

2/2003

Munich Re Group
Quarterly Report



Münchener Rück
Munich Re Group

Supervisory Board

Ulrich Hartmann (Chairman)

Board of Management

Dr. Hans-Jürgen Schinzler (Chairman) (until 31 December 2003)

Dr. Nikolaus von Bomhard (Chairman from 1 January 2004)

Clement Booth (until 30 September 2003)

Georg Daschner (from 1 October 2003)

Dr. Heiner Hasford

Stefan Heyd

Dr. Torsten Jeworrek (from 1 October 2003)

Christian Kluge

John Phelan

Dr. Detlef Schneidawind

Dr. Jörg Schneider

Karl Wittmann

Key figures for the Munich Re Group

		Q1-2 2003	Q1-2 2002	Change in %	Q2 2003	Q2 2002	Change in %
Gross premiums written	€m	20,760	20,448	1.5	9,934	9,707	2.3
Result before amortisation of goodwill	€m	939	3,650	-74.3	816	-1,231	-
Minority interests in earnings	€m	-38	3	-	-18	-8	-125.0
Net income	€m	-603	4,098	-	-365	-383	4.7
Earnings per share	€	-3.38	23.15	-	-2.05	-2.16	5.1

		30.6.2003	31.12.2002	Change in %
Investments	€m	163,086	156,278	4.4
Shareholders' equity	€m	15,145	13,948	8.6
Net underwriting provisions	€m	145,153	142,966	1.5
Staff		41,393	41,396	0.0
Share price	€	88.78	114.00	-22.1

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To our shareholders

Dear Shareholders,

In this interim report I wish to inform you about the business performance of the Munich Re Group in the second quarter and first half of 2003 and on our expectations for the current business year.

The war in Iraq was declared over at the beginning of May, an announcement greeted with general relief by the global community. The world economy has only recovered hesitantly since then, but the stock markets and thus Munich Re's share price showed a marked upward trend in the second quarter.

Nonetheless, share prices remain at a relatively low level compared with the last few years, which means the potential for setbacks should be limited. After the low recorded at the end of the first quarter, Munich Re shares clearly outstripped the DAX. Thus in the quarter under review, the DAX increased by 33% to 3,221 points, whilst Munich Re shares rose by 69% to €88.78. We were particularly pleased about the successful placement in mid-April of two subordinated bonds with a total volume of around €3.4bn. This reflects the capital market's confidence in the Munich Re Group and appreciably strengthens our equity capital base.

The recovery on the capital markets has made itself felt in another area, too: the market value of securities available for sale rose by €8.2bn to €112.7bn in the second quarter. Nevertheless, we have unfortunately had to make writedowns of €387m on securities again because past price losses on individual equity items have now proved to be more than just temporary. However, with these writedowns we have now largely "digested" the effects of the exceptionally weak stock markets that prevailed up to the end of March 2003: as at 30 June 2003 the unrealised gains on our securities available for sale exceeded the unrealised losses by more than €5.7bn.

Let me now give you an overview of our operative business in the first half year. It is characterised by two countervailing trends in all segments: on the one hand, the after-effects of the bear market have to be absorbed; on the other hand, we are very successful in our underwriting business.

This two-edged situation is particularly apparent in the case of our life and health insurance companies. The writedowns have had a disproportionate effect on their results, whereas they have made good headway in their operative business. Here we are profiting from the keen demand for private-provision products. In life insurance, we were able to substantially expand our new business and increase our gross premium income by 6.3%.

In health insurance, necessary premium increases for business in force have been the main driver in achieving growth of 8.0%. In view of the political debate about the future of statutory health insurance, we are currently experiencing a certain hesitancy among potential clients in our most important market, Germany. But the need for private provision continues to be very great. Thanks to our position as Europe's leading health insurer, we are well prepared for expected further reforms with our companies DKV and VICTORIA.

Our property-casualty insurers were able to grow their gross premium significantly in the first half year, especially in Germany, increasing it by 6.2% (6.4%) to €2.9bn (2.8bn). This had positive consequences for our combined ratio, which was an already excellent 99.1% in 2002: it fell further to 96.0%. This was mainly due to the great discipline we exercised in the acceptance of risks and to consistent cost-reduction measures.

Why do we consider discipline in the acceptance of risks to be a key requirement in the present situation? In our view, risk-commensurate prices and conditions are the central success factor for insurers and reinsurers in a changing risk environment. Only quality reinsurers – and thanks to our outstanding know-how and expertise we can count ourselves among them – are in a position to identify, select, prepare for acceptance, and adequately price risks. This ensures that we obtain the necessary earnings and that our clients receive reliable reinsurance protection. In the forthcoming renewals we will therefore continue to focus strongly on obtaining risk-adequate prices and conditions.

In our core business, reinsurance, we have already profited from this approach: in the treaty renewals at 1 April and 1 July 2003, we were again able to achieve improved prices and conditions. This has largely led to risk-commensurate terms of trade.

Our combined ratio fell considerably in the first half year to 95.9%, compared with 133.1% for the first half of 2002 and 122.4% for the business year 2002 as a whole. This trend impressively underscores the sustained improvement in the quality of our business, especially given that in the first half of 2003 we had to cope with higher costs from natural catastrophes than in the first half of 2002.

Growth and profitability in life and health reinsurance also came up to expectations. Given the positive business performance in the first half of the year, we can confirm our prognosis of over 10% in operating embedded value earnings for the whole business year 2003.

There is at present total uncertainty as to the tax treatment of losses on the sale of and writedowns on securities in equity funds. Although we hold the view that these items are tax deductible under the current tax regulations, the German Federal Cabinet has passed a tax bill stipulating “in unequivocal terms” both for the current year and with retroactive effect for prior years that such losses and writedowns are not tax deductible. In order to be forearmed for surprises at the end of the year, we have already made provisions in this quarter for the ensuing tax burden. The impact of these provisions on our quarterly result is unfortunately extremely negative. Without this additional tax expense, our result from April to June would have been clearly positive.

Thanks to the successes in our underwriting business and the more favourable performance of the capital markets, we were able to appreciably strengthen our capital base despite the significant provisions for taxation. Our shareholders' equity increased in the second quarter by 20.9% to €15.1bn, or €1.2bn more than at the beginning of the year.

In the light of these developments, I am confident about the second half of 2003. We expect to continue to make good progress in our operative business. Despite adverse effects from exchange rates, we expect gross

premium for the year to total approximately €40bn, thus reaching around the same high level as last year. Our investment result, however, will be much lower than in the previous years, owing to a further reduction in regular interest income, to the losses on the disposal of investments and writedowns in the first half of the year, and also to the high tax liabilities should the risk of taxation materialise against our expectations. We are pinning our hopes on our underwriting business, where we expect positive performance. If the claims costs for major losses in both primary insurance and reinsurance continue to remain within normal bounds, our combined ratio for the whole of 2003 should probably be below 100%. This means that after a long interval there is at last the prospect of a Group underwriting profit again.

Clement Booth and I will be leaving Munich Re's Board of Management at 30 September and 31 December 2003 respectively. Dr. von Bomhard will be my successor with effect from 1 January 2004; he has been with Munich Re since 1985 and a member of the Board of Management since the beginning of 2000. His current responsibilities will be assumed by Mr. Daschner, hitherto head of our branch in Madrid. Mr. Booth's area of responsibilities will largely be assumed by Dr. Jeworrek, at present head of our divisional unit for Northern Europe and the UK.

I am convinced that with this partially reshaped management team we will master the challenges ahead of us, emerging from the capital market turbulences of recent months to successfully take the Munich Re Group further forward.

A. J. Schuler.

Overall economic development

- **World economy reviving only slowly after the war in Iraq**
- **Reinsurance markets continuing to develop positively**

At the beginning of the quarter, the war in Iraq had a strongly adverse effect on the capital markets. Even after the war had ended, signs of a revival in the world economy remained weak.

In the course of the quarter, the US economy began sending out positive signals again: boosted by high defence expenses, the country's gross domestic product in the second quarter grew according to provisional figures at a projected rate of 2.4% per annum in real terms.

In the eurozone, especially in Germany, the mood remained subdued. Growth expectations for the year as a whole were lowered. Recognisable signs of a noticeable and durable recovery were lacking in Japan as well. Developments in the global economy affected the emerging markets of Latin America, Eastern Europe and Asia, with growth in the Asian markets falling at a stronger rate.

Commodity prices fell during the war in Iraq, with the result that inflation rates in most industrialised countries dropped as well, especially as capacity utilisation remained low. This added to concerns about deflationary trends in some of these countries.

The European Central Bank and the US Federal Reserve lowered their key interest rates by 50 and 25 basis points respectively in June. The US dollar initially weakened further against the euro, falling to 84 eurocents, but it was able to regain ground at the end of the quarter and closed at 87 eurocents.

Proceeding from their lows in mid-March, the international stock markets recorded strong growth up to the end of the second quarter. The same applied to the bond markets; yields on US and European government bonds maintained their downward trend over the quarter: ten-year bonds closed with a yield of 3.1% in the US and around 3.5% in the eurozone. Since then signs of an upswing have become apparent.

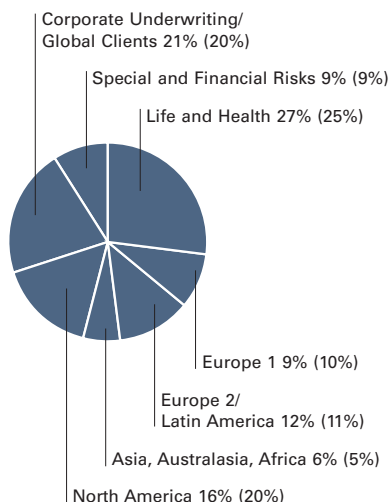
It seems that global economic development will be very much dependent on monetary and fiscal policy in the foreseeable future. We expect economic activity in the US to be stimulated at the end of the year, when the run-up to next year's presidential election starts, but it remains questionable whether economic growth will be sustained. The eurozone is likely to lag behind the US again both this year and next.

Continuing risks to the world economy are possible far-reaching terrorist attacks and major macroeconomic imbalances, such as the high US current account deficit.

The relatively high volatility on the capital markets looks as if it will persist. On the reinsurance markets, the positive development in prices and conditions is continuing overall.

Business experience from 1 January to 30 June 2003

Gross premiums by division Q1-2



REINSURANCE

- Successful renewals at 1 April 2003: portfolio further improved
- Growth curbed by influence of exchange rates
- At 94.9%, combined ratio once again lowered in the second quarter
- Quarterly result of €45m satisfactory

The Munich Re Group's reinsurance business performed very pleasingly in the first half of 2003.

In negotiating our reinsurance treaties, which were largely renewed at the beginning of the year, we again made substantial progress. This trend continued in the treaty renewals at 1 April in the Asian markets, where improvements in quality resulted partly from significant price increases averaging 7% on the non-life portfolio for the risks we covered – here we benefited mainly from the positive price trend in primary insurance. Also, major changes in conditions have directly and durably strengthened the profitability of our business. Examples of this are treaty exclusions for highly exposed risks not adequately covered by reinsurance premiums; higher retentions; loss, event or annual aggregate limits; and, in particular, exclusions and limitations of liability for losses caused by terrorist attacks. These and comparable improvements in conditions have already reduced our expenditure appreciably in the first half year. To some extent, however, their claims-reducing effect will only be felt when serious natural catastrophes or man-made disasters occur.

Our premium income for the second quarter of 2003 climbed by 2.7% compared with the same period last year, reaching €6.4bn (6.2bn). In the first six months of 2003, it fell by 1.8% to €12.9bn (13.2bn). Without the effects of changes in exchange rates, which had an adverse impact of €1.5bn (0.1bn) on premium volume, the growth rate would have been 9.5% in the first half year.

Reinsurance		Q1-2 2003	Q1-2 2002	Q2 2003	Q2 2002
Gross premiums	€bn	12.9	13.2	6.4	6.2
Loss ratio non-life	%	69.7	106.4	69.6	139.7
Expense ratio non-life	%	26.2	26.7	25.3	24.8
Combined ratio non-life	%	95.9	133.1	94.9	164.5
Result before amortisation of goodwill	€m	882	4,282	531	-1,186

		30.6.2003	31.12.2002
Investments	€bn	73.6	68.6
Net underwriting provisions	€bn	56.2	55.3

Premium income in life and health reinsurance was up by 4.1% to €1.8bn (1.7bn) in the second quarter; in the first half year we thus recorded an increase in this segment of 0.8% to €3.4bn (3.4bn). Growth derived mainly from outside Germany. In the UK, especially, we wrote attractive new business, significantly expanding our portfolio. In property-casualty business, our premium volume declined by 2.7% in the first half year, owing to the negative influence of changes in exchange rates.

Our combined ratio amounted to 94.9% (164.5%) in the second quarter, and to 95.9% (133.1%) in the first half year. For the whole of the year 2002, it had amounted to 122.4%, and even adjusted to eliminate the reserve strengthening at American Re and for the World Trade Center loss, had still been 106.5%.

Natural catastrophes affected us somewhat more heavily in the second quarter than in the comparable period last year, accounting for 2.5 percentage points of the combined ratio. We were hit above all by large losses from cyclones that swept across the southern US in April and May 2003. The fact that the combined ratio nevertheless fell so distinctly shows how much our basic business has improved.

More than 21% (26%) of the reinsurance group's gross premium in property-casualty business is written by our US subsidiary American Re. The organisational and personnel measures that we took in the first half of 2002 are having an increasingly positive effect. Following 98.0% (113.8%) in the first quarter, American Re's combined ratio again improved and stood at 92.2% (1,067.9%) for the second quarter.

Our reinsurers' investment result amounted to €644m (1,507m) in the second quarter and €1,171m (7,416m) in the first half year; it was marked in the first six months by high expenditure of €714m for writedowns on and losses on the sale of securities.

The reinsurers' result before amortisation of goodwill totalled €531m (-1,186m) in the first quarter and €882m (4,282m) in the first half year. Their contribution to the Group's overall result after tax – writedowns on and losses on the sale of shares are not deductible for tax purposes – amounted to €45m (-254m) in the second quarter and €74m (4,902m) for the first six months.

PRIMARY INSURANCE

- Further marked premium growth in all segments
- Combined ratio in the first half year significantly improved to 96.0%
- Appreciable upward trend in quarterly result before tax

The primary insurers in the Munich Re Group – ERGO, Karlsruher and Europäische Reiseversicherung – again grew strongly in the second quarter of 2003 and developed well in their operative business.

Premium income as a whole rose by 4.9% to €4.0bn (3.8bn). Since the beginning of the year, our Group's primary insurers have written premiums of €8.9bn (8.4bn), a plus of 6.7% compared with the same period last year. A surge in new business offers renewed proof that the consistent development of our multi-channel distribution strategy is the right approach. Our exclusive partnership with HypoVereinsbank and our joint venture KarstadtQuelle Finanz Service continued to evolve very positively in the first half of 2003.

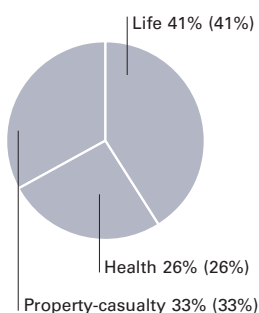
In life insurance premium income climbed by 2.3% in the second quarter to €1.8bn (1.8bn). In the first six months of the year, premium income rose by 6.3% compared with the same period last year, reaching €3.7bn (3.5bn). The growth rate for new business in Germany was well into double figures, maintaining our very satisfactory trend. This sustained strong growth shows that, particularly in times of uncertain capital markets, clients greatly appreciate the solidity and durability of life insurance policies with a strong group of companies. The popularity of life insurance as a product for making private provision remains unbroken and points to the growth potential of the market for private pensions. Company pension business has developed especially well, particularly in the ERGO Group. Since the beginning of the year, about 140,000 policies with a premium volume of nearly €170m have been written.

Our health insurers expanded their gross premium volume by 7.1% to €1.1bn (1.0bn) in the second quarter of 2003. In the first six months they recorded premium income of €2.3bn (2.1bn), 8.0% more than in the comparable period last year. For the current year 2003 we increased our premiums in Germany to reflect the higher costs of healthcare; the growth in the period under review is due to this.

In our home market of Germany, the future of social security, and especially health insurance, is currently the subject of intense debate. Taking certain benefits out of statutory pay-as-you-go health insurance and transferring them to supplementary private insurance on a funded basis is the right approach to mastering the structural and financial problems of healthcare. A sustainable and future-oriented solution requires a fair system of co-existence between statutory and private health insurance.

In property-casualty insurance, we recorded premium growth of 7.3% to €1.1bn (1.0bn) in the second quarter. From January to June our subsidiaries wrote gross premiums of €2.9bn (2.8bn), or 6.2% more than in the first half of last year. We achieved strong double-digit growth rates in German new business, especially in the profitable personal lines sector. Our combined ratio also developed positively: it stands at a very satisfactory 96.0%, compared with 101.8% in the same period last year.

Gross premiums by class of insurance Q1-2



The recovery of the international stock markets in the second quarter of 2003 is reflected in our primary insurers' improved investment result: it amounted to €1,101m in this period, as opposed to a loss of €279m in the previous quarter.

The primary insurers' result before amortisation of goodwill totalled €310m (6m) in the first quarter and €67m (115m) in the first half year. Their contribution to the Group's overall result after tax – writedowns on and losses on the sale of securities not being deductible for tax purposes – amounted to –€381m (–74m) in the second quarter and –€665m (–47m) for the first six months. A comparison with the results of the previous quarters clearly shows the improvement in the underwriting result before tax. At the same time, it also reflects the strong tax burden arising from the opinion expressed by the fiscal authorities, which is disputed by the insurance industry.

Primary insurance		Q1–2 2003	Q1–2 2002	Q2 2003	Q2 2002
Gross premiums	€bn	8.9	8.4	4.0	3.8
Loss ratio property-casualty	%	61.8	65.8	58.7	59.0
Expense ratio property-casualty	%	34.2	36.0	35.5	35.4
Combined ratio property-casualty	%	96.0	101.8	94.2	94.4
Result before amortisation of goodwill	€m	67	115	310	6
				30.6.2003	31.12.2002
Investments	€bn			105.3	104.4
Net underwriting provisions	€bn			89.5	88.4

ASSET MANAGEMENT

- **Marked upswing on the stock markets in the second quarter**
- **Interest rates remain at historically low level**
- **Writedowns as after-effects of the bear market in previous accounting periods**

After the pronounced lows of the major share price indices in March, the markets recovered visibly in the second quarter of 2003. The European share price index Euro STOXX 50 climbed by around 38% to 2,549 points between 12 March and 15 August, and at the end of the first half year was only around 4% below its value at the beginning of 2003. At 15 August, it was about 1% above its value at the beginning of the year. The DAX even recovered by 56% between 12 March and 15 August. The stock markets in the US, the UK and Japan were able to post marked price gains not only in the second quarter but in the first half year as a whole.

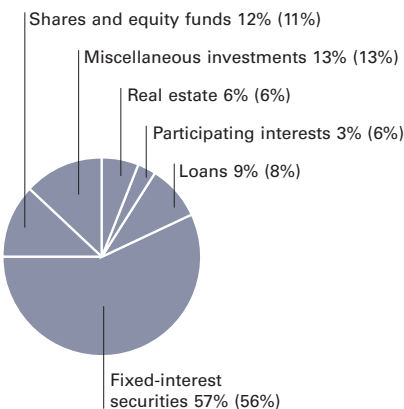
With the recent impressive rises, share prices have pulled out of their trough. Investors have now recognised that the spring price slumps were exaggerations; this reduces the risk of a setback, as does the still substantial difference as compared to the highs of 2000 to 2002.

Meanwhile interest rates have declined further, with prices on the bond markets peaking in June. Yields on government bonds decreased again in the period under review: those on US government bonds, for example, fell by 31 basis points to around 3.52% in the second quarter. By mid-June yields on ten-year euro government bonds had also sunk to around 3.5%. Since then, an upswing has started to emerge.

In our securities portfolio, we considerably reduced our equity exposure in the first quarter through derivative and physical transactions. However, in order to utilise the diversification effect of this asset class for our overall portfolio, we did not cut back on our equities any further in the second quarter. We have diversified our equity portfolio more strongly in regional terms, thus reducing risks.

As a consequence of the recovery on the stock markets, which has prevailed since March, our portfolios increased in value again. In the second quarter these changes in value had a direct positive impact on our balance sheet; increases in value are only reflected in our income statement if the securities concerned are sold. Losses in value are only accounted for as an expense if they prove, in the course of time, to be not just temporary. In the case of a number of equity items that suffered price losses in the previous quarters, we have estimated that they can no longer realistically be expected to recover to the higher prices at the time of acquisition. Therefore we have made writedowns of €387m (1,398m) for the second quarter as well, even though in itself the quarter's performance was good. This means that in the first half of 2003 our writedowns on securities available for sale totalled €1,267m (152m).

Investment mix 30.6.2003 (31.12.2002)



Our bond portfolios are usually tailored as far as possible to match the durations of our liabilities; falling interest rates have further increased the market values of these portfolios.

Thanks to the more favourable market environment and rigorous write-downs on our equity portfolios, unrealised gains at 30 June on our securities available for sale exceeded the remaining unrealised losses by more than €5.7bn as compared to only €1.0bn at the turn of the year. Even if share prices do not rise any further, the potential for more write-downs on our securities available for sale is very limited.

Our investment result for the first half year amounted to €1,933m (8,974m), being strongly affected by “aftermath losses” from the bear market prevailing in the previous reporting periods. We had to cope with expenditure totalling €3,684m (2,722m) for writedowns and losses on disposals. The exceptionally large profit in the corresponding period last year was mainly due to the capital gains of €4.7bn resulting from our exchange of shareholdings with Allianz.

Prospects

- **Substantially strengthened capital base**
- **Continued pleasing growth in premium against negative exchange-rate influences**
- **After-effects of bear market successfully absorbed**
- **Strong growth and improved result in primary insurance with further reduction in combined ratio**
- **Upward trend in reinsurance unbroken; substantially improved combined ratio expected**
- **Positive result before tax on condition that stock markets remain stable**

There are various reasons why the quarterly results of insurance companies, including Munich Re, are not a completely reliable indicator for the results of the business year as a whole. Losses from natural catastrophes and other major losses have a disproportionate impact on the result of the reporting period in which they randomly and unforeseeably occur. Late-reported claims for major loss events can also lead to substantial fluctuations in individual quarterly results. Furthermore, gains and losses on the disposal of investments and writedowns on investments do not follow a regular pattern.

SHAREHOLDERS' EQUITY

Our shareholders' equity grew by €2.6bn to €15.1bn (12.5bn) in the quarter under review, thus clearly surpassing the position at the end of 2002 (€13.9bn). In the first half year of 2003 the positive result contributions from the very good performance of our underwriting business and the appreciation in value of our investments far outweighed the exchange-rate losses and the negative overall changes in associated and affiliated enterprises.

Further profits in active underwriting business should enhance our capital base even more up to the end of 2003, provided the following conditions are met: capital markets and currency markets remain at least stable up to the end of the year, our equity interests in associated enterprises do not fluctuate substantially, and we are not hit by any exceptional loss events in insurance or reinsurance business.

GROWTH

Our premium growth in 2003 is being affected by various countervailing factors: rate increases – sometimes significant – in both insurance and reinsurance; changes in exchange rates that, on balance, are having negative repercussions; and our restrictive, quality-oriented underwriting policy, which we are consistently pursuing notwithstanding the improved market situation.

This applies particularly to reinsurance, where we have not only raised premiums again but also further improved conditions of coverage. We have continued this successful underwriting policy in the renewals at 1 July in the US, Latin American and Australian markets.

Foreign-currency business plays a significant part in our reinsurance, with a share of approximately 65%. In primary insurance, it tends to be of negligible importance, accounting for only around 3%. In 2002, 40% of our gross premiums were booked in US dollars, 11% in pounds sterling, and 4% in Swiss francs. A strong euro has the effect of curbing growth expressed in our balance sheet currency. On the basis of the exchange rates at 30 June, our Group premium income in reinsurance would be reduced by 8.2 percentage points compared with 2002 and by about 5.1 percentage points for the Group as a whole because of currency translation differences alone. However, as possible claims are incurred in the respective foreign currencies and we take care to cover our underwriting provisions with investments in the same or similar currency, such changes in exchange rates only have a slight effect on our result.

In primary insurance, we expect premiums to show a strong rise again in 2003, notwithstanding years of substantial growth. Major contributors to this development will be our life and health insurers. In view of the unbroken trend towards private provision for old age and health, they should achieve premium growth of 5.5%, compared with estimated market growth of 3%. For our property-casualty insurers, which are very well positioned in profitable personal lines business, we estimate that premium income will increase by 5.4%.

Altogether, we expect Group premium income in the business year 2003 to remain as high as in the previous year at around €40bn. After three years with double-digit growth rates and in view of the negative exchange-rate influences, consolidation at this level would be a major success for us.

RESULT

In the past three years we have been confronted with unprecedented volatility on the capital markets, particularly the stock exchanges. Even though the stock markets currently appear to be consolidating after a strong recovery phase, we do not feel able to provide a reliable forecast of the overall result for the business year 2003 at this point. Nevertheless, we would like to give some indication of how we expect individual components of the result to develop.

Owing to the after-effects of the bear market, the investment result will remain below the results achieved in previous years, even when adjusted to eliminate the extraordinary income from the shareholding transactions with Allianz in 2002. The price losses still unrealised at the turn of the year 2002/2003, which we recognised in shareholders' equity in our balance sheet at 31 December 2002, have now largely been taken into account in the result through writedowns and losses on disposals in the first half year. Consequently, with stock markets moving sideways, there is only very limited potential for writedowns in the second half of the year.

Our German life insurers had already responded last year to the change in capital market conditions by lowering policyholders' bonuses. With the planned reduction in the guaranteed interest rate in Germany as at 1 January 2004, the government is taking account of the changed interest rate environment and providing insurers with a greater safety margin. As a result, we will be recalculating our rates and revising our range of products in order to re-enhance our profitability.

In property-casualty insurance, we expect that the combined ratio in 2003 will again improve slightly if costs for major losses remain within normal bounds; in 2002, despite the burdens from the August floods, it already compared very well with the rest of the market at 99.1%.

In addition, our primary insurers have taken measures to enhance their efficiency, allowing them to probably reduce their costs by €100m this year.

We are proceeding on the assumption that our primary insurers' result before tax will show a substantial improvement in 2003, even if they were burdened with the serious after-effects of the weak capital markets in the first half year. The turnaround has been achieved, but their re-gained earnings potential will not be reflected in the result for the year until 2004, especially given the considerable albeit disputed tax burden.

For our life reinsurance business, we expect the profitable trend to continue. We take it that the operating embedded value earnings will exceed the 10% announced last year; the value of new business should be around the very high level of last year (€164m).

In property-casualty reinsurance business, our further improvements in prices and conditions are making themselves felt: proceeding from significantly higher prices in 2002, we achieved substantial price and rate increases in the renewal of treaties at 1 January, 1 April and 1 July. Besides this, there have been improvements in facultative reinsurance covering large individual risks, where contracts are renewed in the course of the year. Given a normal cost burden from natural catastrophes and other major losses, the combined ratio for the renewed business should remain below the 100% mark over the rest of the year.

The pleasing performance of our underwriting business should further benefit our share price, which has already risen by 86% between the beginning of the second quarter and 15 August 2003.

Munich, August 2003

The Board of Management

Schneiders G. Helm 080003. Michael

Meyer I. Ullrich J. Ullrich Michael

Schneiders J. Ullrich

Consolidated balance sheet as at 30 June 2003

ASSETS	€m	€m	€m	31.12.2002 €m	Change	
					€m	%
A. Intangible assets						
I. Goodwill		4,146		4,441	-295	-6.6
II. Other intangible assets		1,399		1,336	63	4.7
			5,545	5,777	-232	-4.0
B. Investments						
I. Real estate		10,104		9,848	256	2.6
II. Investments in affiliated enterprises and associated enterprises		5,131		9,601	-4,470	-46.6
III. Loans		15,136		12,644	2,492	19.7
IV. Other securities						
1. Held to maturity	810			852	-42	-4.9
2. Available for sale	112,706			106,175	6,531	6.2
3. Held for trading	627			452	175	38.7
		114,143		107,479	6,664	6.2
V. Other investments						
1. Deposits retained on assumed reinsurance	12,941			12,911	30	0.2
2. Miscellaneous	4,842			3,092	1,750	56.6
		17,783		16,003	1,780	11.1
			162,297	155,575	6,722	4.3
C. Investments for the benefit of life insurance policyholders who bear the investment risk			789	703	86	12.2
D. Ceded share of underwriting provisions			9,582	10,230	-648	-6.3
E. Receivables			9,402	8,871	531	6.0
F. Cash with banks, cheques and cash in hand			4,513	2,735	1,778	65.0
G. Deferred acquisition costs			7,701	7,451	250	3.4
H. Deferred tax			3,957	4,067	-110	-2.7
I. Other assets			1,044	1,032	12	1.2
Total assets			204,830	196,441	8,389	4.3

EQUITY AND LIABILITIES	€m	€m	31.12.2002 €m	Change	
				€m	%
A. Shareholders' equity					
I. Issued capital and capital reserve	3,447		3,447	0	–
II. Revenue reserves	9,831		10,008	–177	–1.8
III. Other reserves	2,470		–588	3,058	–
IV. Consolidated profit	–603		1,081	–1,684	–
		15,145	13,948	1,197	8.6
B. Minority interests		565	532	33	6.2
C. Subordinated liabilities		3,417	–	3,417	–
D. Gross underwriting provisions					
I. Unearned premiums	6,776		6,158	618	10.0
II. Provision for future policy benefits	98,404		96,088	2,316	2.4
III. Provision for outstanding claims	42,561		42,792	–231	–0.5
IV. Other underwriting provisions	6,204		7,460	–1,256	–16.8
		153,945	152,498	1,447	0.9
E. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders		790	698	92	13.2
F. Other accrued liabilities		3,424	3,197	227	7.1
G. Liabilities					
I. Notes and debentures	2,201		2,205	–4	–0.2
II. Other liabilities	19,292		18,467	825	4.5
		21,493	20,672	821	4.0
H. Deferred tax liabilities		5,879	4,738	1,141	24.1
I. Other deferred items		172	158	14	8.9
Total equity and liabilities		204,830	196,441	8,389	4.3

Consolidated income statement for the period 1 January to 30 June 2003

ITEMS	Q1-2 2003	Q1-2 2002	Change	Change
	€m	€m	€m	%
1. Gross premiums written	20,760	20,448	312	1.5
2. Net earned premiums	18,521	17,826	695	3.9
3. Investment result	1,933	8,974	-7,041	-78.5
4. Other income	499	870	-371	-42.6
Total income (2-4)	20,953	27,670	-6,717	-24.3
5. Net expenses for claims and benefits	14,496	18,617	-4,121	-22.1
6. Net operating expenses	4,405	4,270	135	3.2
7. Other expenses	1,113	1,133	-20	-1.8
Total expenses (5-7)	20,014	24,020	-4,006	-16.7
8. Result before amortisation of goodwill	939	3,650	-2,711	-74.3
9. Amortisation of goodwill	162	164	-2	-1.2
10. Operating result before tax	777	3,486	-2,709	-77.7
11. Tax	1,418	-615	2,033	-
12. Minority interests in earnings	-38	3	-41	-
13. Net profit	-603	4,098	-4,701	-

	Q1-2 2003	Q1-2 2002	Change	Change
	€	€	€	%
Earnings per share	-3.38	23.15	-26.53	-

Consolidated income statement for the period 1 April to 30 June 2003

ITEMS	Q2 2003	Q2 2002	Change	Change
	€m	€m	€m	%
1. Gross premiums written	9,934	9,707	227	2.3
2. Net earned premiums	9,030	9,070	-40	-0.4
3. Investment result	1,717	2,047	-330	-16.1
4. Other income	206	652	-446	-68.4
Total income (2-4)	10,953	11,769	-816	-6.9
5. Net expenses for claims and benefits	7,534	10,192	-2,658	-26.1
6. Net operating expenses	2,118	2,120	-2	-0.1
7. Other expenses	485	688	-203	-29.5
Total expenses (5-7)	10,137	13,000	-2,863	-22.0
8. Result before amortisation of goodwill	816	-1,231	2,047	-
9. Amortisation of goodwill	79	90	-11	-12.2
10. Operating result before tax	737	-1,321	2,058	-
11. Tax	1,120	-930	2,050	-
12. Minority interests in earnings	-18	-8	-10	-125.0
13. Net profit	-365	-383	18	4.7

Earnings per share	Q2 2003	Q2 2002	Change	Change
	€	€	€	%
Earnings per share	-2.05	-2.16	0.11	5.1

Consolidated income statement (quarterly breakdown)

	Q2 2003	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
ITEMS	€m	€m	€m	€m	€m	€m
1. Gross premiums written	9,934	10,826	10,403	9,163	9,707	10,741
2. Net earned premiums	9,030	9,491	9,847	8,633	9,070	8,756
3. Investment result	1,717	216	-1,802	-1,567	2,047	6,927
4. Other income	206	293	317	156	652	218
Total income (2-4)	10,953	10,000	8,362	7,222	11,769	15,901
5. Net expenses for claims and benefits	7,534	6,962	6,686	5,826	10,192	8,425
6. Net operating expenses	2,118	2,287	2,517	2,146	2,120	2,150
7. Other expenses	485	628	796	454	688	445
Total expenses (5-7)	10,137	9,877	9,999	8,426	13,000	11,020
8. Result before amortisation of goodwill	816	123	-1,637	-1,204	-1,231	4,881
9. Amortisation of goodwill	79	83	126	81	90	74
10. Operating result before tax	737	40	-1,763	-1,285	-1,321	4,807
11. Tax	1,120	298	415	-374	-930	315
12. Minority interests in earnings	-18	-20	-20	-52	-8	11
13. Net profit	-365	-238	-2,158	-859	-383	4,481

	Q2 2003	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
	€	€	€	€	€	€
Earnings per share	-2.05	-1.33	-12.10	-4.82	-2.16	25.35
Earnings per share, diluted	-	-	-	-	-	25.24

Consolidated cash flow statement for the period 1 January to 30 June 2003

	Q1-2 2003 €m	Q1-2 2002 €m
Net profit, including minority interests in earnings	-641	4,101
Net change in underwriting provisions	1,880	5,224
Change in deferred acquisition costs	-217	-285
Change in deposits retained and accounts receivable and payable	-1,751	-1,415
Change in other receivables and liabilities	2,157	-2,859
Gains and losses on the disposal of investments	-37	-6,224
Change in securities held for trading	-185	65
Change in other balance sheet items	491	474
Other income/expenses without impact on cash flow	1,770	1,157
I. Cash flows from operating activities	3,467	238
Change from the acquisition and sale of consolidated enterprises	-	-458
Change from the acquisition, sale and maturities of other investments	-4,703	619
Change from the acquisition and sale of investments for unit-linked life insurance	-78	-11
Other	-263	-270
II. Cash flows from investing activities	-5,044	-120
Inflows from increases in capital	-	280
Dividend payments	-229	-10
Change from other financing activities	3,595	119
III. Cash flows from financing activities	3,366	389
Cash flows for the reporting period (I + II + III)	1,789	507
Effects of exchange rate changes on cash	-11	-22
Cash at the beginning of the business year	2,735	1,866
Cash at the end of the reporting period	4,513	2,351
Additional information		
Tax on earnings (net)	164	-51
Interest paid	319	144

Segment reporting

ASSETS	Reinsurance			
	Life and health		Property-casualty	
	30.6.2003 €m	31.12.2002 €m	30.6.2003 €m	31.12.2002 €m
A. Intangible assets	241	235	1,536	1,710
B. Investments				
I. Real estate	1,060	968	1,429	1,428
II. Investments in affiliated enterprises and associated enterprises	3,311	4,643	4,098	6,216
III. Loans	75	70	67	70
IV. Other securities				
1. Held to maturity	–	–	–	–
2. Available for sale	14,763	10,980	28,018	24,007
3. Held for trading	78	27	188	119
	14,841	11,007	28,206	24,126
V. Other investments	8,876	8,220	11,587	11,811
	28,163	24,908	45,387	43,651
C. Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–
D. Ceded share of underwriting provisions	1,928	2,020	5,195	5,655
E. Other segment assets	4,747	4,421	10,193	8,907
Total segment assets	35,079	31,584	62,311	59,923

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
30.6.2003 €m	31.12.2002 €m	30.6.2003 €m	31.12.2002 €m	30.6.2003 €m	31.12.2002 €m	30.6.2003 €m	31.12.2002 €m	30.6.2003 €m	31.12.2002 €m
2,435	2,495	1,316	1,314	19	25	-2	-2	5,545	5,777
6,846	6,677	745	748	-	-	24	27	10,104	9,848
3,664	4,606	3,175	3,267	76	78	-9,193	-9,209	5,131	9,601
15,916	13,512	635	557	361	415	-1,918	-1,980	15,136	12,644
777	814	33	38	-	-	-	-	810	852
64,185	65,345	5,645	5,736	95	107	-	-	112,706	106,175
213	193	147	112	1	1	-	-	627	452
65,175	66,352	5,825	5,886	96	108	-	-	114,143	107,479
2,213	1,610	365	478	1,070	222	-6,328	-6,338	17,783	16,003
93,814	92,757	10,745	10,936	1,603	823	-17,415	-17,500	162,297	155,575
789	703	-	-	-	-	-	-	789	703
7,948	7,929	1,766	1,637	-	-	-7,255	-7,011	9,582	10,230
10,667	9,395	3,032	2,817	175	208	-2,197	-1,592	26,617	24,156
115,653	113,279	16,859	16,704	1,797	1,056	-26,869	-26,105	204,830	196,441

Segment reporting

EQUITY AND LIABILITIES	Reinsurance			
	Life and health		Property-casualty	
	30.6.2003 €m	31.12.2002 €m	30.6.2003 €m	31.12.2002 €m
A. Subordinated liabilities	1,551		1,866	
B. Gross underwriting provisions				
I. Unearned premiums	245	180	5,200	5,076
II. Provision for future policy benefits	19,204	18,641	641	632
III. Provision for outstanding claims	3,168	2,803	34,495	35,281
IV. Other underwriting provisions	204	161	180	165
	22,821	21,785	40,516	41,154
C. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders	–	–	–	–
D. Other accrued liabilities	406	410	1,061	1,063
E. Other segment liabilities	3,344	3,196	10,725	9,779
Total segment liabilities	28,122	25,391	54,168	51,996

Primary insurance				Asset management		Consolidation		Total		
Life and health		Property-casualty								
30.6.2003 €m	31.12.2002 €m	30.6.2003 €m	31.12.2002 €m	30.6.2003 €m	31.12.2002 €m	30.6.2003 €m	31.12.2002 €m	30.6.2003 €m	31.12.2002 €m	
-		-		-		-		3,417		
130	82	1,525	1,062	-	-	-324	-242	6,776	6,158	
84,413	82,389	105	90	-	-	-5,959	-5,664	98,404	96,088	
1,392	1,380	4,397	4,393	-	-	-891	-1,065	42,561	42,792	
6,343	7,731	102	104	-	-	-625	-701	6,204	7,460	
92,278	91,582	6,129	5,649	-	-	-7,799	-7,672	153,945	152,498	
781	690	-	-	-	-	9	8	790	698	
962	680	965	1,003	44	55	-14	-14	3,424	3,197	
17,919	16,424	5,116	5,250	1,510	736	-11,070	-9,817	27,544	25,568	
111,940	109,376	12,210	11,902	1,554	791	-18,874	-17,495	189,120	181,961	
								Shareholders' equity*	15,710	14,480
								Total equity and liabilities	204,830	196,441

* Group shareholders' equity and minority interests.

Segment reporting

INCOME STATEMENT 1.1–30.6.2003

	Reinsurance			
	Life and health		Property-casualty	
	Q1–2 2003 €m	Q1–2 2002 €m	Q1–2 2003 €m	Q1–2 2002 €m
1. Gross premiums written	3,386	3,359	9,533	9,797
Thereof:				
– From insurance transactions with other segments	472	395	608	672
– From insurance transactions with external third parties	2,914	2,964	8,925	9,125
2. Net earned premiums	3,023	2,934	8,368	8,320
3. Investment result	532	1,845	639	5,571
Thereof:				
– Income from associated enterprises	–29	1,080	–30	4,274
4. Other income	40	132	159	354
Total income (2–4)	3,595	4,911	9,166	14,245
5. Net expenses for claims and benefits	2,576	2,285	5,831	9,042
6. Net operating expenses	744	746	2,194	2,220
7. Other expenses	129	135	405	446
Total expenses (5–7)	3,449	3,166	8,430	11,708
8. Result before amortisation of goodwill	146	1,745	736	2,537
9. Amortisation of goodwill	1	1	54	68
10. Operating result before tax	145	1,744	682	2,469
11. Tax	138	157	614	–845
12. Minority interests in earnings	–	–	1	–1
13. Net profit	7	1,587	67	3,315

		Primary insurance		Asset management		Consolidation		Total	
Life and health		Property-casualty							
Q1-2 2003 €m	Q1-2 2002 €m	Q1-2 2003 €m	Q1-2 2002 €m	Q1-2 2003 €m	Q1-2 2002 €m	Q1-2 2003 €m	Q1-2 2002 €m	Q1-2 2003 €m	Q1-2 2002 €m
5,979	5,593	2,947	2,776	-	-	-1,085	-1,077	20,760	20,448
4	10	1	-	-	-	-1,085	-1,077	-	-
5,975	5,583	2,946	2,776	-	-	-	-	20,760	20,448
5,331	4,922	1,799	1,642	-	-	-	8	18,521	17,826
854	2,312	-32	101	21	17	-81	-872	1,933	8,974
-20	675	-15	14	9	10	-	-	-85	6,053
347	338	322	421	115	110	-484	-485	499	870
6,532	7,572	2,089	2,164	136	127	-565	-1,349	20,953	27,670
4,969	6,275	1,138	1,060	-	-	-18	-45	14,496	18,617
820	680	644	613	-	-	3	11	4,405	4,270
528	478	455	515	107	92	-511	-533	1,113	1,133
6,317	7,433	2,237	2,188	107	92	-526	-567	20,014	24,020
215	139	-148	-24	29	35	-39	-782	939	3,650
50	46	57	49	-	-	-	-	162	164
165	93	-205	-73	29	35	-39	-782	777	3,486
637	54	24	6	5	13	-	-	1,418	-615
-28	6	-8	1	-2	-	-1	-3	-38	3
-444	33	-221	-80	26	22	-38	-779	-603	4,098

Segment reporting

INCOME STATEMENT 1.4-30.6.2003

	Reinsurance			
	Life and health		Property-casualty	
	Q2 2003 €m	Q2 2002 €m	Q2 2003 €m	Q2 2002 €m
1. Gross premiums written	1,785	1,714	4,611	4,512
Thereof:				
– From insurance transactions with other segments	229	178	204	125
– From insurance transactions with external third parties	1,556	1,536	4,407	4,387
2. Net earned premiums	1,515	1,478	3,937	4,186
3. Investment result	274	662	370	845
Thereof:				
– Income from associated enterprises	–10	400	–8	977
4. Other income	17	104	67	272
Total income (2–4)	1,806	2,244	4,374	5,303
5. Net expenses for claims and benefits	1,261	958	2,756	6,032
6. Net operating expenses	343	440	1,000	1,033
7. Other expenses	71	56	218	214
Total expenses (5–7)	1,675	1,454	3,974	7,279
8. Result before amortisation of goodwill	131	790	400	–1,976
9. Amortisation of goodwill	–	–	26	32
10. Operating result before tax	131	790	374	–2,008
11. Tax	102	70	357	–1,034
12. Minority interests in earnings	–	–	1	–
13. Net profit	29	720	16	–974

		Primary insurance		Asset management		Consolidation		Total	
Life and health		Property-casualty							
Q2 2003 €m	Q2 2002 €m	Q2 2003 €m	Q2 2002 €m	Q2 2003 €m	Q2 2002 €m	Q2 2003 €m	Q2 2002 €m	Q2 2003 €m	Q2 2002 €m
2,911	2,799	1,062	989	-	-	-435	-307	9,934	9,707
1	4	1	-	-	-	-435	-307	-	-
2,910	2,795	1,061	989	-	-	-	-	9,934	9,707
2,653	2,542	925	856	-	-	-	8	9,030	9,070
1,054	664	47	-5	18	9	-46	-128	1,717	2,047
-16	168	-17	-5	8	5	-	-	-43	1,545
158	181	136	282	59	60	-231	-247	206	652
3,865	3,387	1,108	1,133	77	69	-277	-367	10,953	11,769
2,903	2,742	621	496	-	-	-7	-36	7,534	10,192
432	318	341	321	-	-	2	8	2,118	2,120
214	296	152	341	56	48	-226	-267	485	688
3,549	3,356	1,114	1,158	56	48	-231	-295	10,137	13,000
316	31	-6	-25	21	21	-46	-72	816	-1,231
25	23	28	35	-	-	-	-	79	90
291	8	-34	-60	21	21	-46	-72	737	-1,321
616	36	40	-8	2	5	3	1	1,120	-930
-18	-3	-	-3	-1	-	-	-2	-18	-8
-307	-25	-74	-49	20	16	-49	-71	-365	-383

Segment reporting

INVESTMENTS*	Reinsurers		Primary insurers		Asset management		Total	
	30.6.2003 €m	31.12.2002 €m	30.6.2003 €m	31.12.2002 €m	30.6.2003 €m	31.12.2002 €m	30.6.2003 €m	31.12.2002 €m
Europe	37,721	33,203	97,942	97,412	1,182	351	136,845	130,966
North America	21,025	20,679	1,620	1,302	62	50	22,707	22,031
Asia and Australasia	1,928	1,818	312	343	21	22	2,261	2,183
Africa, Near and Middle East	602	553	85	64	–	–	687	617
Latin America	366	403	212	70	8	8	586	481
Total	61,642	56,656	100,171	99,191	1,273	431	163,086	156,278

* After elimination of intra-Group transactions across segments.

GROSS PREMIUMS WRITTEN*

1.1–30.6.2003	Reinsurers		Primary insurers		Total	
	Q1–2 2003 €m	Q1–2 2002 €m	Q1–2 2003 €m	Q1–2 2002 €m	Q1–2 2003 €m	Q1–2 2002 €m
Europe	6,766	6,386	8,737	8,151	15,503	14,537
North America	3,735	4,137	66	138	3,801	4,275
Asia and Australasia	724	769	49	26	773	795
Africa, Near and Middle East	353	355	61	33	414	388
Latin America	261	442	8	11	269	453
Total	11,839	12,089	8,921	8,359	20,760	20,448

* After elimination of intra-Group transactions across segments.

1.4–30.6.2003	Reinsurers		Primary insurers		Total	
	Q2 2003 €m	Q2 2002 €m	Q2 2003 €m	Q2 2002 €m	Q2 2003 €m	Q2 2002 €m
Europe	3,523	3,095	3,937	3,750	7,460	6,845
North America	1,808	2,036	–	17	1,808	2,053
Asia and Australasia	344	344	9	3	353	347
Africa, Near and Middle East	167	199	26	14	193	213
Latin America	120	248	–	1	120	249
Total	5,962	5,922	3,972	3,785	9,934	9,707

* After elimination of intra-Group transactions across segments.

Notes

Accounting and valuation policies

This quarterly report as at 30 June 2003 has been prepared in accordance with the International Financial Reporting Standards.

The same accounting, valuation and consolidation principles have been applied as in our consolidated financial statements as at 31 December 2002.

Changes in the consolidated group

There were no significant changes in the group of consolidated companies in the first six months of 2003.

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	
	30.6.2003	31.12.2002	Q1-2 2003	Q1-2 2002
Australian dollar	1.71225	1.86360	1.79243	1.68027
Canadian dollar	1.56030	1.65790	1.60468	1.41347
Pound sterling	0.69595	0.65180	0.68574	0.62173
Rand	8.62415	9.00440	8.86717	9.85700
Swiss franc	1.55550	1.45100	1.49170	1.46888
US dollar	1.14835	1.04940	1.10484	0.89811
Yen	137.8880	124.5320	131.1490	116.2950

Intangible assets

All figures in €m	30.6.2003	31.12.2002
I. Goodwill	4,146	4,441
II. Other intangible assets	1,399	1,336
– Software	376	312
– Purchased insurance portfolios	878	913
– Other	145	111
Total	5,545	5,777

Other securities, available for sale

All figures in €m	Carrying amounts		Unrealised gains/losses		Amortised cost	
	30.6.2003	31.12.2002	30.6.2003	31.12.2002	30.6.2003	31.12.2002
Fixed-interest securities	91,582	86,676	4,314	3,763	87,268	82,913
Non-fixed-interest securities						
– Shares	18,444	16,788	1,576	–2,671	16,868	19,459
– Investment funds	1,935	1,939	–150	–255	2,085	2,194
– Other	745	772	–5	209	750	563
	21,124	19,499	1,421	–2,717	19,703	22,216
Total	112,706	106,175	5,735	1,046	106,971	105,129

Changes in shareholders' equity

All figures in €m	Issued capital	Capital reserve	Revenue reserves	Other reserves	Consolidated profit	Total shareholders' equity
Status at 31.12.2001	453	2,714	11,522	4,418	250	19,357
Changes in exchange rates	–	–	–766	–6	–1	–773
Capital increase	4	276	–	–	–	280
Allocation to revenue reserves	–	–	249	–	–249	–
Change in consolidated group	–	–	–99	–9	–	–108
Change resulting from valuation at equity	–	–	179	–253	–	–74
Unrealised gains and losses on other securities	–	–	–	–2,551	–	–2,551
Consolidated net profit	–	–	–	–	4,098	4,098
Share buy-backs	–	–	–82	–	–	–82
Other changes	–	–	5	–	–	5
Status at 30.6.2002	457	2,990	11,008	1,599	4,098	20,152
Status at 31.12.2002	457	2,990	10,008	–588	1,081	13,948
Changes in exchange rates	–	–	–666	–20	190	–496
Allocation to revenue reserves	–	–	1,048	–	–1,048	–
Change resulting from valuation at equity	–	–	–656	–161	–	–817
Unrealised gains and losses on other securities	–	–	–	3,239	–	3,239
Consolidated net profit	–	–	–	–	–603	–603
Profit distribution	–	–	–	–	–223	–223
Other changes	–	–	97	–	–	97
Status at 30.6.2003	457	2,990	9,831	2,470	–603	15,145

Minority interests

These are mainly minority interests in the ERGO Insurance Group.

All figures in €m	30.6.2003	31.12.2002
Unrealised gains and losses	42	7
Consolidated profit	-38	-69
Other equity components	561	594
Total	565	532

Subordinated liabilities

All figures in €m	30.6.2003	31.12.2002
Munich Re Finance B.V., Amsterdam 6.75%, €3,000m, Bonds 2003/2023 Rating: A	2,988	-
Munich Re Finance B.V., Amsterdam 7.625%, £300m, Bonds 2003/2028 Rating: A	429	-
Total	3,417	-

Notes and debentures

All figures in €m	30.6.2003	31.12.2002
American Re Corporation, Princeton 7.45%, US\$ 500m, Senior Notes 1996/2026 Rating: BBB+	434	475
ERGO International AG, Düsseldorf 2.25%, €345m, Bonds Exchangeable into E.ON AG Shares 2001/2006 0.75%, €345m, Bonds Exchangeable into Aventis AG Shares 2001/2006 Rating: A+	620	609
Munich Reinsurance Company, Munich 1.0%, €1,150m, Bonds Exchangeable into Allianz AG Shares 2000/2005 Rating: AA-	1,137	1,111
Hestia Investment Organiczona, Sopot 7.3%, PLN 42.1m, Zero Coupon Bonds 2002/2003	10	10
Total	2,201	2,205

Investment result

All figures in €m	Q1-2 2003	Q2 2003	Q1-2 2002	Q2 2002
Real estate	276	128	247	123
Investments in affiliated enterprises	5	14	197	-1
Investments in associated enterprises	-85	-43	6,053	1,545
Mortgage loans and other loans	428	239	369	173
Other securities held to maturity	22	11	24	215
Other securities available for sale				
– Fixed-interest	2,979	1,542	2,108	1,033
– Non-fixed-interest	-1,616	296	-242	-1,246
Other securities held for trading				
– Fixed-interest	35	-2	32	27
– Non-fixed-interest	-116	-446	6	-9
Other investments	252	109	380	300
Expenses for the management of investments, other expenses	247	131	200	113
Total	1,933	1,717	8,974	2,047

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1-2 2003	Q1-2 2002	Q1-2 2003	Q1-2 2002
	Q1-2 2003	Q1-2 2002	Q1-2 2003	Q1-2 2002	Q1-2 2003	Q1-2 2002	Q1-2 2003	Q1-2 2002				
All figures in €m*												
Investment income												
Regular income	639	508	719	1,629	2,318	2,372	165	192	12	5	3,853	4,706
Income from write-ups	55	34	240	102	83	32	5	–	–	–	383	168
Gains on the disposal of investments	76	1,445	446	4,330	1,230	1,255	58	83	4	1	1,814	7,114
Other income	–	–	–	–	18	5	–	–	–	–	18	5
	770	1,987	1,405	6,061	3,649	3,664	228	275	16	6	6,068	11,993
Investment expenses												
Writedowns on investments	103	201	465	639	1,240	880	99	107	–	5	1,907	1,832
Losses on the disposal of investments	69	107	321	336	1,249	387	137	59	1	1	1,777	890
Other expenses	31	17	157	81	234	180	25	13	4	6	451	297
	203	325	943	1,056	2,723	1,447	261	179	5	12	4,135	3,019
Total	567	1,662	462	5,005	926	2,217	–33	96	11	–6	1,933	8,974

* After elimination of intra-Group transactions across segments.

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q2 2003	Q2 2002	Q2 2003	Q2 2002
	Q2 2003	Q2 2002	Q2 2003	Q2 2002	Q2 2003	Q2 2002	Q2 2003	Q2 2002				
All figures in €m*												
Investment income												
Regular income	323	354	378	936	1,258	1,375	80	96	10	–	2,049	2,761
Income from write-ups	9	26	18	63	2	7	–	–	–	–	29	96
Gains on the disposal of investments	33	622	194	417	744	222	26	20	4	–	1,001	1,281
Other income	–	–	–	–	14	–	–	–	–	–	14	–
	365	1,002	590	1,416	2,018	1,604	106	116	14	–	3,093	4,138
Investment expenses												
Writedowns on investments	40	180	159	533	592	744	47	99	–	5	838	1,561
Losses on the disposal of investments	23	65	111	127	171	123	14	20	–	1	319	336
Other expenses	17	10	85	47	115	126	–	8	2	3	219	194
	80	255	355	707	878	993	61	127	2	9	1,376	2,091
Total	285	747	235	709	1,140	611	45	–11	12	–9	1,717	2,047

* After elimination of intra-Group transactions across segments.

Net expenses for claims and benefits

1.1–30.6.2003	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1–2 2003	Q1–2 2002
	Q1–2 2003	Q1–2 2002	Q1–2 2003	Q1–2 2002	Q1–2 2003	Q1–2 2002	Q1–2 2003	Q1–2 2002		
All figures in €m*										
Gross	2,305	2,155	6,117	9,482	5,579	6,660	1,528	1,543	15,529	19,840
Ceded share	206	213	290	846	160	83	377	81	1,033	1,223
Net	2,099	1,942	5,827	8,636	5,419	6,577	1,151	1,462	14,496	18,617

* After elimination of intra-Group transactions across segments.

1.4–30.6.2003	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q2 2003	Q2 2002
	Q2 2003	Q2 2002	Q2 2003	Q2 2002	Q2 2003	Q2 2002	Q2 2003	Q2 2002		
All figures in €m*										
Gross	1,089	989	2,809	6,248	3,292	2,921	761	699	7,951	10,857
Ceded share	121	182	131	348	112	53	53	82	417	665
Net	968	807	2,678	5,900	3,180	2,868	708	617	7,534	10,192

* After elimination of intra-Group transactions across segments.

Net operating expenses

1.1–30.6.2003	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1–2 2003	Q1–2 2002
	Q1–2 2003	Q1–2 2002	Q1–2 2003	Q1–2 2002	Q1–2 2003	Q1–2 2002	Q1–2 2003	Q1–2 2002		
All figures in €m*										
Gross	750	993	2,220	2,400	1,027	744	909	773	4,906	4,910
Ceded share	90	172	139	191	107	134	165	143	501	640
Net	660	821	2,081	2,209	920	610	744	630	4,405	4,270

* After elimination of intra-Group transactions across segments.

1.4–30.6.2003	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q2 2003	Q2 2002
	Q2 2003	Q2 2002	Q2 2003	Q2 2002	Q2 2003	Q2 2002	Q2 2003	Q2 2002		
All figures in €m*										
Gross	370	506	1,049	1,052	532	333	458	383	2,409	2,274
Ceded share	63	55	115	10	51	23	62	66	291	154
Net	307	451	934	1,042	481	310	396	317	2,118	2,120

* After elimination of intra-Group transactions across segments.

Number of staff

The number of staff employed by the Group as at 30 June 2003 totalled 30,567 (31,063) in Germany and 10,826 (10,333) in other countries

	30.6.2003	31.12.2002
Reinsurance companies	6,032	5,836
Primary insurance companies	34,730	34,924
Asset management	631	636
Total	41,393	41,396

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2002 there have been no material changes in financial commitments of significance for the assessment of the Group's financial position, apart from the outstanding commitments from real estate purchase agreements, which have largely been settled. As a result of their participating interest in Protector Lebensversicherungs-AG, the German life insurance companies of our Group are obliged to make benefit commitments commensurate with their total market share of 12.9%. 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.

		Q1-2 2003	Q1-2 2002	Q2 2003	Q2 2002
Net income	€m	-603	4,098	-365	-383
Weighted average number of shares		178,330,916	177,033,021	178,330,916	177,279,762
Earnings per share	€	-3.38	23.15	-2.05	-2.16

Important dates

Interim report as at 30 September 2003	25 November 2003
Provisional figures for consolidated financial statements 2003	17 March 2004
Balance sheet meeting of Supervisory Board	14 April 2004
Annual report for the business year 2003	15 April 2004
Balance sheet press conference	15 April 2004
Analysts' conference	16 April 2004
Annual General Meeting	26 May 2004
Dividend payment	27 May 2004
Interim report as at 31 March 2004	3 June 2004
Interim report as at 30 June 2004	4 August 2004
Half-year press conference	4 August 2004
Interim report as at 30 September 2004	3 November 2004

The official German original of this quarterly 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

If you have general questions on Munich Re shares, please use our shareholder hotline:

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