEMS	Q2 2001	Q1-2 2001	Q1-2 2000	Change Q1-2 2001 vs. Q1-2 2000	
	€m	€m	€m	€m	%
1. Gross premiums written	8,141	17,055	15,215	1,840	12.1
2. Net earned premiums	7,496	15,110	13,605	1,505	11.1
3. Investment result	2,533	5,313	5,038	275	5.5
4. Other income	240	459	510	-51	-10.0
Total income (2-4)	10,269	20,882	19,153	1,729	9.0
5. Net expenses for claims and benefits	7,370	14,587	13,353	1,234	9.2
6. Net operating expenses	1,939	3,952	3,591	361	10.1
7. Other expenses	136	524	872	-348	-39.9
Total expenses (5-7)	9,445	19,063	17,816	1,247	7.0
8. Result before amortization of goodwill	824	1,819	1,337	482	36.1
9. Amortization of goodwill	55	97	68	29	42.6
10. Operating result before tax	769	1,722	1,269	453	35.7
11. Tax	210	342	534	-192	-36.0
12. Minority interests in earnings	66	82	83	-1	-1.2
13. Net profit	493	1,298	652	646	99.1

	Q2 2001	Q1-2 2001	Q1-2 2000	Change Q1-2 2001 vs. Q1-2 2000	
	€	€	€	€	%
Earnings per share	2.79	7.34	3.69	3.65	98.9
Earnings per share, diluted	2.77	7.30	3.67	3.63	98.9

The reporting periods in this second quarterly report of the Munich Re Group are indicated as follows: figures for the second quarter, i.e. for the period 1st April to 30th June 2001, are shown in the tables under the column heading Q2 2001. Figures for the first half-year, i.e. from 1st January to 30th June 2001, and for the corresponding period of the previous year are shown under the column headings Q1-2 2001 and Q1-2 2000 respectively.

Consolidated cash flow statement for the periods 1st January to 30th June 2001

	€m	Q1-2 2000 €m
Profit for the year, including minority interests in earnings	1,380	735
Net change in underwriting provisions	4,212	3,588
Change in deferred acquisition costs	109	-440
Changes in deposits retained and accounts receivable and payable	-1,763	-1,875
Change in other receivables and liabilities	458	282
Gains and losses on the disposal of investments	-195	-938
Change in securities held for trading	7	1
Change in other balance sheet items	339	-21
Other income/expenses without impact on cash flow	-1,042	-183
I. Cash flows from operating activities	3,505	1,149
Outflows for the acquisition of consolidated enterprises	-92	-16
Inflows from the sale and maturities of other investments	17,549	7,976
Outflows for the acquisition of other investments	-22,099	-10,162
Inflows from the sale of investments for unit-linked life insurance	28	-
Outflows for the acquisition of investments for unit-linked life insurance	-30	-3
Other inflows	457	12
Other outflows	-536	-87
II. Cash flows from investing activities	-4,723	-2,280
Inflows from increases in capital	-	7
Dividend payments	-36	-28
Inflows and outflows from other financing activities	757	1,284
III. Cash flows from financing activities	721	1,263
Cash flows for the business year (I + II + III)	-497	132
Effect of exchange rate changes on cash	9	-
Cash at the beginning of the business year	2,273	487
Cash at the end of the reporting period	1,785	619
Additional information		
Tax on earnings (net)	87	204
Interest paid	97	81

Segment reporting

ASSETS	Reinsurance			
	Life and health		Property-casualty	
	30.6.2001 €m	31.12.2000 €m	30.6.2001 €m	31.12.2000 €m
A. Intangible assets	290	264	2,326	2,182
B. Investments				
I. Real estate	968	808	1,245	1,206
II. Investments in affiliated enterprises and associated enterprises	5,724	4,759	6,250	6,059
III. Loans	67	158	41	165
IV. Other securities				
1. Held to maturity	–	–	–	–
2. Available for sale	13,189	11,459	23,742	22,859
3. Held for trading	21	31	104	137
	13,210	11,490	23,846	22,996
V. Other investments	7,955	7,100	9,842	10,146
	27,924	24,315	41,224	40,572
C. Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–
D. Ceded share of underwriting provisions	3,132	3,090	4,667	4,268
E. Other segment assets	3,159	2,832	9,110	7,113
Total segment assets	34,505	30,501	57,327	54,135

		Primary insurance		Asset management		Consolidation		Total	
Life and health		Property-casualty							
30.6.2001 €m	31.12.2000 €m	30.6.2001 €m	31.12.2000 €m	30.6.2001 €m	31.12.2000 €m	30.6.2001 €m	31.12.2000 €m	30.6.2001 €m	31.12.2000 €m
395	419	448	461	19	10	133	132	3,611	3,468
5,733	5,608	746	743	–	–	39	40	8,731	8,405
3,182	2,933	2,345	2,254	86	78	–2,486	–2,545	15,101	13,538
10,415	9,918	475	294	316	282	–1,350	–1,667	9,964	9,150
1,083	1,153	45	33	–	–	–	–	1,128	1,186
72,334	72,188	6,061	6,241	8	9	–	–	115,334	112,756
76	47	38	31	13	13	–	–	252	259
73,493	73,388	6,144	6,305	21	22	–	–	116,714	114,201
960	615	461	248	9	9	–4,784	–4,585	14,443	13,533
93,783	92,462	10,171	9,844	432	391	–8,581	–8,757	164,953	158,827
681	581	–	–	–	–	–	–	681	581
7,256	6,872	1,571	1,319	–	–	–5,163	–5,383	11,463	10,166
8,222	9,207	2,723	2,318	93	116	–928	–1,061	22,379	20,525
110,337	109,541	14,913	13,942	544	517	–14,539	–15,069	203,087	193,567

Segment reporting

EQUITY AND LIABILITIES	Reinsurance			
	Life and health		Property-casualty	
	30.6.2001 €m	31.12.2000 €m	30.6.2001 €m	31.12.2000 €m
A. Gross underwriting provisions				
I. Unearned premiums	77	68	4,033	3,844
II. Provision for future policy benefits	19,022	17,834	715	694
III. Provision for outstanding claims	2,028	1,874	27,943	25,490
IV. Other underwriting provisions	50	90	1,523	1,348
	21,177	19,866	34,214	31,376
B. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders	–	–	–	–
C. Other accrued liabilities	329	392	824	1,134
D. Other segment liabilities	3,392	2,688	9,939	8,538
Total segment liabilities	24,898	22,946	44,977	41,048

		Primary insurance		Asset management		Consolidation		Total	
Life and health		Property-casualty							
30.6.2001 €m	31.12.2000 €m	30.6.2001 €m	31.12.2000 €m	30.6.2001 €m	31.12.2000 €m	30.6.2001 €m	31.12.2000 €m	30.6.2001 €m	31.12.2000 €m
667	768	1,273	881	–	–	–196	–185	5,854	5,376
71,770	68,916	49	39	–	–	–4,367	–4,539	87,189	82,944
1,092	1,065	3,863	3,620	–	–	–513	–801	34,413	31,248
17,047	19,517	119	113	–	–	502	473	19,241	21,541
90,576	90,266	5,304	4,653	–	–	–4,574	–5,052	146,697	141,109
499	579	–	–	–	–	5	4	504	583
558	538	798	983	34	29	–14	–15	2,529	3,061
15,452	14,599	4,271	3,501	447	428	–7,067	–6,896	26,434	22,858
107,085	105,982	10,373	9,137	481	457	–11,650	–11,959	176,164	167,611
Shareholders' equity*								26,923	25,956
Total equity and liabilities								203,087	193,567

* Group shareholders' equity and minority interests.

Segment reporting

INCOME STATEMENT 1.1–30.6.2001	Reinsurance			
	Life and health		Property-casualty	
	Q1–2 2001 €m	Q1–2 2000 €m	Q1–2 2001 €m	Q1–2 2000 €m
1. Gross premiums written	3,065	2,255	7,038	6,446
Thereof:				
– From insurance transactions with other segments	391	369	501	359
– From insurance transactions with external third parties	2,674	1,886	6,537	6,087
2. Net earned premiums	2,792	1,938	6,047	5,721
3. Investment result	1,123	815	1,490	1,301
Thereof:				
– Income from associated enterprises	518	322	655	411
4. Other income	67	21	179	49
Total income (2–4)	3,982	2,774	7,716	7,071
5. Net expenses for claims and benefits	2,477	1,735	4,874	4,574
6. Net operating expenses	789	651	1,798	1,767
7. Other expenses	70	18	208	205
Total expenses (5–7)	3,336	2,404	6,880	6,546
8. Result before amortization of goodwill	646	370	836	525
9. Amortization of goodwill	2	1	67	65
10. Operating result before tax	644	369	769	460
11. Tax	67	103	135	195
12. Minority interests in earnings	–	1	3	3
13. Net profit	577	265	631	262

		Primary insurance		Asset management		Consolidation		Total	
Life and health		Property-casualty							
Q1-2 2001 €m	Q1-2 2000 €m	Q1-2 2001 €m	Q1-2 2000 €m	Q1-2 2001 €m	Q1-2 2000 €m	Q1-2 2001 €m	Q1-2 2000 €m	Q1-2 2001 €m	Q1-2 2000 €m
5,235	4,913	2,609	2,331	-	-	-892	-730	17,055	15,215
-	-	-	2	-	-	-892	-730	-	-
5,235	4,913	2,609	2,329	-	-	-	-	17,055	15,215
4,695	4,513	1,578	1,433	-	-	-2	-	15,110	13,605
2,512	2,855	288	199	13	5	-113	-137	5,313	5,038
37	31	25	1	10	5	-	-	1,245	770
340	316	275	261	55	56	-457	-193	459	510
7,547	7,684	2,141	1,893	68	61	-572	-330	20,882	19,153
6,230	6,176	1,005	869	-	-	1	-1	14,587	13,353
791	624	555	534	-	-	19	15	3,952	3,591
370	634	392	286	51	59	-567	-330	524	872
7,391	7,434	1,952	1,689	51	59	-547	-316	19,063	17,816
156	250	189	204	17	2	-25	-14	1,819	1,337
2	2	12	-	-	-	14	-	97	68
154	248	177	204	17	2	-39	-14	1,722	1,269
53	135	83	108	3	-7	1	-	342	534
39	43	52	40	4	1	-16	-5	82	83
62	70	42	56	10	8	-24	-9	1,298	652

Segment reporting

INCOME STATEMENT 1.4–30.6.2001	Reinsurance		Primary insurance		Asset management	Consoli- dation	Total
	Life and health	Property- casualty	Life and health	Property- casualty			
	Q2 2001 €m	Q2 2001 €m	Q2 2001 €m	Q2 2001 €m			
1. Gross premiums written	1,546	3,529	2,568	1,002	–	–504	8,141
Thereof:							
– From insurance transactions with other segments	204	302	–2	–	–	–504	–
– From insurance transactions with external third parties	1,342	3,227	2,570	1,002	–	–	8,141
2. Net earned premiums	1,399	2,964	2,327	808	–	–2	7,496
3. Investment result	484	559	1,348	189	4	–51	2,533
Thereof:							
– Income from associated enterprises	129	162	13	7	10	–	321
4. Other income	35	93	174	130	24	–216	240
Total income (2–4)	1,918	3,616	3,849	1,127	28	–269	10,269
5. Net expenses for claims and benefits	1,266	2,307	3,232	507	–	58	7,370
6. Net operating expenses	387	884	363	286	–	19	1,939
7. Other expenses	21	68	169	188	18	–328	136
Total expenses (5–7)	1,674	3,259	3,764	981	18	–251	9,445
8. Result before amortization of goodwill	244	357	85	146	10	–18	824
9. Amortization of goodwill	1	34	2	6	–	12	55
10. Operating result before tax	243	323	83	140	10	–30	769
11. Tax	46	92	11	56	3	2	210
12. Minority interests in earnings	–	3	27	47	4	–15	66
13. Net profit	197	228	45	37	3	–17	493

Segment reporting

INVESTMENTS	Reinsurers		Primary insurers		Asset management		Total	
	30.6.2001 €m	31.12.2000 €m	30.6.2001 €m	31.12.2000 €m	30.6.2001 €m	31.12.2000 €m	30.6.2001 €m	31.12.2000 €m
Europe	40,852	40,557	100,195	98,577	74	33	141,121	139,167
North America	19,988	16,357	1,394	1,094	234	246	21,616	17,697
Asia and Australasia	1,357	1,375	321	426	–	–	1,678	1,801
Africa, Near and Middle East	688	480	66	49	–	–	754	529
Latin America	355	187	110	27	–	–	465	214
Total	63,240	58,956	102,086	100,173	308	279	165,634	159,408

GROSS PREMIUMS WRITTEN*

1.1–30.6.2001	Reinsurers		Primary insurers		Total	
	Q1–2 2001 €m	Q1–2 2000 €m	Q1–2 2001 €m	Q1–2 2000 €m	Q1–2 2001 €m	Q1–2 2000 €m
Europe	4,790	4,421	7,689	7,126	12,479	11,547
North America	3,209	2,503	106	90	3,315	2,593
Asia and Australasia	606	514	20	20	626	534
Africa, Near and Middle East	332	325	20	5	352	330
Latin America	274	210	9	1	283	211
Total	9,211	7,973	7,844	7,242	17,055	15,215

* After elimination of intra-Group reinsurance across segments.

1.4–30.6.2001	Reinsurers	Primary insurers	Total
	Q2 2001 €m	Q2 2001 €m	Q2 2001 €m
Europe	2,374	3,517	5,891
North America	1,572	33	1,605
Asia and Australasia	321	6	327
Africa, Near and Middle East	166	11	177
Latin America	138	3	141
Total	4,571	3,570	8,141

* After elimination of intra-Group reinsurance across segments.

Notes

Accounting and valuation policies

Munich Re's quarterly report has been prepared in accordance with International Accounting Standards. The same accounting, valuation and consolidation principles have been applied as in our consolidated financial statements as at 31st December 2000.

Changes in the consolidated group

There were no significant changes in the group of consolidated companies in the first half-year 2001.

Special funds in which we hold the majority of units were consolidated for the first time as at 31st December 2000. This increased the Group profit for 2000 by €180m, around €100m of which was apportionable to the first-half year 2000. We have not adjusted last year's figures in this report.

Foreign currency translation

Munich Re's reporting currency is the euro. The following table shows the exchange rates of the most important currencies for our business (exchange rate for €1 in each case):

	Balance sheet		Income statement	
	30.6.2001	31.12.2000	Q1-2 2001	Q1-2 2000
Australian dollar	1.66610	1.68970	1.72060	1.57357
Canadian dollar	1.28480	1.41020	1.37761	1.40819
Pound sterling	0.60190	0.62850	0.62340	0.61207
Rand	6.82440	7.10710	7.11630	6.31460
Swiss franc	1.52160	1.52140	1.53064	1.58546
US dollar	0.84660	0.93890	0.89802	0.96028
Yen	105.582	107.217	108.015	102.542

Changes in shareholders' equity

All figures in €m	Issued capital	Capital reserve	Revenue reserves	Other reserves	Consolidated profit	Total shareholders' equity
Status 31.12.1999	453	2,708	6,862	7,298	1,133	18,454
Changes in exchange rates	-	-	341	29	-19	351
Allocation to revenue reserves	-	-	1,114	-	-1,114	-
Changes resulting from valuation at equity	-	-	-	393	-	393
Unrealized gains and losses on other investments	-	-	-	-58	-	-58
Net profit	-	-	-	-	652	652
Other changes	-	-	11	10	-	21
Status 30.6.2000	453	2,708	8,328	7,672	652	19,813
Status 31.12.2000	453	2,712	9,174	9,513	1,750	23,602
Changes in exchange rates	-	-	712	-15	-1	696
Allocation to revenue reserves	-	-	1,749	-	-1,749	-
Changes resulting from valuation at equity	-	-	424	-149	-	275
Unrealized gains and losses on other investments	-	-	-	-1,043	-	-1,043
Net profit	-	-	-	-	1,298	1,298
Share buy-backs	-	-	-41	-	-	-41
Other changes	-	-	7	-	-	7
Status 30.6.2001	453	2,712	12,025	8,306	1,298	24,794

Minority interests

These are mainly minority interests in the ERGO Insurance Group.

All figures in €m	30.6.2001	31.12.2000
Unrealized gains and losses	460	630
Consolidated profit	82	321
Other equity components	1,587	1,403
Total	2,129	2,354

Notes and debentures

All figures in €m	30.6.2001	31.12.2000
Munich Reinsurance Company, Munich 1.0%, €1,150m Exchangeable Bonds 2000/2005	1,033	1,009
American Re Corporation, Princeton 7.45%, US\$ 500m Senior Notes 1996/2026	591	531
American Re Capital, Delaware 8.5%, US\$ 237.5m QUIPS 1995/2025	281	253
Total	1,905	1,793

Investment result

1.1–30.6.2001	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1–2 2001	Q1–2 2000	Q1–2 2001	Q1–2 2000
	Q1–2 2001	Q1–2 2000	Q1–2 2001	Q1–2 2000	Q1–2 2001	Q1–2 2000	Q1–2 2001	Q1–2 2000				
All figures in €m*												
Investment income												
Regular income	1,127	775	1,506	1,226	2,558	2,125	293	165	15	6	5,499	4,297
Income from write-ups	14	2	29	18	23	7	6	1	–	–	72	28
Gains on the disposal of investments	130	23	189	99	1,087	825	113	35	–	–	1,519	982
Other income	–	–	1	–	7	–	3	–	8	–	19	–
	1,271	800	1,725	1,343	3,675	2,957	415	201	23	6	7,109	5,307
Investment expenses												
Writedowns on investments	52	1	71	15	60	22	25	4	–	–	208	42
Losses on the disposal of investments	97	6	146	39	973	14	96	3	–	–	1,312	62
Other expenses	30	32	54	53	162	73	15	6	15	1	276	165
	179	39	271	107	1,195	109	136	13	15	1	1,796	269
Total	1,092	761	1,454	1,236	2,480	2,848	279	188	8	5	5,313	5,038

* After elimination of intra-Group transactions across segments.

1.4–30.6.2001	Reinsurance		Primary insurance		Asset management	Total
	Life and health	Property-casualty	Life and health	Property-casualty		
	Q2 2001	Q2 2001	Q2 2001	Q2 2001	Q2 2001	Q2 2001
All figures in €m*						
Investment income						
Regular income		526	613	1,449	191	2,779
Income from write-ups		–	3	3	2	8
Gains on the disposal of investments		79	100	405	43	627
Other income		–	–	1	–	1
		605	716	1,858	236	3,415
Investment expenses						
Writedowns on investments		45	52	–	13	110
Losses on the disposal of investments		60	78	486	38	662
Other expenses		19	28	62	–	110
		124	158	548	51	882
Total		481	558	1,310	185	2,533

* After elimination of intra-Group transactions across segments.

Net expenses for claims and benefits

1.1–30.6.2001	Re insurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1–2 2001	Q1–2 2000
	Q1–2 2001	Q1–2 2000	Q1–2 2001	Q1–2 2000	Q1–2 2001	Q1–2 2000	Q1–2 2001	Q1–2 2000		
All figures in €m*										
Gross	2,541	1,458	5,269	5,520	6,649	6,691	1,524	1,259	15,983	14,928
Ceded share	259	257	685	1,028	221	143	231	147	1,396	1,575
Net	2,282	1,201	4,584	4,492	6,428	6,548	1,293	1,112	14,587	13,353

* After elimination of intra-Group transactions across segments.

1.4–30.6.2001	Reinsurance		Primary insurance		Total
	Life and health	Property-casualty	Life and health	Property-casualty	
	Q2 2001	Q2 2001	Q2 2001	Q2 2001	Q2 2001
All figures in €m*					
Gross		1,143	2,667	3,402	7,961
Ceded share		73	358	84	591
Net		1,070	2,309	3,318	7,370

* After elimination of intra-Group transactions across segments.

Net operating expenses

1.1–30.6.2001	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1–2 2001	Q1–2 2000
	Q1–2 2001	Q1–2 2000	Q1–2 2001	Q1–2 2000	Q1–2 2001	Q1–2 2000	Q1–2 2001	Q1–2 2000		
All figures in €m*										
Gross	823	549	1,924	1,992	987	836	744	704	4,478	4,081
Ceded share	72	14	217	331	154	87	83	58	526	490
Net	751	535	1,707	1,661	833	749	661	646	3,952	3,591

* After elimination of intra-Group transactions across segments.

1.4–30.6.2001	Reinsurance		Primary insurance		Total
	Life and health	Property-casualty	Life and health	Property-casualty	
	Q2 2001	Q2 2001	Q2 2001	Q2 2001	Q2 2001
All figures in €m*					
Gross	350	982	490	377	2,199
Ceded share	1	77	139	43	260
Net	349	905	351	334	1,939

* After elimination of intra-Group transactions across segments.

Number of staff

The number of staff employed by the Group as at 30th June 2001 totalled 27,566 (27,283) in Germany and 9,874 (9,198) in other countries.

	30.6.2001	31.12.2000
Reinsurance companies	5,670	5,422
Primary insurance companies	31,243	30,569
Asset management	527	490
Total	37,440	36,481

Contingent liabilities, other financial commitments

There are no financial commitments of significance for the assessment of the Group's financial position. No contingent liabilities have been entered into for the benefit of Board members.

Earnings per share

The earnings per share figure is calculated by dividing the consolidated net income for the reporting period by the weighted average number of shares.

New shares created by the exercise of warrants are included pro rata temporis from the respective date of delivery. Shares acquired through share buy-backs are eliminated from the calculation pro rata temporis.

For the diluted earnings per share, the number of shares is increased by the weighted average of the potential number of shares that would have a diluting effect. Outstanding warrants are additionally included pro rata temporis up to the time they are exercised.

		Q2 2001	Q1–2 2001	Q1–2 2000
Net income	€m	493	1,298	652
Weighted average number of shares		176,846,324	176,890,017	176,919,943
Earnings per share	€	2.79	7.34	3.69
Average share price	€	320.88	334.03	305.93
Warrant exercise price	€	163.61	163.61	163.61
Diluted number of shares		177,691,898	177,770,303	177,733,928
Diluted earnings per share	€	2.77	7.30	3.67

Important dates

Quarterly report as at 30th September 2001	29th November 2001
Provisional figures for consolidated financial statements 2001	22nd March 2002
Balance sheet meeting of Supervisory Board	23rd May 2002
Balance sheet press conference	27th May 2002
Quarterly report as at 31st March 2002	27th May 2002
Annual General Meeting	17th July 2002
Dividend payment	18th July 2002
Quarterly report as at 30th June 2002	29th August 2002
Half-year press conference	29th August 2002
Quarterly report as at 30th September 2002	28th November 2002

The official German original of this interim report is also available from the company. In addition, you will find copies of our annual reports and interim reports, along with further current information about Munich Re and its shares, on our Internet website (<http://www.munichre.com>).

Service for investors and analysts

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