1/2007

Munich Re Group
Quarterly Report

Münchener Rück
Munich Re Group

Supervisory Board

Dr. Hans-Jürgen Schinzler (Chairman)

Board of Management

Dr. Nikolaus von Bomhard (Chairman)

Dr. Ludger Arnoldussen

Dr. Thomas Blunck

Georg Daschner

Dr. Heiner Hasford (until 28 February 2007)

Dr. Torsten Jeworrek

John Phelan

Dr. Jörg Schneider

Dr. Wolfgang Strassl

Munich Re Group

Key figures (IFRS)

		Q1 2007	Q1 2006	Change %
Gross premiums written	€m	**10,020**	10,036	–0.2
Investment result	€m	**3,161**	2,129	48.5
Result before impairment losses of goodwill	€m	**1,321**	1,471	–10.2
Taxes on income	€m	**269**	406	–33.7
Consolidated result	€m	**982**	979	0.3
Thereof attributable to minority interests	€m	**17**	20	–15.0
Earnings per share	€	**4.35**	4.20	3.6
Combined ratio				
– Reinsurance property-casualty	%	**101.8**	91.6	
– Primary insurance property-casualty	%	**102.1**	97.0	

		31.3.2007	31.12.2006	Change %
Investments	€m	**179,274**	176,872	1.4
Equity	€m	**26,462**	26,429	0.1
Net underwriting provisions	€m	**155,368**	153,778	1.0
Staff		**37,754**	37,210	1.5
Share price	€	**126.61**	130.42	–2.9
Munich Re's market capitalisation	€bn	**29.1**	29.9	–2.9

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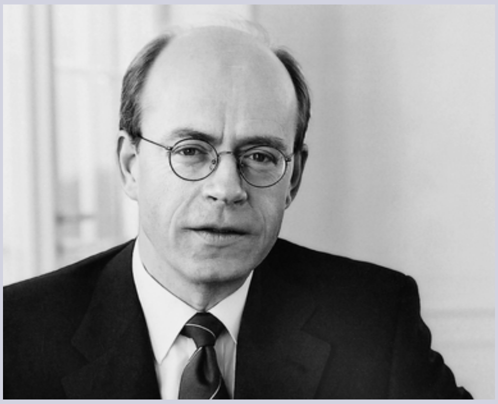
To our shareholders



Dr. Nikolaus von Bomhard
Chairman of Munich Re's Board of Management

Dear Shareholders,

With our result for the first quarter of 2007, we have added further to our long string of positive quarterly closings, and posted a high profit. At €982m, this profit is slightly up on the result for the first quarter of 2006, which I described as "outstanding" a year ago. We have accomplished this even though the losses caused by Winter Storm Kyrill this January in Germany and its neighbouring countries will cost us €450m before tax (€390m of which in reinsurance), and have weakened our result for the quarter by €270m. These losses have had an impact of 11.2 percentage points on our combined ratio in reinsurance, which has risen to 101.8%. Apart from this catastrophe event, we can look back on business performance that has been in line with expectations. Our investment result is very positive. We took advantage of the mainly favourable stock markets to sell shares, and the previously announced large gains on the sale of real estate, which we initiated last year, partly compensate for the Kyrill losses.

The quarterly result confirms that we have meanwhile established a sustained high profit level. From this solid position, we are now focusing the Munich Re Group on bottom-line growth to an even greater extent in our Changing Gear programme. Profitability and active capital management will remain our maxims in this process – both are areas in which we set standards and aspire to lead the field.

What does Changing Gear mean in specific terms? This programme consists of three core elements:

- Ambitious growth targets
- Best in class
- Capital efficiency

With a combination of different initiatives, we aim to increase our earnings per share continuously until the end of this decade. Each of these initiatives must deliver its contribution to earnings-per-share growth. Furthermore, we intend to continue with our share buy-back programme and thus ensure an attractive Munich Re share price performance.

With Changing Gear and the related plans, ladies and gentlemen, we aspire to create value for you, our shareholders. In the global market for risks, where the borders between reinsurance and primary insurance are becoming increasingly blurred, we want you to benefit from the opportunities through our business model, which incorporates both primary insurance and reinsurance.

Yours sincerely,

Key parameters

- **Global growth remains robust**
- **US economy still slightly subdued**
- **Favourable ongoing growth climate in the eurozone**

In the period under review, the global economy sustained its strong growth, still driven mainly by the USA and China, although the emphasis has shifted somewhat from the USA to the eurozone recently. Japan's economic climate also continued to be positive on the whole.

According to initial estimates, the US economy recorded a year-on-year growth rate of 1.3% (in real terms, seasonally adjusted and annualised) in the first quarter of 2007. Adverse effects emanated in particular from the weak housing market.

By contrast, data from the eurozone indicated that the favourable economic development last reported had been sustained. Unemployment shows an appreciable downward trend, and early indicators such as the Purchasing Managers' Index for the manufacturing industry pointed to a continuation of sturdy economic growth, albeit at a somewhat slackened pace.

Growth prospects in Germany improved, and the curbing impact of the increase in value-added tax turned out to be less than expected in the first quarter. This improvement is probably attributable in no small measure to the labour market, where the seasonally adjusted unemployment rate for March was at its lowest level in over five years. Moreover, the much-heeded ifo business climate index was only marginally below the high level recorded in December 2006, and in March it even climbed somewhat above the figure for the previous month – a sign that the economic environment continues to be favourable.

In Japan, economic development also remained positive. However, given the very strong fourth quarter of 2006, the growth rate in the period under review is likely to be lower.

Growing by 11.1% in real terms year on year, China continued to provide strong impulses for the global economy in the period under review, and growth momentum was even somewhat higher. The still robust global economic climate had a favourable knock-on effect on the other emerging economies of Asia, eastern Europe and Latin America.

In the foreign exchange markets, the euro fell to just under US$ 1.29 at the beginning of the quarter, but subsequently recovered to US$ 1.34. The Federal Reserve maintained its federal funds rate at 5.25%, while the European Central Bank increased its key interest rate from 3.5% to 3.75%. Against this backdrop, long-term interest rates took a slight downward turn in the USA, but rose marginally in the eurozone. On the stock markets, the main international indices displayed a sideways movement following a correction in March. The DAX advanced moderately in the first quarter, whereas the US Dow Jones lost some ground.

In the further course of this year, the US economy is expected to slow down mildly in comparison with last year, not least because of prevailing difficulties in the housing market. Growth in the eurozone, although increasingly buoyed by domestic demand, is unlikely to remain immune to a dampened global export climate. Germany's growth dynamics may consequently also experience a minor weakening.

The world economy remains exposed to significant risks, ranging from geopolitical uncertainty (political situation in the Middle East, considerable increase in oil prices), a stronger-than-expected downturn of the US housing market and the risk of a significant correction of the US dollar owing to the high US current account deficit, to a substantial increase in credit spreads and a global pandemic.

Business experience from 1 January to 31 March 2007

Reinsurance

- **Successful renewals at 1 January 2007 secure high earnings potential**
- **Loss burden of €390m from Winter Storm Kyrill; allowing for this, combined ratio satisfactory**
- **Very good investment result**
- **Satisfying consolidated result**

Key reinsurance figures

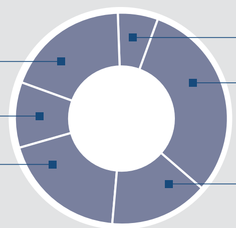
		Q1 2007	Q1 2006
Gross premiums written	€bn	**5.8**	6.0
Loss ratio property-casualty	%	**76.6**	64.5
Expense ratio property-casualty	%	**25.2**	27.1
Combined ratio property-casualty	%	**101.8**	91.6
Thereof natural catastrophes	Percentage points	**12.2**	2.2
Investment result	€m	**1,324**	1,061
Result before impairment losses of goodwill	€m	**1,059**	1,234
Consolidated result	€m	**798**	841
Thereof attributable to minority interests	€m	**–**	–

		31.3.2007	31.12.2006
Investments	€bn	**86.2**	85.0
Net underwriting provisions	€bn	**60.0**	59.6

Despite the huge loss burden from Winter Storm Kyrill, which in mid-January wreaked heavy damage particularly in Germany, but also in other central European countries, the Munich Re Group's reinsurance business performed very pleasingly overall in the first quarter of 2007, as evidenced by our consolidated result of €798m. Due to our very good investment profit and satisfactory underwriting performance, we were again able to achieve a gratifying operating result of €1,059m (1,234m).

This was mainly attributable to our broad basic business, which we have consistently geared to profitability in recent years. As at 1 January 2007, Munich Re renewed some two-thirds of its treaty business in property-casualty reinsurance. In spite of stronger competition, we were again able to negotiate risk-commensurate prices and conditions for our portfolio. Price development varied considerably, depending on the class of business and region concerned. Although rates for the renewed portfolio were

Gross premiums by division Q1 2007



slightly lower overall, we nevertheless maintained a good profitability level on the whole by reallocating our capacity to programmes with particularly high earnings potential. One consequence of this was the increased share of non-proportional property insurance business, which reflects the current market conditions: despite the relatively quiet Atlantic hurricane season last year, we were able to uphold the attractive prices of the renewals at 1 July 2006 for US hurricane-exposed business. In the rest of the property and liability business, the favourable level of prices, terms and conditions achieved in the previous year stabilised with only slight softening. Moreover, we realised further expansion in the profitable field of agricultural reinsurance. Our clear commitment to relinquishing unprofitable business led Munich Re to withdraw capacity from the market. Thus, we gave up large parts of our French and German motor business and our international aviation fleet business. We also terminated unprofitable treaties in the highly competitive Chinese market.

As a consequence, compared with the same quarter last year, premium volume fell moderately by 2.8% to €5.8bn (6.0bn). The euro gained in strength against many other currencies year on year, causing premium income from our foreign-currency business to decline. If exchange rates had remained unchanged, our premium would have been €264m higher.

In the life and health segment, gross premiums written fell by 7.9% to €1.8bn (1.9bn) on account of exchange-rate influences, but also due to the scheduled reduction of individual treaties with large volumes. Owing to currency-translation effects, our premium income in property-casualty business decreased slightly to €4.03bn (4.05bn) – a reduction of 0.4%. Adjusted to eliminate the effects of exchange rates, premium income was up 4.0%.

After the first three months of the financial year, the combined ratio was 101.8% (91.6%). The total burden from major losses was €566m (274m), representing 16.3% (7.9%) of net earned premiums. Winter Storm Kyrill cost us around €390m, or approximately 11.2% of our net earned premiums. Additionally in the period under review, we had a satellite claim totalling a good €40m in our space business and had to make provision for a liability loss in the order of €20m. Ultimately, however, our profitable basic business partially compensated for the large losses.

Our reinsurers’ investment result amounted to €1,324m (1,061m) in the first quarter. It was primarily influenced by gains of €222m on our sale of a major real estate package. We also achieved net gains of €485m (461m) on the disposal of non-fixed-interest securities available for sale, thus improving on our result in the same period last year.

Primary insurance

– **Gross premiums develop positively: strong growth abroad, slight decrease in Germany**
– **Loss burden of €60m from Winter Storm Kyrill; in the light of this, combined ratio relatively good**
– **Consolidated result significantly higher than in previous year**

Key primary insurance figures

		Q1 2007	Q1 2006
Gross premiums written	€bn	**4.8**	4.6
Loss ratio property-casualty	%	**67.1**	60.1
Expense ratio property-casualty	%	**36.9**	36.3
Combined ratio property-casualty	%	**104.0**	96.4
Combined ratio legal expenses insurance	%	**95.2**	98.8
Combined ratio property-casualty including legal expenses insurance	%	**102.1**	97.0
Investment result	€m	**1,963**	1,124
Result before impairment losses of goodwill	€m	**324**	232
Consolidated result	€m	**258**	138
Thereof attributable to minority interests	€m	**16**	21

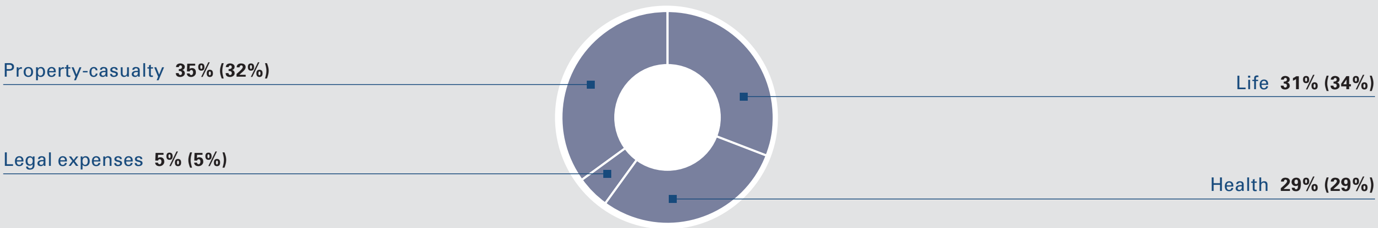
		31.3.2006	31.12.2005
Investments	€bn	**108.2**	107.4
Net underwriting provisions	€bn	**95.4**	94.2

The Group's primary insurers essentially comprise the ERGO Insurance Group, Europäische Reiseversicherung and the Watkins Syndicate. The development of the primary insurance business segment is largely determined by the ERGO Insurance Group, which accounts for over 92% of the segment's premium income.

Our primary insurers started 2007 well, posting an operating result of €324m (232m) in the first quarter. The key factors behind the 39.7% year-on-year increase were major gains on the disposal of real estate and earnings from the sale of shares, which more than compensated for the impact on the underwriting result of the windstorm losses caused by Kyrill. The consolidated result after tax for the first quarter of 2007 was €258m (138m), representing growth of 87%.

Across all classes of business, premium development showed a rise of 4.0%. Growth was especially apparent in our international business, particularly in property-casu-

Gross premiums by class of insurance Q1 2007



alty insurance and in the health segment. Altogether, gross premiums written totalled €4.8bn (4.6bn). In the life and health segment, premiums remained constant at €2.9bn; an increase of 5.1% in health insurance contrasted with a decline in life premiums. In property-casualty insurance (including legal expenses insurance), premium income was up by a strong 10.8% to €1.9bn (1.7bn).

In the first quarter of 2007, gross premiums written by our life insurers totalled €1.47bn (1.54bn). The 4.4% decline is largely attributable to the high number of scheduled policy terminations in German business. As anticipated, new business in Germany was down on the same quarter last year (–13.8%). This was chiefly due to a "basis" effect: the third subsidisation stage for Riester policies gave a major boost to new business in early 2006. When adjusted to eliminate this effect, there was an increase of 2.1%. Single-premium business made good progress, largely due to classic annuity and unit-linked life insurance. The development is also gratifying in company pensions, where we made gains of 16.6% against the previous year. Outside Germany, business was very satisfactory especially in Belgium, the Baltic States and Poland.

In health insurance, our premium income rose significantly by 5.1% to €1.4bn (1.3bn) in the first quarter of 2007. At 9.0%, growth outside Germany made a greater contribution than the domestic market, which posted an increase of 4.3%. In Germany, the increase in new business with supplementary health insurance was particularly strong (+26.4%), although we also achieved a good growth rate of 3.6% in comprehensive health insurance.

The project to standardise IT applications in the health segment launched in the first quarter of 2005 – following the conclusion of all preparatory work – was completed successfully in mid-April 2007. Since then, ERGO's German insurance companies have been using a uniform group-wide IT platform. KarstadtQuelle Versicherungen is the only exception to this, because its special business model as a direct insurer requires its own IT solutions. ERGO's now-complete IT harmonisation project, which began in 2000 with the merging of its computer centres, is of a scale unequalled in the industry.

In ERGO´s property-casualty segment, premium income climbed to €1.53bn (1.45bn) in the first three months of 2007. The pleasing 5.4% increase is largely due to foreign business, which was given additional momentum by the acquisition of the Turkish İsviçre Group in 2006. Adjusted to eliminate the effect of changes in the consolidated group, however, gross premiums written in foreign business decreased 1.7%, largely on account of business experience in Italy and Portugal, where we withdrew from unprofitable business. At €1.00bn (1.01bn), domestic premium income was 1.2% below the previous year's level. Although the price slump in German motor insurance did not continue, we are still forgoing volume in the interests of profitability – especially in motor fleet business. Personal accident insurance and commercial/industrial lines business, on the other hand, developed favourably, posting year-on-year growth of 1.4% and 4.0% respectively. In legal expenses insurance, premiums climbed to €248m (234m) in the first quarter – a rise of 6.0%, to which both domestic (+1.7%) and foreign business contributed, the latter increasing markedly to €125m (114m).

Whilst the mild winter had a favourable effect on overall claims development, Kyrill led to a net claims burden of approximately €60m for our primary insurers. As a result, the combined ratio (including legal expenses insurance) climbed to 102.1% (97.0%) in the first quarter. Nevertheless, we do not yet consider our annual combined ratio target of below 95% to be at risk.

The Chairman of ERGO's Board of Management, Dr. Lothar Meyer, will go into retirement at the end of this year. His successor is to be Dr. Torsten Oletzky, currently the ERGO Board of Management member responsible for Customer Service, Company Organisation and Information Technology. Dr. Oletzky's present responsibilities will be assumed by Dr. Bettina Anders, Chairwoman of the Executive Management of ITERGO Informationstechnologie GmbH, the IT service provider of the ERGO Insurance Group.

As at 1 July 2007, a Board Division for Sales is to be established on the Board of Management of ERGO Versicherungsgruppe AG, with Jürgen Vetter – a proven sales expert and presently Chairman of the Board of D.A.S. Legal Expenses Insurance – at its head. This measure is aimed at improving the basis for a holistic client approach and overarching sales management by having the sales force represented more directly on ERGO's Board of Management.

Asset management

- Very good investment result of €3.2bn
- After corrections, stock and bond markets rebound to almost beginning-of-year levels
- Sale of real estate successfully concluded

Investment result

	Q1 2007 €m	Q1 2006 €m	Change in %
Regular income	1,827	1,770	3.2
Write-ups/write-downs	–246	–472	47.9
Net realised capital gains	1,691	924	83.0
Other income/expenses	–111	–93	–19.4
Total	**3,161**	**2,129**	**48.5**

Investment result by type of investment

	Q1 2007 €m	Q1 2006 €m	Change in %
Real estate	586	120	388.3
Investments in affiliated companies	–1	12	–
Investments in associates	21	13	61.5
Mortgage loans and other loans	327	276	18.5
Other securities	2,173	1,618	34.3
Deposits retained on assumed reinsurance and other investments	126	151	–16.6
Investments for the benefit of the insurance policyholders who bear the investment risk	15	47	–68.1
Expenses for the management of investments and other expenses	86	108	–20.4
Total	**3,161**	**2,129**	**48.5**

In the first quarter, we posted a very good investment result of €3,161m (2,129m).

We achieved excellent gains totalling €1,691m (924m) on the disposal of investments, which were essentially attributable to the sale – initiated in 2006 and largely concluded in the first quarter of 2007 – of 77 residential properties and 97 properties used primarily for commercial purposes. The approximately €1.5bn in proceeds from this sale, of which some €1.3bn was attributable to property used by third parties, enabled us to realise first-quarter capital gains of around €500m, contributing around €170m to our consolidated profit. Besides this, we recorded net gains of €1,217m through equity sales. With derivative financial instruments, we registered a result that was €332m up on the same period last year. Our life insurers use interest-rate derivatives to cover their guaranteed interest-rate liabilities and hedge the reinvestment risk in their portfolios of fixed-interest securities in the long term against falling interest rates. Derivatives are also used to hedge our share portfolios against price fluctuations.

Price effects on the capital markets and the gains we realised on disposals caused net unrealised gains on securities available for sale to decrease in the period under review to €8.5bn (9.3bn) at the end of the quarter.

Net unrealised gains on fixed-interest securities available for sale were €306m lower at the end of the quarter than at the beginning of the year when they totalled €792m. In the same period, net unrealised gains on non-fixed-interest securities available for sale declined by €473m to €8,022m.

Investment mix

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty					
All figures in €m*	**31.3. 2007**	31.12. 2006	**31.3. 2007**	31.12. 2006	**31.3. 2007**	31.12. 2006	**31.3. 2007**	31.12. 2006	**31.3. 2007**	31.12. 2006	**31.3. 2007**	31.12. 2006
Land and buildings, including buildings on third-party land	**460**	585	**658**	766	**2,803**	3,188	**99**	114	**66**	67	**4,086**	4,720
Investments in affiliated companies	**28**	24	**36**	28	**45**	43	**81**	75	**8**	8	**198**	178
Investments in associates	**59**	65	**154**	175	**512**	537	**312**	286	**60**	62	**1,097**	1,125
Loans	**116**	103	**161**	117	**29,012**	27,791	**1,481**	1,508	**8**	9	**30,778**	29,528
Other securities held to maturity	**–**	–	**–**	–	**223**	242	**8**	10	**–**	–	**231**	252
Other securities available for sale												
– Fixed-interest	**16,932**	17,514	**31,168**	28,698	**46,819**	46,292	**4,563**	4,350	**72**	27	**99,554**	96,881
– Non-fixed-interest	**5,107**	5,327	**7,842**	7,732	**10,950**	11,091	**1,458**	1,877	**7**	7	**25,364**	26,034
Other securities held for trading												
– Fixed-interest	**9**	10	**408**	455	**79**	97	**312**	274	**–**	–	**808**	836
– Non-fixed-interest	**–**	–	**6**	6	**–**	–	**8**	7	**–**	–	**14**	13
– Derivatives	**123**	107	**166**	134	**135**	247	**4**	6	**–**	–	**428**	494
Deposits retained on assumed reinsurance	**4,343**	5,038	**6,204**	6,638	**257**	250	**5**	5	**–**	–	**10,809**	11,931
Other investments	**472**	230	**953**	612	**1,141**	1,775	**251**	251	**1,163**	192	**3,980**	3,060
Investments for the benefit of life insurance policyholders who bear the investment risk	**–**	–	**–**	–	**1,927**	1,820	**–**	–	**–**	–	**1,927**	1,820
Total	**27,649**	**29,003**	**47,756**	**45,361**	**93,903**	**93,373**	**8,582**	**8,763**	**1,384**	**372**	**179,274**	**176,872**

* After elimination of intra-Group transactions across segments.

The Munich Re Group's investments had a total carrying amount of €179.3bn (176.9bn) at 31 March 2007 and were thus 1.4% higher than the previous year's figure. The market values of our investments, i.e. including off-balance-sheet valuation reserves, totalled €180.1bn (178.5bn).

€131.4bn (127.5bn), or roughly 73%, of our assets are invested in fixed-interest securities. The increase of €3.9bn in the first quarter was largely attributable to active restructurings within our portfolio. Primary insurance companies in particular invested their liquid funds mainly in long-term registered bonds.

Equities and equity funds accounted for €23.9bn (24.5bn) as at 31 March 2007. The decline of €0.6bn since the beginning of the year is ascribable to the disposal of assets in our equity portfolio in the course of the quarter. Our equity-backing ratio, which takes into account shares in affiliated enterprises and associates, amounted to 14.1% (at market values) at the end of the first quarter, compared with 14.6% at the beginning of the year.

In 2006, we commenced the sale of a German real estate package. The transfer of ownership involved in this transaction largely took place in the first quarter of 2007, thus reducing the balance sheet figures of our investments in land and buildings by €0.6bn since the beginning of the year.

Our off-balance-sheet valuation reserves mainly comprise loans recognised at amortised cost, investment property and investments in associates. These reserves decreased by a net amount of €0.8bn in the first quarter, standing at €0.9bn (1.7bn) at the end of March. The transfer of ownership and of rights and duties on disposal of assets in our real estate portfolio led to a reduction not only of the carrying amounts but also of the respective valuation reserves. Negative valuation reserves on investments in loans increased, but virtually only in our primary insurance portfolio, where 99.1% of these investments are held.

MEAG MUNICH ERGO AssetManagement GmbH is the asset manager of Munich Re and the ERGO Insurance Group. Its investments under management for the Munich Re Group total €173.5bn (172.4bn).

In addition to its function as asset manager for the Group, MEAG also offers asset-management services to private and institutional clients outside the Group.

Private-client business stabilised at the level reached in 2006. Assets under management in retail funds amounted to €2.7bn (2.7bn) at the end of the quarter. Private-client business was led by the equity funds MEAG EuroInvest and MEAG Nachhaltigkeit, which received top marks from fund rating agencies. Pension products continued to show the highest sales, which MEAG intends to build on in 2007 by launching new capital-protected funds and savings-plan products.

In institutional-client business, the acquisition of new mandates for real-estate special purpose vehicles continued its upward trend in the first quarter. We also set up a mandate for a special purpose vehicle geared to managing pension obligations. In the mutual-fund class, which is specially tailored to the requirements of institutional clients, MEAG scored its first successes. Owing to disposals in the area managed by the former ERGO Trust, assets under management for institutional clients decreased to €8.0bn (8.5bn).

Valuation reserves not recognised in the balance sheet

All figures in €m	Valuation reserves 31.3.2007	Fair value 31.3.2007	Carrying amount 31.3.2007	Valuation reserves 31.12.2006	Fair value 31.12.2006	Carrying amount 31.12.2006
Land and buildings*	1,306	7,833	6,527	1,822	9,077	7,255
Associates	288	1,366	1,078	302	1,408	1,106
Loans	–527	30,251	30,778	–216	29,312	29,528
Other securities	4	235	231	5	257	252
Total	**1,071**	**39,685**	**38,614**	**1,913**	**40,054**	**38,141**

*Including owner-occupied property.

Total assets under management

		31.3.2007	31.12.2006
Group's own investments	€bn	173.5	172.4
Third-party investments	€bn	10.7	11.2

		31.3.2007	31.12.2006
Group asset management result	€m	34	14

Prospects

- Satisfying outcome of treaty renewals in reinsurance
- Growth in new primary insurance business
- Very good investment result
- Year-end target return on risk-adjusted capital (RORAC) of at least 15% after taxes on income

There are various reasons why the quarterly results of insurance companies, including Munich Re, are not a suitable 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. And finally, gains and losses on the disposal of investments and write-downs of investments do not follow a regular pattern. Consequently, our quarterly figures do not provide more than pointers to the result for the year that may be expected.

Reinsurance

For the coming years, we have set ourselves the goal of achieving further profit growth for our reinsurance group. To this end, we have launched a programme with the motto Changing Gear, combining strategic business initiatives, organisational and structural projects, and a change of course in our corporate communications strategy. The programme is designed to empower employees and managers to assume more personal responsibility and be more enterprising in their work so that products reach our clients even more rapidly and efficiently.

We nevertheless anticipate that for 2007 premium income in life reinsurance will show a decline, as a major treaty with a large premium volume is being reduced as planned. However, growth in the medium and long term is likely to be strong. We will continue to take full advantage of our business opportunities in the emerging markets in Asia and eastern Europe. Growth impulses are also likely to derive from the restructuring of European insurance supervision (Solvency II) and the continuing privatisation trend in old-age and disability provision in developed countries.

In the field of health business, a host of avenues for growth in various business models are currently opening up. By integrating primary insurance and reinsurance and offering a broad range of services, we provide our clients with services along the value chain that go far beyond insurance itself. We will further intensify the close cooperation between Munich Re and DKV in selected foreign markets.

Our perseverance in adhering to a policy of risk-adequate prices, terms and conditions, even in phases with a fortuitously low incidence of major losses, has enabled us to lay the foundations for the sustained high profitability of our business. That is why the renewals at 1 January 2007 (which involved approximately two-thirds of our treaty business) were satisfactory, although prices have passed their zenith. We successfully consolidated our portfolio at a high level and negotiated conditions commensurate with the risks assumed. The same is true of the renewals at 1 April 2007, although we recorded a marginal decline in premium income in Japan and Korea. New business in selected specialty segments of the US market enabled us to slightly overcompensate for losses in premium volume resulting from our withdrawal from inadequately priced business. The trend away from proportional business towards non-proportional forms of cover continued worldwide.

For the renewals as at 1 July 2007, we expect the environment for parts of the US market, Australia and Latin America to be similar to that during the previous renewals for 2007. We are proceeding on the assumption that competitive pressure will remain intense and that rates will go down slightly but generally maintain a risk-adequate level. We will continue to consistently refrain from participating in business that does not meet our stringent requirements, making up for reduced premium volume in traditional business by further expanding special segments with strong margins and introducing innovative products. In so doing, we will adhere to our long-term-oriented business strategy: cycle management, underwriting discipline, client focus and leading know-how will continue to provide the foundations for maintaining the good result situation. Random major losses like Winter Storm Kyrill are part of our business as a reinsurer. Specifically with a view to natural hazards, our aim is to accurately assess risks prospectively, obtain appropriate prices and sensibly limit our exposure to individual events. The consequences of climate change are becoming increasingly important for our business as well. The more clearly the risks arising from heat, drought, storms and floods are perceived, the greater will be the demand for insurance and the willingness to pay adequate prices for this protection. Moreover, a progressive switch to power generation from renewable sources and the use of new, more sustainable technologies will open up significant business opportunities in the insurance of the respective plants.

Overall, we are looking to generate an annual profit of €2.7–2.9bn in reinsurance. Given the strong euro, it is likely that our gross premiums for 2007 will decrease to approximately €21–21.5bn. As a result of the cost burden from Kyrill, which clearly exceeded our expectations for the first quarter, we now reckon with a burden of 7% from natural catastrophes for 2007. All in all, we continue to aim for a combined ratio of below 97% for the year as a whole.

Primary insurance

In life insurance we anticipate higher income from single premiums and a rise in regular-premium income, especially in unit-linked life insurance. We also expect our sales of Riester pension products qualifying for subsidisation to grow and company pension business to continue gathering pace. All in all, new business and gross premiums written should rise moderately.

In health business, supplementary health insurance is likely to generate further sales. We predict that the introduction of the three-year waiting period, as part of the health reform, will result in a decline of about 15% in new German business with comprehensive health insurance. All factors considered, premium income growth for 2007 should exceed the 3% growth expected for the market as a whole.

Good foreign business is likely to lead to a strong expansion of property-casualty business. In Germany, premium volume should attain the same level as in the previous year. As far as the result is concerned, we estimate that the combined ratio including legal expenses insurance will rise marginally but nevertheless remain at under 95%.

Overall for 2007, we anticipate that gross premiums written in primary insurance will rise to between €17.0bn and €17.5bn. It is our aim to emulate the successes of recent years and to achieve a consolidated result of between €700m and €800m.

Munich Re Group

The Changing Gear programme for further increasing our profit will be supported by a continuation of our active capital management. To underline our commitment to a disciplined and profit-focused corporate policy and the confidence we have in our own shares, we have resolved to buy back Munich Re shares with a volume of up to €2bn by the Annual General Meeting on 17 April 2008 and to retire them after acquisition. In addition, we intend to purchase further Munich Re shares for at least €3bn before the 2011 Annual General Meeting. By increasing profits and optimising our financing structure, we aim to boost our earnings per share on a normalised basis by an average of 10% annually between 2007 and 2010. Besides the share buy-back programme, we also plan a yearly dividend payout of at least €1bn for the financial years 2007 to 2009.

For the current financial year 2007, we are proceeding on the assumption that the Munich Re Group's consolidated premium income will be between €36.5bn and €37.5bn. In view of the still very favourable environment, our investments should generate a return of around 5% based on their average market values.

Given our main objective of employing capital profitably, we aim to earn a return on risk-adjusted capital (RORAC) of at least 15% with our consolidated result – equivalent to a consolidated profit of between €3.0bn and €3.2bn, taking our capitalisation as at 31 December 2006 as a basis and without considering extraordinary income from the planned business tax reform in 2008. This is an ambitious but attainable target, provided of course that the incidence of random major losses remains within the normal range and the capital markets continue to develop satisfactorily.

Besides this, the opportunities and risks of probable future development as presented in the Munich Re Group's Annual Report 2006 apply unchanged to the remaining nine months of the ongoing financial year.

Consolidated financial statements
Consolidated balance sheet as at 31 March 2007

Assets				31.12.2006	Change	
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		3,255		3,256	–1	0.0
II. Other intangible assets		1,024		1,055	–31	–2.9
			4,279	4,311	–32	–0.7
B. Investments						
I. Land and buildings, including buildings on third-party land		4,086		4,720	–634	–13.4
Thereof: – Investment property held for sale		491		1,164	–673	–57.8
II. Investments in affiliated companies and associates		1,295		1,303	–8	–0.6
III. Loans		30,778		29,528	1,250	4.2
IV. Other securities						
1. Held to maturity	231			252	–21	–8.3
2. Available for sale	124,918			122,915	2,003	1.6
3. Held for trading	1,250			1,343	–93	–6.9
		126,399		124,510	1,889	1.5
V. Deposits retained on assumed reinsurance		10,809		11,931	–1,122	–9.4
VI. Other investments		3,980		3,060	920	30.1
			177,347	175,052	2,295	1.3
C. Investments for the benefit of life insurance policyholders who bear the investment risk			1,927	1,820	107	5.9
D. Ceded share of technical provisions			5,972	6,593	–621	–9.4
E. Receivables			9,461	8,825	636	7.2
F. Cash at bank, cheques and cash in hand			2,155	2,172	–17	–0.8
G. Deferred acquisition costs						
– Gross		8,451		8,298	153	1.8
– Ceded share		95		108	–13	–12.0
– Net			8,356	8,190	166	2.0
H. Deferred tax assets			5,602	5,370	232	4.3
Thereof: – Deferred tax assets relating to disposal groups			11	16	–5	–31.3
I. Other assets			3,324	3,541	–217	–6.1
Thereof: – Owner-occupied property held for sale			30	66	–36	–54.5
Total assets			**218,423**	**215,874**	**2,549**	**1.2**

Equity and liabilities			31.12.2006		Change
	€m	**€m**	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	**7,388**		7,388	–	–
II. Retained earnings	**12,129**		9,416	2,713	28.8
III. Other reserves	**5,494**		5,702	–208	–3.6
IV. Consolidated result attributable to Munich Re equity holders	**965**		3,440	–2,475	–71.9
V. Minority interests	**486**		483	3	0.6
		26,462	26,429	33	0.1
B. Subordinated liabilities		**3,417**	3,419	–2	–0.1
C. Gross technical provisions					
I. Unearned premiums	**6,714**		5,870	844	14.4
II. Provision for future policy benefits	**94,645**		94,660	–15	0.0
III. Provision for outstanding claims	**47,165**		47,076	89	0.2
IV. Other underwriting provisions	**10,771**		10,835	–64	–0.6
Thereof:					
– Provision for deferred premium refunds relating to disposal groups	**–31**		–169	138	81.7
		159,295	158,441	854	0.5
D. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders		**2,045**	1,930	115	6.0
E. Other accrued liabilities		**5,037**	4,865	172	3.5
F. Liabilities					
I. Bonds and notes issued	**374**		378	–4	–1.1
II. Deposits retained on ceded business	**2,056**		2,241	–185	–8.3
III. Other liabilities	**11,463**		10,015	1,448	14.5
Thereof:					
– Amounts due to banks relating to disposal groups	**231**		231	–	–
		13,893	12,634	1,259	10.0
G. Deferred tax liabilities		**8,274**	8,156	118	1.4
Thereof:					
Deferred tax liabilities relating to disposal groups		**29**	65	–36	–55.4
Total equity and liabilities		**218,423**	**215,874**	**2,549**	**1.2**

Consolidated income statement for the period 1 January to 31 March 2007

Items	Q1 2007 €m	Q1 2007 €m	Q1 2007 €m	Q1 2006 €m	€m	Change %
Gross premiums written	**10,020**			10,036	–16	–0.2
1. Earned premiums						
– Gross	**9,143**			9,323	–180	–1.9
– Ceded	**349**			445	–96	–21.6
– Net		**8,794**		8,878	–84	–0.9
2. Investment result						
– Investment income	**3,985**			3,029	956	31.6
– Investment expenses	**824**			900	–76	–8.4
– Total		**3,161**		2,129	1,032	48.5
Thereof:						
– Income from associates		**21**		13	8	61.5
3. Other income		**412**		431	–19	–4.4
Total income (1–3)			**12,367**	11,438	929	8.1
4. Net expenses for claims and benefits						
– Gross	**8,639**			7,715	924	12.0
– Ceded share	**226**			314	–88	–28.0
– Net		**8,413**		7,401	1,012	13.7
5. Operating expenses						
– Gross	**2,195**			2,221	–26	–1.2
– Ceded share	**78**			128	–50	–39.1
– Net		**2,117**		2,093	24	1.1
6. Other expenses		**516**		473	43	9.1
Total expenses (4–6)			**11,046**	9,967	1,079	10.8
7. Result before impairment losses of goodwill			**1,321**	1,471	–150	–10.2
8. Impairment losses of goodwill			**–**	–	–	–
9. Operating result			**1,321**	1,471	–150	–10.2
10. Finance costs			**70**	86	–16	–18.6
11. Taxes on income			**269**	406	–137	–33.7
12. Consolidated result			**982**	979	3	0.3
Thereof:						
– Attributable to Munich Re equity holders			**965**	959	6	0.6
– Attributable to minority interests			**17**	20	–3	–15.0
			€	€	€	%
Earnings per share			**4.35**	4.20	0.15	3.6

Consolidated income statement (quarterly breakdown)

Items	Q1 2007 €m	Q4 2006 €m	Q3 2006 €m	Q2 2006 €m	Q1 2006 €m
Gross premiums written	**10,020**	9,356	9,017	9,027	10,036
1. Earned premiums					
– Gross	**9,143**	9,760	9,250	9,280	9,323
– Ceded	**349**	547	438	469	445
– Net	**8,794**	9,213	8,812	8,811	8,878
2. Investment result					
– Investment income	**3,985**	2,792	2,887	3,674	3,029
– Investment expenses	**824**	880	630	1,000	900
– Total	**3,161**	1,912	2,257	2,674	2,129
Thereof:					
– Income from associates	**21**	–32	39	24	13
3. Other income	**412**	531	337	485	431
Total income (1–3)	**12,367**	11,656	11,406	11,970	11,438
4. Net expenses for claims and benefits					
– Gross	**8,639**	7,760	7,714	7,609	7,715
– Ceded share	**226**	247	255	219	314
– Net	**8,413**	7,513	7,459	7,390	7,401
5. Operating expenses					
– Gross	**2,195**	2,611	2,261	2,240	2,221
– Ceded share	**78**	172	84	115	128
– Net	**2,117**	2,439	2,177	2,125	2,093
6. Other expenses	**516**	844	454	604	473
Total expenses (4–6)	**11,046**	10,796	10,090	10,119	9,967
7. Result before impairment losses of goodwill	**1,321**	860	1,316	1,851	1,471
8. Impairment losses of goodwill	**–**	4	–	–	–
9. Operating result	**1,321**	856	1,316	1,851	1,471
10. Finance costs	**70**	72	74	78	86
11. Taxes on income	**269**	109	510	623	406
12. Consolidated result	**982**	675	732	1,150	979
Thereof:					
– Attributable to Munich Re equity holders	**965**	641	715	1,125	959
– Attributable to minority interests	**17**	34	17	25	20
	€	€	€	€	€
Earnings per share	**4.35**	2.82	3.15	4.94	4.20

Statement of recognised income and expense

	Q1 2007 €m	Q1 2006 €m
Consolidated result	**982**	979
Currency translation	**–43**	–151
Unrealised gains and losses on investments	**–162**	–137
Change resulting from valuation at equity	**–12**	6
Change resulting from cash flow hedges	**–1**	–3
Actuarial gains and losses on defined benefit plans	**4**	4
Change in consolidated group	**–**	–43
Other changes	**9**	11
Income and expense recognised directly in equity	**–205**	–313
Total recognised income and expense	**777**	666
Thereof:		
– Attributable to Munich Re equity holders	**770**	714
– Attributable to minority interests	**7**	–48
Adjustments pursuant to IAS 8	**–**	–

Group statement of changes in equity

All figures in €m	Issued capital	Capital reserve	Retained earnings: Retained earnings before deduction of own shares	Retained earnings: Own shares held	Other reserves: Unrealised gains and losses	Other reserves: Reserve from currency translation	Other reserves: Valuation result from cash flow hedges	Consolidated result	Minority interests	Total equity
	Equity attributable to Munich Re equity holders									
Status at 31.12.2005	**588**	**6,800**	**7,978**	**–201**	**6,128**	**–34**	**6**	**2,679**	**453**	**24,397**
Allocation to retained earnings	–	–	2,679	–	–	–	–	–2,679	–	–
Total recognised income and expenses	–	–	29	–	–120	–151	–3	959	–48	666
Dividend	–	–	–	–	–	–	–	–	–4	–4
Adjustments pursuant to IAS 8	–	–	–	–	–	–	–	–	–	–
Share buy-backs	–	–	–	–	–	–	–	–	–	–
31.3.2006	588	6,800	10,686	–201	6,008	–185	3	959	401	25,059
Status at 31.12.2006	**588**	**6,800**	**9,876**	**–460**	**6,317**	**–629**	**14**	**3,440**	**483**	**26,429**
Allocation to retained earnings	–	–	3,440	–	–	–	–	–3,440	–	–
Total recognised income and expenses	–	–	13	–	–164	–43	–1	965	7	777
Dividend	–	–	–	–	–	–	–	–	–4	–4
Adjustments pursuant to IAS 8	–	–	–	–	–	–	–	–	–	–
Share buy-backs	–	–	–	–740	–	–	–	–	–	–740
Status at 31.3.2007	**588**	**6,800**	**13,329**	**–1,200**	**6,153**	**–672**	**13**	**965**	**486**	**26,462**

Consolidated cash flow statement for the period 1 January to 31 March 2007

	Q1 2007 €m	Q1 2006 €m
Consolidated result	**982**	979
Net change in technical provisions	**2,073**	415
Change in deferred acquisition costs	**–170**	–216
Change in deposits retained and accounts receivable and payable	**270**	351
Change in other receivables and liabilities	**1,512**	688
Gains and losses on the disposal of investments	**–1,691**	–924
Change in securities held for trading	**–59**	–428
Change in other balance sheet items	**290**	455
Other income/expenses without impact on cash flow	**370**	735
I. Cash flows from operating activities	**3,577**	2,055
Inflows from the sale of consolidated companies	**–**	10
Outflows from the acquisition of consolidated companies	**11**	–
Change from the acquisition, sale and maturities of other investments	**–2,846**	–1,971
Change from the acquisition and sale of investments for unit-linked life insurance	**–93**	–78
Other	**93**	41
II. Cash flows from investing activities	**–2,857**	–1,998
Inflows from increases in capital	**–**	–
Outflows for share buy-backs	**740**	–
Dividend payments	**–**	–
Change from other financing activities	**9**	–224
III. Cash flows from financing activities	**–731**	–224
Cash flows for the financial year (I+II+III)	**–11**	–167
Effects of exchange rate changes on cash	**–6**	–5
Cash at the beginning of the financial year	**2,172**	2,337
Cash at the end of the financial year	**2,155**	2,165

Segment reporting

Segment assets	Reinsurance			
	Life and health		Property-casualty	
	31.3.2007 €m	31.12.2006 €m	**31.3.2007 €m**	31.12.2006 €m
A. Intangible assets	**265**	275	**1,218**	1,229
B. Investments				
I. Land and buildings, including buildings on third-party land	**460**	585	**658**	766
Thereof: – Investment property held for sale	**–**	102	**–**	128
II. Investments in affiliated companies and associates	**2,441**	2,553	**3,378**	3,281
III. Loans	**257**	181	**351**	215
IV. Other securities				
1. Held to maturity	**–**	–	**–**	–
2. Available for sale	**22,039**	22,841	**39,010**	36,430
3. Held for trading	**132**	117	**580**	595
	22,171	22,958	**39,590**	37,025
V. Deposits retained on assumed reinsurance	**6,373**	7,132	**8,962**	9,284
VI. Other investments	**515**	301	**1,013**	702
	32,217	33,710	**53,952**	51,273
C. Investments for the benefit of life insurance policyholders who bear the investment risk	**–**	–	**–**	–
D. Ceded share of underwriting provisions	**608**	844	**3,465**	3,871
E. Other segment assets	**6,287**	6,365	**9,078**	8,421
Thereof: – Other segment assets relating to disposal groups	**–**	4	**–**	8
Total segment assets	**39,377**	**41,194**	**67,713**	**64,794**

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
31.3.2007 €m	31.12.2006 €m	**31.3.2007 €m**	31.12.2006 €m	**31.3.2007 €m**	31.12.2006 €m	**31.3.2007 €m**	31.12.2006 €m	**31.3.2007 €m**	31.12.2006 €m
1,724	1,730	**1,065**	1,082	**17**	10	**–10**	–15	**4,279**	4,311
2,804	3,189	**99**	114	**66**	67	**–1**	–1	**4,086**	4,720
491	908	**–**	26	**–**	–	**–**	–	**491**	1,164
629	1,063	**3,261**	3,290	**104**	106	**–8,518**	–8,990	**1,295**	1,303
30,583	29,362	**1,562**	1,585	**103**	104	**–2,078**	–1,919	**30,778**	29,528
223	242	**8**	10	**–**	–	**–**	–	**231**	252
57,769	57,383	**6,049**	6,254	**79**	34	**–28**	–27	**124,918**	122,915
214	344	**324**	287	**–**	–	**–**	–	**1,250**	1,343
58,206	57,969	**6,381**	6,551	**79**	34	**–28**	–27	**126,399**	124,510
260	253	**19**	18	**–**	–	**–4,805**	–4,756	**10,809**	11,931
1,746	1,892	**750**	257	**1,163**	293	**–1,207**	–385	**3,980**	3,060
94,228	93,728	**12,072**	11,815	**1,515**	604	**–16,637**	–16,078	**177,347**	175,052
1,927	1,820	**–**	–	**–**	–	**–**	–	**1,927**	1,820
6,436	6,357	**1,757**	1,528	**–**	–	**–6,294**	–6,007	**5,972**	6,593
11,291	11,286	**4,044**	3,849	**177**	144	**–1,979**	–1,967	**28,898**	28,098
41	70	**–**	–	**–**	–	**–**	–	**41**	82
115,606	**114,921**	**18,938**	**18,274**	**1,709**	**758**	**–24,920**	**–24,067**	**218,423**	**215,874**

Segment reporting

Segment equity and liabilities	Reinsurance			
	Life and health		Property-casualty	
	31.3.2007 €m	31.12.2006 €m	**31.3.2007 €m**	31.12.2006 €m
A. Subordinated liabilities	**1,288**	1,349	**1,742**	1,682
B. Gross underwriting provisions				
I. Unearned premiums	**214**	195	**4,721**	4,362
II. Provision for future policy benefits	**15,676**	16,706	**748**	738
III. Provision for outstanding claims	**4,563**	4,489	**36,775**	36,482
IV. Other underwriting provisions	**1,172**	1,114	**243**	232
Thereof:				
– Provision for deferred premium refunds relating to disposal groups	**–**	–	**–**	–
	21,625	22,504	**42,487**	41,814
C. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders	**–**	–	**–**	–
D. Other accrued liabilities	**739**	685	**1,483**	1,382
E. Other segment liabilities	**4,252**	4,360	**8,285**	6,992
Thereof:				
– Other segment liabilities relating to disposal groups	**–**	15	**–**	19
Total segment liabilities	**27,904**	**28,898**	**53,997**	**51,870**

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
31.3.2007 €m	31.12.2006 €m	**31.3.2007 €m**	31.12.2006 €m	**31.3.2007 €m**	31.12.2006 €m	**31.3.2007 €m**	31.12.2006 €m	**31.3.2007 €m**	31.12.2006 €m
1	2	**397**	398	**–**	–	**–11**	–12	**3,417**	3,419
165	92	**2,050**	1,468	**–**	–	**–436**	–247	**6,714**	5,870
82,603	81,561	**279**	267	**–**	–	**–4,661**	–4,612	**94,645**	94,660
1,939	2,245	**4,811**	4,737	**–**	–	**–923**	–877	**47,165**	47,076
9,575	9,705	**114**	113	**–**	–	**–333**	–329	**10,771**	10,835
–31	–169	**–**	–	**–**	–	**–**	–	**–31**	–169
94,282	93,603	**7,254**	6,585	**–**	–	**–6,353**	–6,065	**159,295**	158,441
2,045	1,930	**–**	–	**–**	–	**–**	–	**2,045**	1,930
1,168	1,153	**1,668**	1,675	**55**	47	**–76**	–77	**5,037**	4,865
13,884	13,702	**4,349**	4,058	**1,455**	524	**–10,058**	–8,846	**22,167**	20,790
260	258	**–**	4	**–**	–	**–**	–	**260**	296
111,380	**110,390**	**13,668**	**12,716**	**1,510**	**571**	**–16,498**	**–15,000**	**191,961**	**189,445**
						Equity		**26,462**	**26,429**
						Total equity and liabilities		**218,423**	**215,874**

Segment reporting

Segment income statement
1.1–31.3.2007

	Reinsurance			
	Life and health		Property-casualty	
	Q1 2007 €m	Q1 2006 €m	**Q1 2007 €m**	Q1 2006 €m
Gross premiums written	**1,791**	1,945	**4,029**	4,045
Thereof:				
– From insurance transactions with other segments	**184**	186	**369**	335
– From insurance transactions with external third parties	**1,607**	1,759	**3,660**	3,710
1. Earned premiums				
– Gross	**1,771**	2,009	**3,651**	3,720
– Ceded	**46**	121	**174**	250
– Net	**1,725**	1,888	**3,477**	3,470
2. Investment result				
– Investment income	**498**	466	**1,253**	918
– Investment expenses	**81**	74	**346**	249
– Total	**417**	392	**907**	669
Thereof:				
– Income from associates	**1**	2	**6**	8
3. Other income	**60**	72	**119**	147
Total income (1–3)	**2,202**	2,352	**4,503**	4,286
4. Expenses for claims and benefits				
– Gross	**1,397**	1,569	**2,793**	2,408
– Ceded share	**36**	100	**121**	157
– Net	**1,361**	1,469	**2,672**	2,251
5. Operating expenses				
– Gross	**477**	549	**950**	1,020
– Ceded share	**1**	35	**72**	82
– Net	**476**	514	**878**	938
6. Other expenses	**84**	72	**175**	160
Total expenses (4–6)	**1,921**	2,055	**3,725**	3,349
7. Result before impairment losses of goodwill	**281**	297	**778**	937
8. Impairment losses of goodwill	**–**	–	**–**	–
9. Operating result	**281**	297	**778**	937
10. Finance costs	**23**	22	**41**	48
11. Taxes on income	**86**	93	**111**	230
12. Consolidated result	**172**	**182**	**626**	**659**
Thereof:				
– Attributable to Munich Re equity holders	**172**	182	**626**	659
– Attributable to minority interests	**–**	–	**–**	–

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
Q1 2007 €m	Q1 2006 €m	**Q1 2007 €m**	Q1 2006 €m	**Q1 2007 €m**	Q1 2006 €m	**Q1 2007 €m**	Q1 2006 €m	**Q1 2007 €m**	Q1 2006 €m
2,855	2,856	**1,903**	1,718	**–**	–	**–558**	–528	**10,020**	10,036
1	1	**4**	6	**–**	–	**–558**	–528	**–**	–
2,854	2,855	**1,899**	1,712	**–**	–	**–**	–	**10,020**	10,036
2,789	2,799	**1,299**	1,198	**–**	–	**–367**	–403	**9,143**	9,323
226	224	**270**	253	**–**	–	**–367**	–403	**349**	445
2,563	2,575	**1,029**	945	**–**	–	**–**	–	**8,794**	8,878
2,063	1,487	**321**	226	**27**	20	**–177**	–88	**3,985**	3,029
395	563	**26**	26	**2**	3	**–26**	–15	**824**	900
1,668	924	**295**	200	**25**	17	**–151**	–73	**3,161**	2,129
4	–4	**1**	4	**9**	3	**–**	–	**21**	13
252	208	**154**	169	**106**	88	**–279**	–253	**412**	431
4,483	3,707	**1,478**	1,314	**131**	105	**–430**	–326	**12,367**	11,438
3,891	3,274	**835**	734	**–**	–	**–277**	–270	**8,639**	7,715
169	133	**152**	151	**–**	–	**–252**	–227	**226**	314
3,722	3,141	**683**	583	**–**	–	**–25**	–43	**8,413**	7,401
424	355	**439**	414	**–**	–	**–95**	–117	**2,195**	2,221
52	63	**53**	64	**–**	-	**–100**	–116	**78**	128
372	292	**386**	350	**–**	–	**5**	–1	**2,117**	2,093
267	216	**207**	207	**85**	84	**–302**	–266	**516**	473
4,361	3,649	**1,276**	1,140	**85**	84	**–322**	–310	**11,046**	9,967
122	58	**202**	174	**46**	21	**–108**	–16	**1,321**	1,471
–	–	**–**	–	**–**	–	**–**	–	**–**	–
122	58	**202**	174	**46**	21	**–108**	–16	**1,321**	1,471
–	1	**6**	14	**1**	1	**–1**	–	**70**	86
58	55	**2**	24	**11**	6	**1**	–2	**269**	406
64	2	**194**	136	**34**	14	**–108**	–14	**982**	979
58	–3	**184**	120	**33**	14	**–108**	–13	**965**	959
6	5	**10**	16	**1**	–	**–**	–1	**17**	20

Segment reporting

Investments*	Reinsurance		Primary insurance		Asset management		Total	
	31.3.2007 €m	31.12.2006 €m	**31.3.2007 €m**	31.12.2006 €m	**31.3.2007 €m**	31.12.2006 €m	**31.3.2007 €m**	31.12.2006 €m
Europe	**43,847**	45,043	**98,587**	98,656	**1,284**	311	**143,718**	144,010
North America	**26,834**	24,824	**1,997**	1,936	**31**	22	**28,862**	26,782
Asia and Australasia	**3,249**	2,899	**1,656**	1,334	**55**	38	**4,960**	4,271
Africa, Near and Middle East	**716**	750	**107**	77	**–**	–	**823**	827
Latin America	**759**	848	**138**	133	**14**	1	**911**	982
Total	**75,405**	**74,364**	**102,485**	**102,136**	**1,384**	**372**	**179,274**	**176,872**

*After elimination of intra-Group transactions across segments.

Gross premiums written*	Reinsurance		Primary insurance		Total	
	Q1 2007 €m	Q1 2006 €m	**Q1 2007 €m**	Q1 2006 €m	**Q1 2007 €m**	Q1 2006 €m
Europe	**2,769**	2,779	**4,672**	4,470	**7,441**	7,249
North America	**1,561**	1,735	**22**	52	**1,583**	1,787
Asia and Australasia	**490**	529	**47**	27	**537**	556
Africa, Near and Middle East	**173**	183	**11**	16	**184**	199
Latin America	**274**	243	**1**	2	**275**	245
Total	**5,267**	**5,469**	**4,753**	**4,567**	**10,020**	**10,036**

*After elimination of intra-Group transactions across segments.

Notes

Recognition and measurement

This quarterly report as at 31 March 2007 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. We have complied with all new and amended IFRSs whose application is compulsory for the first time for periods beginning on 1 January 2007. Otherwise, the same principles of recognition, measurement and consolidation have been applied as in our consolidated financial statements as at 31 December 2006. In accordance with IAS 34.41, greater use is made of estimation methods and planning data in preparing our quarterly figures than in our annual financial reporting.

Taxes on income in the Munich Re Group's quarterly financial statements are calculated in the same way as for the consolidated financial statements as at 31 December 2006, i.e. a direct tax calculation is made per quarterly result of the individual consolidated companies.

The following effects from the first-time application of new or amended IFRSs will be of significance for the consolidated financial statements as at 31 December 2007:

IFRS 7, Financial Instruments: Disclosures, is applicable for accounting periods beginning on or after 1 January 2007. In addition to extended disclosure obligations in respect of recognition and measurement of financial instruments, the new standard requires more extensive information on the type and extent of risks from financial instruments; the requirements of IFRS 4 regarding risks from insurance contracts have been adjusted in the same way. Parallel to this, IAS 1 (rev. 2005), Presentation of Financial Statements, calls for the disclosure of aims, methods and processes used in capital management.

Changes in the consolidated group

There were no significant changes in the group of consolidated companies in the first three months of 2007.

Foreign currency translation

Munich Re's presentation currency is the euro (€). The following table shows the exchange rates of the most important currencies for our business:

Currency translation rate	Balance sheet		Income statement	
Rate for €1	**31.3.2007**	31.12.2006	**Q1 2007**	Q1 2006
Australian dollar	**1.64780**	1.67300	**1.66693**	1.62793
Canadian dollar	**1.53570**	1.53450	**1.53558**	1.38917
Pound sterling	**0.67870**	0.67375	**0.67059**	0.68640
Rand	**9.65415**	9.29750	**9.48893**	7.40214
Swiss franc	**1.62510**	1.60965	**1.61619**	1.55929
US dollar	**1.33115**	1.31865	**1.31062**	1.20220
Yen	**157.1760**	157.1240	**156.4280**	140.5450

Intangible assets

All figures in €m	31.3.2007	31.12.2006
I. Goodwill	3,255	3,256
II. Other intangible assets	1,024	1,055
– Software	331	353
– Purchased insurance portfolios	556	562
– Other	137	140
Total	**4,279**	**4,311**

Other securities – Available for sale

	Carrying amounts		Unrealised gains/losses		Amortised cost	
All figures in €m	31.3.2007	31.12.2006	31.3.2007	31.12.2006	31.3.2007	31.12.2006
Fixed-interest securities	99,554	96,881	486	792	99,068	96,089
Non-fixed-interest securities						
– Shares	22,714	23,268	7,530	7,992	15,184	15,276
– Investment funds	2,100	2,205	441	455	1,659	1,750
– Others	550	561	51	48	499	513
	25,364	26,034	8,022	8,495	17,342	17,539
Total	**124,918**	**122,915**	**8,508**	**9,287**	**116,410**	**113,628**

Minority interests

These are mainly minority interests in the ERGO Insurance Group.

All figures in €m	31.3.2007	31.12.2006
Unrealised gains and losses	60	70
Consolidated result	17	80
Other equity	409	333
Total	**486**	**483**

Subordinated liabilities

All figures in €m	31.3.2007	31.12.2006
Munich Re Finance B.V., Amsterdam 6.75%, €3,000m, Bonds 2003/2023 S&P rating: A	2,978	2,977
Munich Re Finance B.V., Amsterdam 7.625%, £300m, Bonds 2003/2028 S&P rating: A	439	442
Total	**3,417**	**3,419**

Bonds and notes issued

All figures in €m	31.3.2007	31.12.2006
Munich Re America Corporation, Princeton 7.45%, US$ 500m, Senior Notes 1996/2026 S&P rating: A–	374	378
Total	374	378

Premiums

	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
All figures in €m*	Q1 2007	Q1 2006	Q1 2007	Q1 2006	Q1 2007	Q1 2006	Q1 2007	Q1 2006	Q1 2007	Q1 2006
Gross premiums written	1,607	1,759	3,660	3,710	2,854	2,855	1,899	1,712	10,020	10,036
Change in unearned premiums – Gross	23	–61	183	198	66	57	605	519	877	713
Gross earned premiums	1,584	1,820	3,477	3,512	2,788	2,798	1,294	1,193	9,143	9,323
Ceded premiums written	45	118	91	230	36	32	136	159	308	539
Change in unearned premiums – Ceded share	–1	–3	–83	–19	–	–	43	116	–41	94
Earned premiums – Ceded	46	121	174	249	36	32	93	43	349	445
Net earned premiums	1,538	1,699	3,303	3,263	2,752	2,766	1,201	1,150	8,794	8,878

*After elimination of intra-Group transactions across segments.

Investment result by type of investment and segment

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty					
All figures in €m*	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006
Land and buildings, including buildings on third-party land	**46**	4	**198**	23	**321**	87	**21**	4	**–**	2	**586**	120
Investments in affiliated companies	**–**	–	**–**	–1	**–2**	–7	**1**	20	**–**	–	**–1**	12
Investments in associates	**1**	1	**7**	8	**3**	–3	**1**	4	**9**	3	**21**	13
Loans	**1**	–	**3**	1	**309**	260	**14**	15	**–**	–	**327**	276
Other securities held to maturity	**–**	–	**–**	–	**3**	5	**–**	–	**–**	–	**3**	5
Other securities available for sale												
– Fixed-interest	**154**	160	**287**	322	**485**	500	**48**	44	**1**	–	**975**	1,026
– Non-fixed-interest	**89**	95	**410**	386	**688**	434	**108**	103	**–**	–	**1,295**	1,018
Other securities held for trading												
– Fixed-interest	**–**	–	**2**	4	**–1**	–	**5**	3	**–**	–	**6**	7
– Non-fixed-interest	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
– Derivatives	**–4**	–22	**–17**	–88	**–83**	–328	**–2**	–	**–**	–	**–106**	–438
Deposits retained on assumed reinsurance, and other investments**	**105**	123	**15**	32	**–6**	–15	**2**	–	**10**	11	**126**	151
Investments for the benefit of life insurance policyholders who bear the investment risk	**–**	–	**–**	–	**15**	47	**–**	–	**–**	–	**15**	47
Expenses for the management of investments, other expenses	**7**	8	**28**	35	**45**	59	**6**	6	**–**	–	**86**	108
Total	**385**	**353**	**877**	**652**	**1,687**	**921**	**192**	**187**	**20**	**16**	**3,161**	**2,129**

*After elimination of intra-Group transactions across segments.
**The expenses previously recognised here for deposits on ceded business are now recognised under expenses for claims and benefits.

Investment income by segment

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty					
All figures in €m*	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006
Regular income	**293**	293	**443**	417	**970**	950	**99**	94	**22**	16	**1,827**	1,770
Income from write-ups	**14**	4	**66**	19	**15**	15	**1**	1	**–**	–	**96**	39
Gains on the disposal of investments	**157**	113	**708**	478	**1,058**	453	**116**	117	**–**	2	**2,039**	1,163
Other income	**–**	–	**–**	–	**23**	57	**–**	–	**–**	–	**23**	57
Total	**464**	**410**	**1,217**	**914**	**2,066**	**1,475**	**216**	**212**	**22**	**18**	**3,985**	**3,029**

*After elimination of intra-Group transactions across segments.

Investment expenses by segment

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty					
All figures in €m*	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006
Write-downs of investments	**26**	20	**117**	97	**190**	391	**8**	3	**1**	–	**342**	511
Losses on the disposal of investments	**44**	31	**184**	126	**111**	68	**9**	14	**–**	–	**348**	239
Management expenses, interest charges and other expenses	**9**	6	**39**	39	**78**	95	**7**	8	**1**	2	**134**	150
Total	**79**	**57**	**340**	**262**	**379**	**554**	**24**	**25**	**2**	**2**	**824**	**900**

*After elimination of intra-Group transactions across segments.

Expenses for claims and benefits

	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
All figures in €m*	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006
Gross Claims and benefits paid	**1,066**	1,241	**2,218**	2,489	**2,651**	2,441	**751**	702	**6,686**	6,873
Change in technical provisions – Provision for future policy benefits	**61**	46	**10**	2	**776**	626	**10**	10	**857**	684
– Provision for outstanding claims	**80**	124	**448**	–209	**–312**	–74	**65**	15	**281**	–144
– Provision for premium refunds	**–**	–1	**–2**	1	**741**	232	**5**	4	**744**	236
Other underwriting result	**1**	–4	**2**	16	**64**	53	**4**	1	**71**	66
Gross expenses for claims and benefits	**1,208**	**1,406**	**2,676**	**2,299**	**3,920**	**3,278**	**835**	**732**	**8,639**	**7,715**
Ceded share Claims and benefits paid	**151**	30	**457**	166	**22**	20	**73**	40	**703**	256
Change in technical provisions – Provision for future policy benefits	**–3**	8	**–**	–	**28**	18	**–**	–	**25**	26
– Provision for outstanding claims	**–108**	66	**–333**	–6	**–**	–8	**–39**	2	**–480**	54
– Provision for premium refunds	**–**	–	**–**	–	**–**	–	**–**	–3	**–**	–3
Other underwriting result**	**–4**	–3	**–3**	3	**–15**	–13	**–**	–	**–22**	–19
Ceded share of expenses for claims and benefits	**36**	**101**	**121**	**157**	**35**	**17**	**34**	**39**	**226**	**314**
Net Claims and benefits paid	**915**	1,211	**1,761**	2,323	**2,629**	2,421	**678**	662	**5,983**	6,617
Change in technical provisions – Provision for future policy benefits	**64**	38	**10**	2	**748**	608	**10**	10	**832**	658
– Provision for outstanding claims	**188**	58	**781**	–203	**–312**	–66	**104**	13	**761**	–198
– Provision for premium refunds	**–**	–1	**–2**	1	**741**	232	**5**	7	**744**	239
Other underwriting result	**5**	–1	**5**	19	**79**	66	**4**	1	**93**	85
Net expenses for claims and benefits	**1,172**	**1,305**	**2,555**	**2,142**	**3,885**	**3,261**	**801**	**693**	**8,413**	**7,401**

*After elimination of intra-Group transactions across segments.
**This includes expenses for deposits retained on ceded business that were previously included in the investment result.

Operating expenses

	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
All figures in €m*	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006
Acquisition costs	**14**	–8	**–43**	–66	**305**	233	**271**	227	**547**	386
Management expenses	**53**	62	**181**	176	**110**	113	**170**	182	**514**	533
Amortisation of PVFP	**–1**	–	**–**	–	**5**	5	**–**	–	**4**	5
Reinsurance commission and profit commission	**366**	451	**757**	838	**5**	5	**2**	3	**1,130**	1,297
Gross operating expenses	**432**	**505**	**895**	**948**	**425**	**356**	**443**	**412**	**2,195**	**2,221**
Ceded share of acquisition costs	**2**	–15	**19**	–1	**–1**	29	**–**	–7	**20**	6
Commission received on ceded business	**–1**	50	**53**	83	**5**	–12	**1**	1	**58**	122
Operating expenses – Ceded share	**1**	**35**	**72**	**82**	**4**	**17**	**1**	**–6**	**78**	**128**
Net operating expenses	**431**	**470**	**823**	**866**	**421**	**339**	**442**	**418**	**2,117**	**2,093**

*After elimination of intra-Group transactions across segments.

The main changes in premiums in the consolidated balance sheet and the consolidated income statement in relation to the comparative figures shown, as well as their development in the period under review, are explained in more detail in the management report on page 4 f.

Non-current assets and disposal groups held for sale

Of the owner-occupied and investment property in Germany classified as "held for sale" as at 31 December 2006, ownership of items with a carrying value of €673m (land) and €36m (buildings) was transferred in the first quarter of 2007. These items are therefore no longer recognised at the reporting date. A proportion of the items contractually committed at the end of 2006 are still recognised in the Group balance sheet at the reporting date because transfer of ownership is not likely to take place until the second quarter of 2007.

The carrying amount of investment property of the closed-end property fund OIK Mediclin classified as "held for sale" at the end of 2006 remains unchanged as at 31 March 2007. The fund units are expected to be sold in the financial year 2007.

Besides these transactions, Munich Re decided in the first quarter of 2007 to sell further investment property in Germany. The items involved are essentially residential buildings located mainly in large cities and are recognised in the consolidated balance sheet at the reporting date as "held for sale" with a carrying amount of €7m.

Subsequent valuation of non-current assets and disposal groups held for sale at the balance sheet date did not give rise to any recognised income or expense.

Related parties

Transactions between Munich Re and subsidiaries that are to be deemed related parties have been eliminated in consolidation and are not disclosed in the notes. Business relations with unconsolidated subsidiaries are of subordinate importance as a whole; this also applies to business relations with associates.

There were no notifiable transactions between Board members and the Munich Re Group.

Number of staff

The number of staff employed by the Group as at 31 March 2007 totalled 25,647 (25,524) in Germany and 12,107 (11,686) in other countries.

	31.3.2007	31.12.2006
Reinsurance companies	6,970	6,928
Primary insurance companies	29,895	29,509
Asset management	889	773
Total	**37,754**	**37,210**

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2006, there have been no material changes in 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 result for the reporting period by the weighted average number of shares.

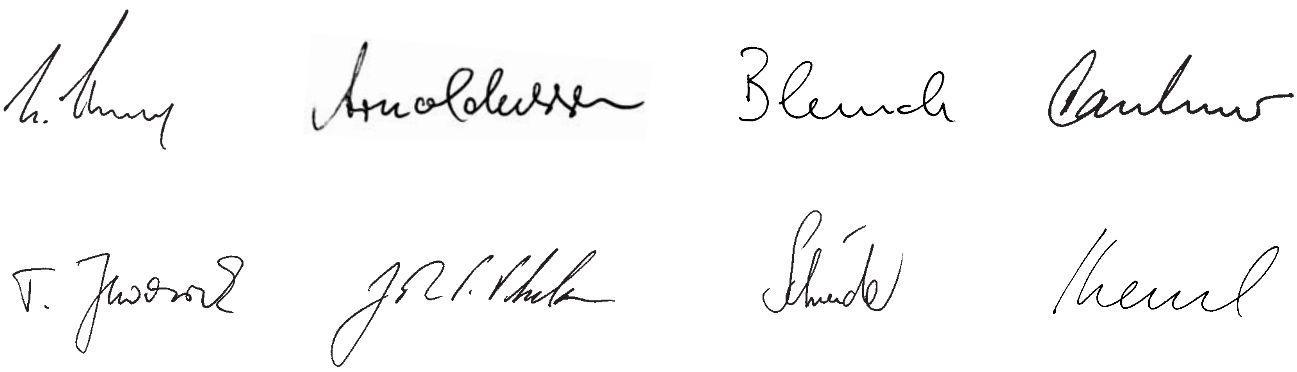
		Q1 2007	Q1 2006
Consolidated result attributable to Munich Re equity holders	€m	965	959
Weighted average number of shares		221,670,847	228,007,663
Earnings per share	€	**4.35**	**4.20**

Events after the balance sheet date

On 17 April 2007, Munich Reinsurance Company's Board of Management resolved that the 8,040,818 own shares acquired in the share buy-back programme be retired in a simplified process, without reducing the share capital but merely by adjusting the proportion of the Company's share capital represented by each of the remaining no-par-value shares. The 8,040,818 own shares are thereby retired.

Munich, 30 April 2007

The Board of Management



Review report

To Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München

We have reviewed the condensed interim consolidated financial statements – comprising the balance sheet, the income statement, the condensed cash flow statement, the condensed statement of changes in equity as well as the selected explanatory notes – and the interim management report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, for the period from 1 January 2007 to 31 March 2007, which are parts of the quarterly financial report in accordance with Section 37x in conjunction with Section 37w para. 3 of the WpHG (German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with IFRS for Interim Financial Reporting, as adopted by the EU, and of the interim management report, which has been prepared according to the applicable regulations for interim management reports of the WpHG, are the responsibility of the Company's management.

Our responsibility is to issue a report on these condensed interim consolidated financial statements and the interim management report based on our review.

We have performed our review in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and conduct the review so that we can, through critical evaluation, preclude, with a certain level of assurance, that the interim consolidated financial statements have not been prepared, in material aspects, in accordance with IFRS for Interim Financial Reporting, as adopted by the EU, and that the interim management report has not been prepared according to the applicable regulations of the WpHG. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared in all material respects in accordance with IFRS for Interim Financial Reporting, as adopted by the EU, and that the interim management report has not been prepared according to the applicable regulations for interim management reports of the WpHG.

Munich, 3 May 2007

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Klaus Becker	Herbert Loy
Wirtschaftsprüfer	Wirtschaftsprüfer
(Certified public accountant)	(Certified public accountant)

Important dates

6 August 2007	Interim report as at 30 June 2007
6 August 2007	Half-year press conference
6 August 2007	Publication of sustainability report
5 November 2007	Interim report as at 30 September 2007
11 March 2008	Balance sheet meeting of the Supervisory Board
12 March 2008	Annual report for the financial year 2007
12 March 2008	Balance sheet press conference
17 April 2008	Annual General Meeting
8 May 2008	Interim report as at 31 March 2008
7 August 2008	Interim report as at 30 June 2008
6 November 2008	Interim report as at 30 September 2008

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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If you are an institutional investor or analyst, please contact our investor relations team:
Sascha Bibert
Tel.: +49 (89) 38 91-39 00
Fax: +49 (89) 38 91-98 88
E-mail: investorrelations@munichre.com

Service for media
Dr. jur. Christian Lawrence
Journalists receive information from our Press Division:
Tel.: +49 (89) 38 91-54 00
Fax: +49 (89) 38 91-35 99
E-mail: presse@munichre.com

Münchener Rückversicherungs-Gesellschaft
Königinstrasse 107
80802 München
Germany
Tel.: +49 (89) 38 91-0
Fax: +49 (89) 39 90 56
http://www.munichre.com

Responsible for content
Central Division: Group Accounting

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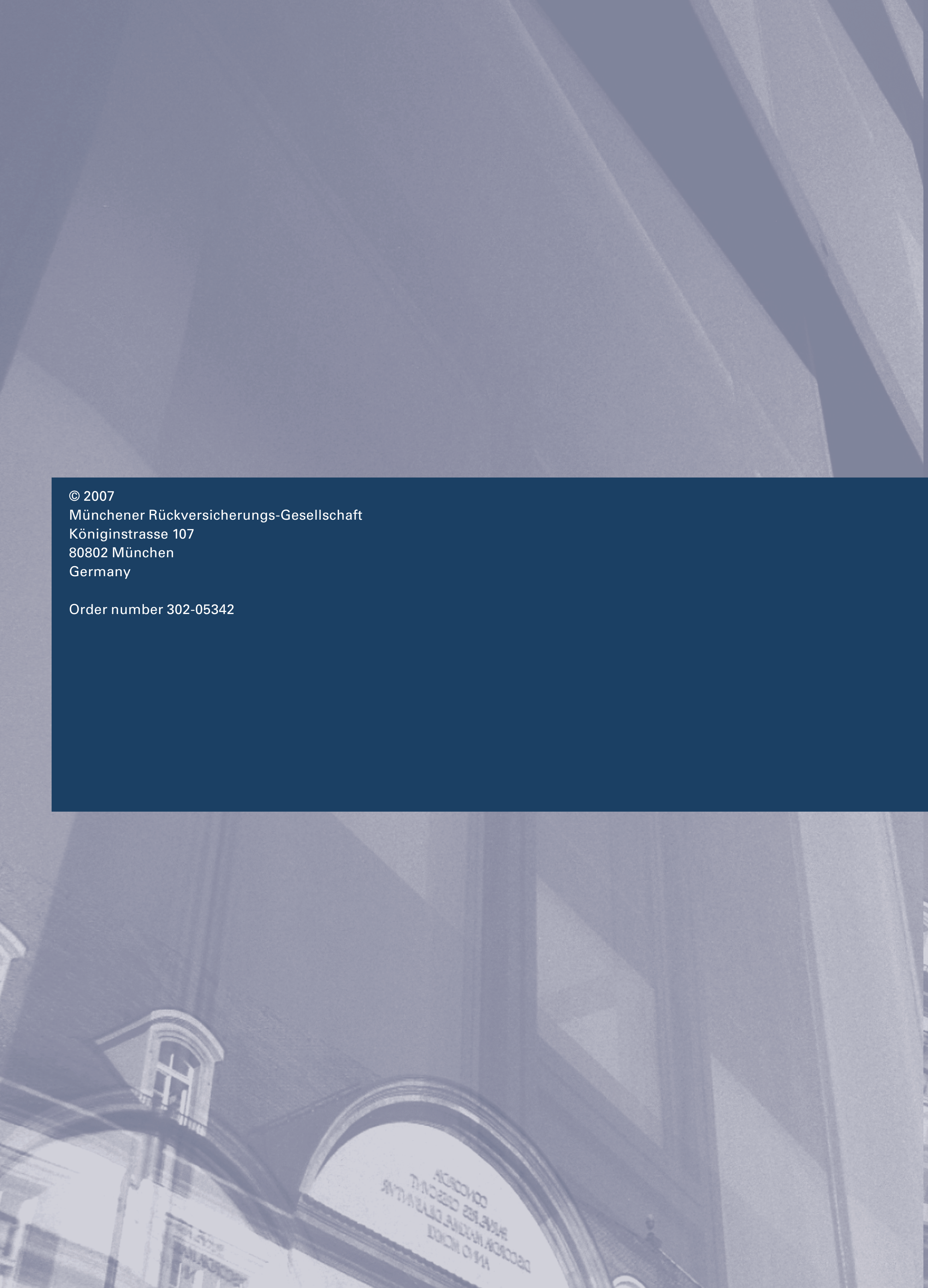

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