

2/2004

Munich Re Group Quarterly Report



Münchener Rück
Munich Re Group

Supervisory Board

Dr. Hans-Jürgen Schinzler
(Chairman) (from 26 May 2004)

Ulrich Hartmann
(Chairman) (until 26 May 2004)

Board of Management

Dr. Nikolaus von Bomhard (Chairman)

Georg Daschner

Dr. Heiner Hasford

Stefan Heyd

Dr. Torsten Jeworrek

Christian Kluge

John Phelan

Dr. Detlef Schneidawind

Dr. Jörg Schneider

Karl Wittmann

Key figures for the Munich Re Group

		Q1-2 2004	Q1-2 2003 (adjusted)*	Change in %	Q2 2004	Q2 2003 (adjusted)*	Change in %
Gross premiums written	€m	19,676	20,760	-5.2	9,318	9,934	-6.2
Result before amortisation of goodwill	€m	1,967	1,019	93.0	1,112	1,209	-8.0
Minority interests in earnings	€m	30	-32	-	21	-18	-
Net income	€m	1,162	-529	-	628	28	>1,000.0
Earnings per share	€	5.08	-2.82**	-	2.75	0.15**	>1,000.0

* Adjusted owing to first-time application of IAS 39 (rev. 2003).

** Taking into account the capital increase in November 2003.

		30.6.2004	31.12.2003	Change in %
Investments	€m	173,449	171,881	0.9
Shareholders' equity	€m	19,109	18,899	1.1
Net underwriting provisions	€m	153,896	147,476	4.4
Staff		40,774	41,431	-1.6
Share price	€	89.10	96.12	-7.3

	PAGE
TO OUR SHAREHOLDERS	2
OVERALL ECONOMIC DEVELOPMENT	5
BUSINESS EXPERIENCE FROM 1 JANUARY TO 30 JUNE 2004	6
– Reinsurance	
– Primary insurance	
– Asset management	
PROSPECTS	13
FINANCIAL STATEMENTS AS AT 30 JUNE 2004	16
IMPORTANT DATES	Cover



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

To our shareholders

Dear Shareholders,

Following the good first-quarter result in 2004, the news I have for you at the end of the second quarter is also gratifying. The result for the first half of 2004 was €1,162m (–529m)*, of which €628m (28m) was attributable to the months April to June. In line with previous announcements, our total premium income of €19.7bn (20.8bn) reached approximately the same high level as last year. The excellent result with nearly stable premium income shows that we are on the right track with our profit-oriented approach.

In my letter to you in our annual report for 2003, I had stated that “our technical result must and will show that our staff really know their business.” Therefore let me begin with our results, for I am convinced that our business model relies above all on our outstanding level of proficiency in underwriting.

In **reinsurance**, the picture is especially positive. At €595m, the quarterly result was once again substantially better than in the same period of the previous year. The fact that in previous periods we succeeded in bringing about a sustained improvement in treaty conditions and increasing prices has had a significant effect on our result. This is also illustrated by our again outstanding combined ratio of 94.7% for the second quarter of 2004. Our profit for the first half of 2004 was €1,093m. Gross premiums in reinsurance fell by 7.6% to €11.9bn (12.9bn). This was partly due to the strong euro, which gained ground against most of the relevant currencies compared with the first half of 2003. The figure also reflects the fact that we reduced large reinsurance treaties as planned.

The renewals as at 1 July 2004, which were of importance mainly in some of our markets in Latin America, the USA and Australia, went as planned. We provided capacity only at strictly risk-adequate prices and conditions and were able to renew most of our treaties and also acquire attractive new business.

In **primary insurance** our quarterly profit totalling €28m was substantially better than in the second quarter of 2003. The half-year result of €71m was also noticeably up on that of the first six months of 2003. Cost savings, greater efficiency and a good investment result are having a positive impact.

*The following applies throughout the quarterly report: all figures relating to previous periods have been adjusted owing to the first-time application of IAS 39 (rev. 2003).

Premium income in primary insurance fell marginally by 0.6% to €8.9bn in the first half of the year. Premium income in life insurance totalled €3.6bn (3.7bn), a reduction of 1.5% compared with the same period last year. In Germany, our main market, the debate about the taxation of endowment insurance has in the meantime been concluded. New fiscal parameters will take effect on 1 January 2005. For the period up to 31 December 2004 we expect strong new business concluded on the basis of the previous regulations. We anticipate that new business will temporarily decline at the beginning of 2005 but that sustained demand will then set in for our attractive life and above all annuity products designed to take account of the new fiscal regulations.

In health insurance, we are focusing on markets in which we are strong or where we reckon with special growth potential. That is the reason behind the sale of our Dutch subsidiary DKV Nederland n.v. As a consequence, our premium income fell by 2.5% to €2.3bn; the premium income of the remaining companies in the Group, however, rose by 4.1%.

In property-casualty insurance, our premiums grew by 2.0% to €3.0bn, with casualty and legal expenses insurance recording especially strong growth. At 93.4%, the combined ratio remained at a very low level; we were hardly affected by large losses and natural catastrophes.

As in the first three months of the year, the **capital markets** moved sideways in the second quarter of 2004. Consequently, the share price indices relevant to us rose only very slightly overall. At around 2,800 points, the EURO STOXX 50 was at about the same level at 30 June 2004 as at the beginning of the quarter. In the second quarter, the reference interest rate on ten-year euro government bonds increased by no less than 36 basis points to 4.31% as at the end of June. The higher interest level resulted in lower fair values for our fixed-interest securities. Although this reduced our shareholders' equity, the development is no cause for concern, being a special feature of the IFRS accounting rules. Economically speaking, the fair values of our long-term liabilities have fallen, but this is not reflected in our balance sheet. A moderate rise in interest rates will benefit us over time, as it allows us to invest in securities with higher returns.

We increased our **investment result** of €4,063m significantly compared with the first half of 2003. For the second quarter, it totalled €2,209m. This result was attributable, on the one hand, to the fact that – unlike in 2003 – we did not have to make significant writedowns on equities in the first half of 2004. On the other hand, the result from the disposal of investments was, at €802m, better than last year. Thanks to the fact that our investment result has largely returned to normal and to our positive operative cash flow, we increased the carrying amount of our investments by €1,568m to €173.4bn in the first half of 2004.

After we released our results for the first quarter of 2004, our **share price** responded favourably. The solid development of our result offers our significantly expanded shareholder base the perspective of an appreciation in share prices.

Ladies and gentlemen,

My next report on the quarterly results will be published on 8 November. My colleagues and I will then be in the midst of the reinsurance renewal season 2004/2005, which we expect to provide a continuation of risk-adequate prices and reinsurance conditions. In primary insurance we consider that the reorganisation of ERGO will have a favourable impact on its earnings position. The members of ERGO's Board of Management responsible for underwriting business now no longer comprise representatives of its individual major risk carriers but are representatives of the business segments life insurance, property-casualty insurance and health insurance. The strategy is to build on the well-known brands. D. A. S., DKV, Hamburg-Mannheimer and VICTORIA, whilst at the same time exploiting and further developing the overarching aspects they have in common within the different fields of business.

In the second half of the year, I will continue to concentrate on seeing that we are able to attain our ambitious goal of achieving a profit for the year of €2bn. We are well on our way with the result for the first half year.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'G. H. H. H.', written in a cursive style.

Overall economic development

- Further recovery of the global economy
- Rising concerns about inflation in the face of persisting geopolitical risks

The global economy recovered further in the second quarter. The momentum was still coming from the USA and Asia, whilst the eurozone showed only subdued economic growth. The unsettled political situation in the Middle East and Gulf region had an adverse impact. A substantially increased oil price led to higher consumer prices and a resurgence of concerns about inflation but it has not significantly dampened economic expectations thus far.

In the USA, economic growth prevailed in the second quarter. According to initial advance estimates, real GDP grew at an annualised rate of 3.0%. In the eurozone, economic activity remained sluggish. There were marked economic differences between the states in the eurozone. In Germany, lacklustre consumer demand was responsible for the absence of decisive stimuli. The country's unemployment rate hovered at more than 10%. At last reading, economic early indicators remained subdued.

Japan showed heightened economic growth, with private domestic demand increasingly dynamic. In China, which now accounts for approximately one-eighth of global economic output (in terms of purchasing power parities), growth slowed, partly because of the government's efforts to deal with the overheating of some sectors of the economy.

Share prices on the main stock markets weakened in the course of the quarter, but this trend was reversed towards the end of June, when the markets rebounded to a level only slightly above that at the end of March. The US dollar gained little ground against the euro, closing at the end of June at nearly the same value as at the beginning of the quarter. The global cycle of interest rate hikes initiated by the central banks gathered momentum. With the Bank of England having increased key interest rates by 100 basis points in several stages since the end of 2003, the US Federal Reserve followed suit at the end of the quarter, raising key interest rates by an initial 25 basis points. Only the European Central Bank (ECB) kept interest rates constant. Driven by expectations of higher central bank rates and re-emerging fears of inflation, long-term interest rates demonstrated a marked upward trend.

For the coming twelve months, we expect worldwide economic growth to slow down gradually given weakening impulses from US economic policy and reduced growth dynamics in Asia. In the eurozone, the development of the economy should remain comparatively robust, albeit at a low level. Geopolitical risks remain high.

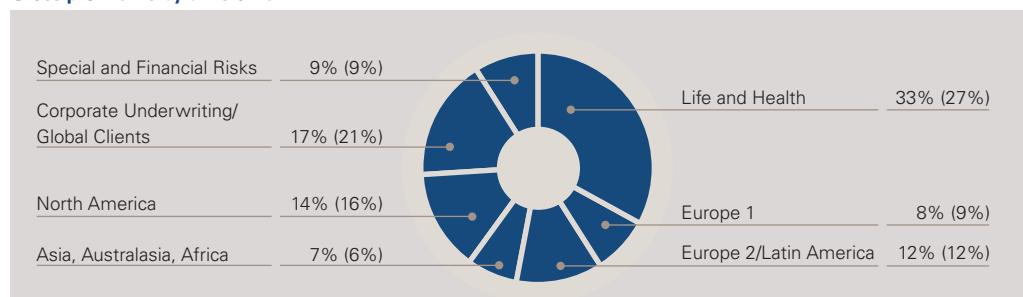
Business experience from 1 January to 30 June 2004

Reinsurance

- Excellent half-year result of €1,093m
- Successful renewal campaigns as at 1 April and 1 July 2004: Sustained improvement of the risk profile
- Combined ratio remains very good at 95.5%
- Munich Re rated best reinsurer in Europe

For the fifth time in succession, the reinsurance result was clearly positive in the second quarter. Our reinsurers' result before amortisation of goodwill totalled €876m (832m) from April to June and €1,590m (1,125m) in the first half year. The reinsurers' contribution to the Group's overall result after tax amounted to €595m (346m) in the second quarter and €1,093m (317m) in the first six months. The reasons were twofold: on the one hand, the positive result was decisively influenced by the very pleasing performance of our reinsurance underwriting business. On the other, it benefited from the fact that the very good investment result totalled €934m (945m) in the second quarter and €1,705m (€1,414m) in the first half year.

Gross premiums by division Q1-2



Our premium income fell by 9.9% to €5,8bn (6,4bn) in the second quarter of 2004 and by 7.6% to €11,9bn (12.9bn) in the first six months of the year. Adjusted to eliminate the effects of changes in exchange rates, however, premiums fell by only 4.1% in the first half year. In life and health reinsurance, we increased our premium income by 10.4% in the second quarter to €2.0bn (1.8bn). In the first half of 2004, premium income in this segment climbed by 15.4% to €3.9bn (3.4bn) compared with last year. This was attributable to new business under especially large individual treaties, part of which had already been written in the second and third quarters of the previous year.

Our premium income in property-casualty reinsurance fell by 17.8% to €3.8bn (4.6bn) in the second quarter of 2004 and by 15.8% to €8.0bn (9.5bn) in the first six months of the business year. 4.1 percentage points of this decline are ascribable to currency translation effects and the scheduled reduction of individual large reinsurance treaties. The premiums we obtained for risks assumed did not decline, however.

The reinsurance renewal negotiations as at 1 April in Japan and Korea and as at 1 July 2004 in the USA, Australia and certain South American markets showed, like those preceding them at the turn of the year, that risk-adequate prices and conditions are still obtainable, even if a certain softening of conditions, for instance in some areas of facultative business (single risk covers, natural catastrophe covers in the Caribbean or aviation business), was evident. With our risk modelling, pricing instruments and underwriting policy geared to the overall profitability of each client account, we were able to maintain the high quality of our portfolio.

We benefited not only from this strictly profit-oriented approach, which we had already consistently pursued in the previous renewals of our reinsurance treaties, but also from the fact that our claims burden from major losses in the first six months of the year was on the average side. We were largely spared major losses and natural catastrophe losses. The largest single loss in the second quarter was the collapse of the roof of the new terminal at Roissy-Charles de Gaulle airport in Paris, which could cost us about €20m. We currently estimate our loss from the collision between a car carrier and an oil tanker south of Singapore at some €10m. However, the sinking of a cargo ship with sulphuric acid in the port of Hamburg will not affect us to any significant degree.

Risk-adequate premiums and conditions as well as favourable claims experience produced an outstanding combined ratio in non-life reinsurance of 94.7% (94.9%) in the second quarter and 95.5% (95.9%) in the first half of 2004. We are thus bettering the ratio of 97% that we have set ourselves for the full year.

Towards the middle of the year, the renowned market research institute Flaspöhler Research Group again conducted two opinion polls among European primary insurers on their reinsurers, one for life and one for non-life business. Munich Re is delighted that, like American Re, which was rated "Best Overall Reinsurer" in property-casualty in the 2003 Survey of (US) Cedant Perceptions about Reinsurers, it has out come out top reinsurer in both life and non-life.

Reinsurance

		Q1-2 2004	Q1-2 2003 (adjusted)*	Q2 2004	Q2 2003 (adjusted)*
Gross premiums	€bn	11.9	12.9	5.8	6.4
Loss ratio non-life	%	67.6	69.7	66.3	69.6
Expense ratio non-life	%	27.9	26.2	28.4	25.3
Combined ratio non-life	%	95.5	95.9	94.7	94.9
Result before amortisation of goodwill	€m	1,590	1,125	876	832

* Adjusted owing to first-time application of IAS 39 (rev. 2003).

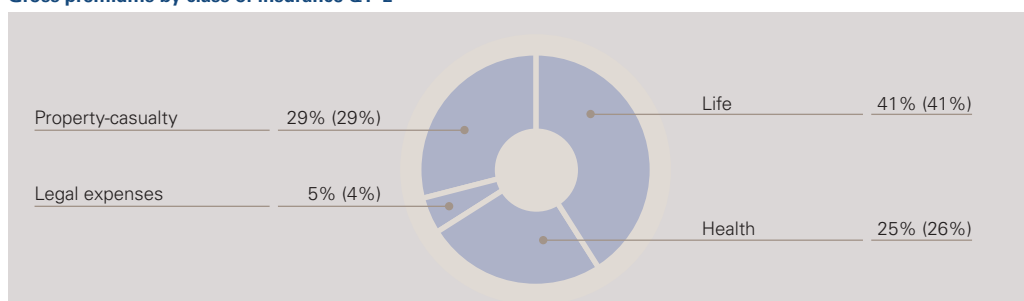
		30.6.2004	31.12.2003
Investments	€bn	80.6	80.4
Net underwriting provisions	€bn	60.6	56.7

Primary insurance

- Good half-year result of €71m
- Another very good combined ratio of 93.4%
- New tax regulations for life and annuity insurance in Germany
- Structural change in the ERGO Group

The primary insurers in the Munich Re Group – ERGO, Karlsruher and Europäische Reiseversicherung – continued to develop positively in the second quarter of 2004. The primary insurers' result before amortisation of goodwill totalled €215m (402m) in the second quarter of 2004; the result for the first six months of the current year is €364m (–96m). This corresponds to a substantial improvement over the first half of last year, partly due to the good investment result, which totalled €2.4bn (0.7bn) since the beginning of the year.

Gross premiums by class of insurance Q1–2



Premium development in the second quarter differed in the various classes of business. Altogether, premiums rose slightly by 0.3% to €4.0bn (4.0bn); premium income since the beginning of the year fell by 0.6% to €8.9bn (8.9bn) compared with the same period last year.

In the second quarter of 2004 premium income in life insurance totalled €1.8bn (1.8bn), showing a modest decrease of 1.8% over the second quarter of the previous year. As compared to the first six months of 2003, however, premium income in the first half of 2004 fell by 1.5% to €3.6bn (3.7bn). New business declined; last year's excellent figure had been positively influenced by a high automatic adjustment of sums insured and a very successful capitalisation product that is no longer actively being offered this year. Company pension business continued to develop favourably with a new business volume of €184m, of which €80m was attributable to corporate pension schemes, the most popular product at present.

In Germany, the adoption of the Retirement Income Act in June 2004 finally created the planning security that companies and clients were waiting for. The previous extensive tax exemptions on income from life and annuity insurance policies will remain valid only until the end of 2004. Half of the income from life insurance policies concluded afterwards will be subject to taxation if the insured is 60 years old at the time of payment and the policy has been taken out for at least 12 years. In addition, premiums paid for specifically designed basic annuity products will then be tax-deductible. For 2004, we anticipate strong new business with clients wishing to benefit from the conditions expiring at the end of the year. It is likely that demand will drop off somewhat at the beginning of 2005. Nevertheless, the new tax regulations will also provide a sound basis for further sustained growth, since state pension insurance in Germany urgently needs to be supplemented by private and company pension products.

In health insurance, premium income again totalled €1.1bn (1.1bn) in the second quarter of 2004. In the first six months, premiums fell as expected by 2.5% to €2.3bn (2.3bn), since the comparative figures for the previous year had still included the Dutch health insurer DKV Nederland N. V. sold on 1 January 2004. New business in Germany performed very positively with double-digit growth rates. In particular, there was a marked rise in new business attributable to supplementary benefit covers, partly taken out because of widening gaps in state health insurance coverage and partly because of the new partnership launched on 1 January 2004 between DKV and 13 regional associations of the Allgemeine Ortskrankenkasse (AOK), a German state health insurance provider.

Over and beyond this, new opportunities are opening up through the long-term marketing cooperation with Zurich Group Germany, Gerling Group and Deutsche Bank, whose only health insurance products sold will be DKV products. The life and health insurance segment achieved a profit of €12m (–266m) in the second quarter, and of €44m (–598m) in the first half year.

In property-casualty insurance, premium income was up by 4.1% to €1.1bn (1.1bn) in the second quarter. Since the beginning of the year, our property-casualty insurers wrote gross premiums of €3.0bn (2.9bn), a rise of 2.0%. Growth was particularly strong in casualty insurance. In legal expenses insurance, premium income appreciated strongly by 10.3% to €0.2bn (0.2bn) in the second quarter of 2004, rising by 8.9% to €0.4bn (0.4bn) in the first six months. In addition to double-digit increase rates in foreign business, necessary premium adjustments in Germany also had a positive impact. The combined ratio for property-casualty business including legal expenses insurance amounted to an excellent 93.4% in the first half of the year; it stood at 97.3% in the same period last year.

The ERGO Insurance Group has been given a new dynamic management structure. In future, there will be uniform Group-wide accountability for the individual segments, with other functions also being bundled centrally at ERGO level. All the requirements will be implemented at the latest by 1 January 2005. Our primary insurance companies' ambitious cost reduction programmes are progressing according to plan. As the structural changes advance, we will analyse what other synergies can be realised.

Primary insurance

		Q1-2 2004	Q1-2 2003 (adjusted)*	Q2 2004	Q2 2003 (adjusted)*
Gross premiums	€bn	8.9	8.9	4.0	4.0
Loss ratio property-casualty	%	58.7	61.8	57.9	58.7
Expense ratio property-casualty	%	33.0	34.2	30.9	35.5
Combined ratio property-casualty	%	91.7	96.0	88.8	94.2
Combined ratio legal expenses insurance	%	100.0	100.5	101.5	101.3
Combined ratio property-casualty including legal expenses insurance	%	93.4	97.3	91.5	96.2
Result before amortisation of goodwill	€m	364	-96	215	402

* Adjusted owing to first-time application of IAS 39 (rev. 2003).

		30.6.2004	31.12.2003
Investments	€bn	110.1	108.3
Net underwriting provisions	€bn	93.3	91.0

Asset management

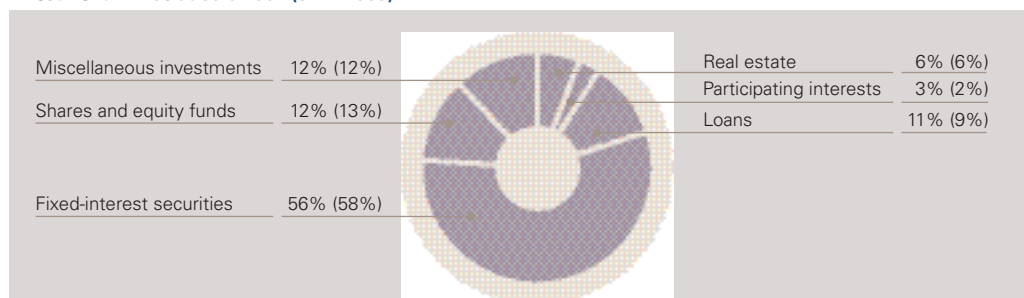
- Stock markets practically unchanged in the second quarter
- Developments on the bond markets vary
- Lower concentration risk in the German financial services sector

In the second quarter of 2004, the stock markets showed little movement on balance. Having sunk to a year-low in mid-May, they managed to start an upward trend, albeit subject to fluctuations. Measured in terms of the EURO STOXX 50, European equities rose by just under 1% to 2,811 points at the end of the second quarter, thus reaching nearly the same level as at the end of March; given the slightly positive market development in the first quarter, the rise since the beginning of the year was almost 2%. A similar situation is evident on the American stock market, where the S&P 500 gained a good 1% in the second quarter, rising by 3% to 1,141 points since the beginning of the year.

Developments on the bond markets varied in the first half of the year. Whereas interest rates were under strong pressure in the first quarter, yields on bonds have risen noticeably since the end of March. The reference interest rate on ten-year euro government bonds rose by an average of 36 basis points to 4.31% in the second quarter; yields also increased over the level recorded at the beginning of the year. Given the countervailing trend in the first quarter, however, the overall rise only amounted to a modest 4 basis points. Changes in interest rates in Japan and the United States were far more pronounced. The reference interest rate on ten-year Japanese government bonds was up by 34 basis points in the second quarter, increasing by a total of 41 basis points to 1.75% since the beginning of 2004. For ten-year US government bonds, the reference interest rate climbed by 78 basis points in the quarter under review, and by 35 basis points to 4.6% since the beginning of the year.

At US\$ 1.22, the euro has fallen 4% against the dollar since 1 January 2004. The quarterly decline came to around 1%.

Investment mix as at 30.6.2004 (31.12.2003)



We have geared our investment approach to the framework defined by our asset-liability management. In particular, we have further significantly reduced our concentration risk in the German financial services sector by selling Allianz shares.

Our investment result amounted to €4,063m (2,006m) in the first half of 2004. The improved result compared with the same period last year is mainly attributable to the fact that we were not burdened by writedowns and losses on disposals as a consequence of the after-effects of stock market losses.

In its third-party business with retail funds, our asset management company MEAG maintained its gross sales volume at a high level in the second quarter. Given the uncertainty about future developments on the capital markets, bond- and money-market or near-money-market funds were especially popular among private investors. Institutional business was marked by an expansion in the range of products. In addition to dynamic portfolio protection programmes, MEAG also offers equity management with complementary investment styles and theme funds in the real estate area, giving it a good range of competitive products.

Prospects

- **Solid capital base**
- **Moderate premium development at a high level**
- **Combined ratios in reinsurance and primary insurance persistently low**
- **Profit target of €2bn affirmed**

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. Furthermore, gains and losses on the disposal of investments and writedowns on investments do not follow a regular pattern. Consequently, our quarterly figures do not provide more than significant pointers to the result for the year that may be expected.

Shareholders' equity

Since 31 December 2003 shareholders' equity has risen by €210m to €19.1bn and thus stands at a very solid level, even though our net unrealised gains recognised in equity fell by €909m. Our share portfolios were able to hold their own. However, the rise in interest rates led to a reduction in the market values – and unrealised gains – of our fixed-interest securities. From an economic point of view, the burden from underlying provisions and liabilities was reduced accordingly, so that we did not suffer any real impairment in net terms. But since our provisions and liabilities in the balance sheet are not recognised at fair value, the resultant "asymmetrical" movement in the accounts was responsible for a decline in the shareholders' equity shown. The half-year profit of €1,162m and the marginal rise in the price of major foreign currencies since the beginning of 2004 had the effect of raising our shareholders' equity. If the currency and capital markets remain stable until the end of the year, we will increase our shareholders' equity through further profits.

Growth

In consistently adhering to our strategy of putting profits before growth, we are prepared to withdraw from business that does not comply with our strict, risk-adequate underwriting guidelines and pricing expectations. Consequently, we expect premium income to develop moderately at a high level for the Munich Re Group as a whole in 2004. Changes in exchange rates could still have a noticeable impact. We expect premium volume across the board to total about €39bn, on the basis of current exchange rates. This consolidation at a high level would be a clear success in view of the strong growth rates in previous years, which in some cases attained double-digit percentage figures.

Given the global orientation of our **reinsurance business**, fluctuations in exchange rates, in particular involving the US dollar, pound sterling, Canadian dollar and yen, have a major influence on our premium income denominated in euros. For the year as a whole, we expect a marginally lower premium volume of about €23bn – provided that currency rates remain unchanged. We are very satisfied with this figure, considering the scheduled reduction of individual large reinsurance treaties and the fact that, in parallel to the hardening of market conditions in previous years, we increased our premium volume significantly in good time. We are concentrating on risk-adequate prices and conditions and we accept reductions in volume as a side-effect of our consistently profit-oriented approach.

However, with our know-how we are opening up promising opportunities in dynamic growth markets. For instance, we actively support and partner developments in the field of renewable energies. In this area, innovation is often dependent on reliable insurance cover and we are willing to provide such cover if our expectations with regard to conditions and price are met.

In **primary insurance** we anticipate that in our most significant market, Germany, the revised taxation regulations affecting life and annuity insurance policies will generate new business with endowment insurance policies over the remaining six months of the year. Moreover, the growing demand for private provision in 2004 and beyond will create new opportunities for company pension business and annuity insurance. The growth rate in property-casualty and legal expenses insurance in the first half of the year is likely to remain more or less unchanged. In 2004 we expect premium income in primary insurance as a whole to amount to about €18bn.

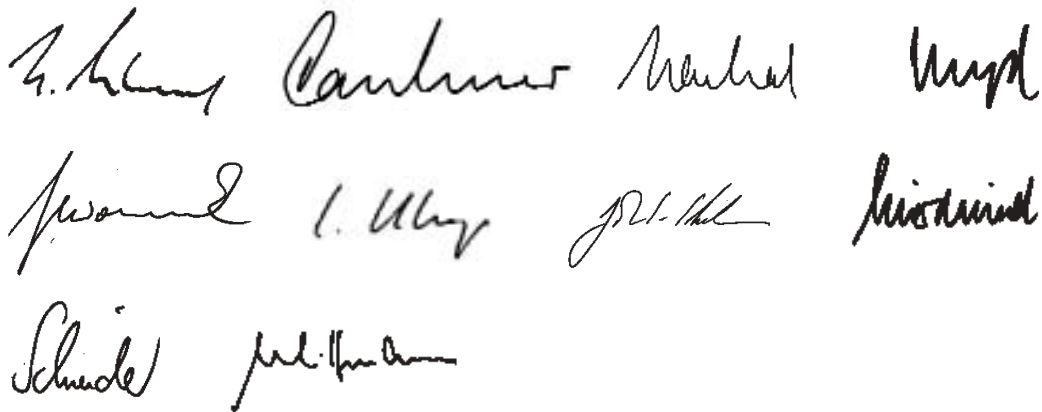
Result

Further developments will, of course, depend on the economy and capital market trends as well as on losses from natural and man-made catastrophes. If share prices dropped significantly, for example, we would be affected by expenses for writedowns as a result of the stricter impairment rules stipulated in the new accounting standard IAS 39 (rev. 2003), which in turn would jeopardise the attainment of our 4.5% investment return target. With another five months to go until the end of the year, caution thus still needs to be exercised in forecasting our annual result.

For all segments, we envisage that the second half of the business year will continue to develop satisfactorily on the whole. Having made a good start to 2004, we are confident that in both primary insurance and reinsurance we will meet our objectives of achieving combined ratios of below 97% and embedded value operating earnings of over 10%. That is why we are adhering to our ambitious result target of €2bn, to which reinsurance – in accordance with its weighting in the allocation of risk capital – will contribute the major share.

Munich, August 2004

The Board of Management



The image shows three rows of handwritten signatures in black ink. The first row contains four signatures: 'G. Hoyer', 'C. Cantner', 'M. Mehl', and 'W. Weyd'. The second row contains four signatures: 'J. W. W. W.', 'L. Weyd', 'J. W. W.', and 'M. Mehl'. The third row contains two signatures: 'Schmidt' and 'J. W. W.'.

Consolidated balance sheet as at 30 June 2004

ASSETS	€m	€m	€m	31.12.2003	Change	
				€m	€m	%
A. Intangible assets						
I. Goodwill		3,511		3,568	-57	-1.6
II. Other intangible assets		1,368		1,372	-4	-0.3
			4,879	4,940	-61	-1.2
B. Investments						
I. Real estate		10,139		10,075	64	0.6
II. Investments in affiliated enterprises and associated enterprises		4,470		4,353	117	2.7
III. Loans		19,022		16,046	2,976	18.5
IV. Other securities						
1. Held to maturity	612			747	-135	-18.1
2. Available for sale	120,520			122,367	-1,847	-1.5
3. Held for trading	528			548	-20	-3.6
		121,660		123,662	-2,002	-1.6
V. Other investments						
1. Deposits retained on assumed reinsurance	14,772			14,480	292	2.0
2. Miscellaneous	2,260			2,256	4	0.2
		17,032		16,736	296	1.8
			172,323	170,872	1,451	0.8
C. Investments for the benefit of life insurance policyholders who bear the investment risk			1,126	1,009	117	11.6
D. Ceded share of underwriting provisions			7,158	8,038	-880	-10.9
E. Receivables			9,117	8,175	942	11.5
F. Cash with banks, cheques and cash in hand			3,189	1,884	1,305	69.3
G. Deferred acquisition costs			8,470	7,997	473	5.9
H. Deferred tax			4,893	5,140	-247	-4.8
I. Other assets			1,117	1,329	-212	-16.0
Total assets			212,272	209,384	2,888	1.4

EQUITY AND LIABILITIES	€m	€m	31.12.2003 €m	Change	
				€m	%
A. Shareholders' equity					
I. Issued capital and capital reserve	7,388		7,388	–	–
II. Revenue reserves	7,201		7,823	–622	–8.0
III. Other reserves	3,358		4,122	–764	–18.5
IV. Consolidated profit	1,162		–434	1,596	–
		19,109	18,899	210	1.1
B. Minority interests		531	483	48	9.9
C. Subordinated liabilities		3,416	3,390	26	0.8
D. Gross underwriting provisions					
I. Unearned premiums	7,061		6,315	746	11.8
II. Provision for future policy benefits	100,582		98,134	2,448	2.5
III. Provision for outstanding claims	44,401		42,619	1,782	4.2
IV. Other underwriting provisions	7,894		7,488	406	5.4
		159,938	154,556	5,382	3.5
E. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders		1,116	958	158	16.5
F. Other accrued liabilities		3,346	3,577	–231	–6.5
G. Liabilities					
I. Notes and debentures	2,261		2,209	52	2.4
II. Other liabilities	15,687		18,098	–2,411	–13.3
		17,948	20,307	–2,359	–11.6
H. Deferred tax liabilities		6,834	7,159	–325	–4.5
I. Other deferred items		34	55	–21	–38.2
Total equity and liabilities		212,272	209,384	2,888	1.4

Consolidated income statement for the period 1 January to 30 June 2004

ITEMS	Q1-2 2004 €m	Q1-2 2003 (adjusted)* €m	Change	
			€m	%
1. Gross premiums written	19,676	20,760	-1,084	-5.2
2. Net earned premiums	18,161	18,521	-360	-1.9
3. Investment result	4,063	2,006	2,057	102.5
4. Other income	583	499	84	16.8
Total income (2-4)	22,807	21,026	1,781	8.5
5. Net expenses for claims and benefits	15,808	14,489	1,319	9.1
6. Net operating expenses	4,205	4,405	-200	-4.5
7. Other expenses	827	1,113	-286	-25.7
Total expenses (5-7)	20,840	20,007	833	4.2
8. Result before amortisation of goodwill	1,967	1,019	948	93.0
9. Amortisation of goodwill	121	162	-41	-25.3
10. Operating result before tax	1,846	857	989	115.4
11. Tax	654	1,418	-764	-53.9
12. Minority interests in earnings	30	-32	62	-
13. Net profit	1,162	-529	1,691	-
	Q1-2 2004	Q1-2 2003		Change
	€	(adjusted)* €	€	%
Earnings per share	5.08	-2.82**	7.90	-

* Adjusted owing to first-time application of IAS 39 (rev. 2003).

**Taking into account the capital increase in November 2003.

Consolidated income statement for the period 1 April to 30 June 2004

ITEMS	Q2 2004 €m	Q2 2003 (adjusted)* €m	Change	
			€m	%
1. Gross premiums written	9,318	9,934	-616	-6.2
2. Net earned premiums	9,111	9,030	81	0.9
3. Investment result	2,209	2,818	-609	-21.6
4. Other income	231	206	25	12.1
Total income (2-4)	11,551	12,054	-503	-4.2
5. Net expenses for claims and benefits	7,935	8,242	-307	-3.7
6. Net operating expenses	2,070	2,118	-48	-2.3
7. Other expenses	434	485	-51	-10.5
Total expenses (5-7)	10,439	10,845	-406	-3.7
8. Result before amortisation of goodwill	1,112	1,209	-97	-8.0
9. Amortisation of goodwill	66	79	-13	-16.5
10. Operating result before tax	1,046	1,130	-84	-7.4
11. Tax	397	1,120	-723	-64.6
12. Minority interests in earnings	21	-18	39	-
13. Net profit	628	28	600	>1,000.0
	Q2 2004	Q2 2003	Change	
	€	(adjusted)* €	€	%
Earnings per share	2.75	0.15**	2.60	>1,000.0

* Adjusted owing to first-time application of IAS 39 (rev. 2003).

** Taking into account the capital increase in November 2003.

Consolidated income statement (quarterly breakdown)

ITEMS	Q2 2004 €m	Q1 2004 €m	Q4 2003 (adjusted)* €m	Q3 2003 (adjusted)* €m	Q2 2003 (adjusted)* €m	Q1 2003 (adjusted)* €m
1. Gross premiums written	9,318	10,358	9,773	9,898	9,934	10,826
2. Net earned premiums	9,111	9,050	9,891	9,205	9,030	9,491
3. Investment result	2,209	1,854	3,143	1,982	2,818	-812
4. Other income	231	352	321	391	206	293
Total income (2-4)	11,551	11,256	13,355	11,578	12,054	8,972
5. Net expenses for claims and benefits	7,935	7,873	9,482	8,516	8,242	6,247
6. Net operating expenses	2,070	2,135	2,314	2,278	2,118	2,287
7. Other expenses	434	393	819	531	485	628
Total expenses (5-7)	10,439	10,401	12,615	11,325	10,845	9,162
8. Result before amortisation of goodwill	1,112	855	740	253	1,209	-190
9. Amortisation of goodwill	66	55	447	78	79	83
10. Operating result before tax	1,046	800	293	175	1,130	-273
11. Tax	397	257	252	123	1,120	298
12. Minority interests in earnings	21	9	-12	10	-18	-14
13. Net profit	628	534	53	42	28	-557
	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003
	€	€	(adjusted)* €	(adjusted)* €	(adjusted)* €	(adjusted)* €
Earnings per share	2.75	2.33	0.25	0.22**	0.15**	-2.97**

* Adjusted owing to first-time application of IAS 39 (rev. 2003).

**Taking into account the capital increase in November 2003.

Consolidated cash flow statement for the period 1 January to 30 June 2004

	Q1–2 2004 €m	Q1–2 2003 (adjusted)* €m
Net profit, including minority interests in earnings	1,192	-561
Net change in underwriting provisions	5,850	1,880
Change in deferred acquisition costs	-457	-217
Change in deposits retained and accounts receivable and payable	-2,359	-1,751
Change in other receivables and liabilities	-960	2,157
Gains and losses on the disposal of investments	-802	246
Change in securities held for trading	-84	-185
Change in other balance sheet items	-50	491
Other income/expenses without impact on cash flow	521	1,407
I. Cash flows from operating activities	2,851	3,467
Change from the acquisition and sale of consolidated enterprises	149	-
Change from the acquisition, sale and maturities of other investments	-876	-4,703
Change from the acquisition and sale of investments for unit-linked life insurance	-80	-78
Other	-63	-263
II. Cash flows from investing activities	-870	-5,044
Inflows from increases in capital	-	-
Dividend payments	-295	-229
Change from other financing activities	-387	3,595
III. Cash flows from financing activities	-682	3,366
Cash flows for the reporting period (I + II + III)	1,299	1,789
Effects of exchange rate changes on cash	6	-11
Cash at the beginning of the business year	1,884	2,735
Cash at the end of the reporting period	3,189	4,513
Additional information		
Tax on earnings (net)	463	164
Interest paid	406	319

* Adjusted owing to first-time application of IAS 39 (rev. 2003).

Segment reporting

ASSETS	Reinsurance			
	Life and health		Property-casualty	
	30.6.2004 €m	31.12.2003 €m	30.6.2004 €m	31.12.2003 €m
A. Intangible assets	265	243	1,394	1,370
B. Investments				
I. Real estate	1,123	1,066	1,373	1,430
II. Investments in affiliated enterprises and associated enterprises	3,433	3,247	3,847	4,011
III. Loans	56	63	49	63
IV. Other securities				
1. Held to maturity	–	–	–	–
2. Available for sale	18,745	17,926	29,560	31,054
3. Held for trading	43	65	49	133
	18,788	17,991	29,609	31,187
V. Other investments	10,137	9,362	12,194	12,010
	33,537	31,729	47,072	48,701
C. Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–
D. Ceded share of underwriting provisions	1,295	1,457	3,982	4,359
E. Other segment assets	4,894	4,330	9,729	9,157
Total segment assets	39,991	37,759	62,177	63,587

		Primary insurance		Asset management		Consolidation		Total	
Life and health		Property-casualty							
30.6.2004 €m	31.12.2003 €m	30.6.2004 €m	31.12.2003 €m	30.6.2004 €m	31.12.2003 €m	30.6.2004 €m	31.12.2003 €m	30.6.2004 €m	31.12.2003 €m
2,166	2,171	1,082	1,139	13	17	-41	-	4,879	4,940
6,919	6,866	725	714	7	7	-8	-8	10,139	10,075
3,245	3,327	2,841	2,800	114	112	-9,010	-9,144	4,470	4,353
19,704	16,921	921	751	204	202	-1,912	-1,954	19,022	16,046
581	700	31	47	-	-	-	-	612	747
65,854	67,258	6,293	6,076	68	53	-	-	120,520	122,367
177	128	258	221	1	1	-	-	528	548
66,612	68,086	6,582	6,344	69	54	-	-	121,660	123,662
939	1,181	440	251	358	302	-7,036	-6,370	17,032	16,736
97,419	96,381	11,509	10,860	752	677	-17,966	-17,476	172,323	170,872
1,126	1,009	-	-	-	-	-	-	1,126	1,009
8,573	8,233	1,594	1,548	-	-	-8,286	-7,559	7,158	8,038
10,649	10,157	3,042	2,931	206	186	-1,734	-2,236	26,786	24,525
119,933	117,951	17,227	16,478	971	880	-28,027	-27,271	212,272	209,384

Segment reporting

EQUITY AND LIABILITIES	Reinsurance			
	Life and health		Property-casualty	
	30.6.2004 €m	31.12.2003 €m	30.6.2004 €m	31.12.2003 €m
A. Subordinated liabilities	1,633	1,539	1,783	1,851
B. Gross underwriting provisions				
I. Unearned premiums	365	281	5,366	5,064
II. Provision for future policy benefits	19,564	18,598	634	636
III. Provision for outstanding claims	5,373	4,675	33,837	32,664
IV. Other underwriting provisions	489	371	213	236
	25,791	23,925	40,050	38,600
C. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders	–	–	–	–
D. Other accrued liabilities	319	394	836	1,040
E. Other segment liabilities	3,040	3,197	8,216	10,145
Total segment liabilities	30,783	29,055	50,885	51,636

		Primary insurance		Asset management		Consolidation		Total	
Life and health		Property-casualty							
30.6.2004 €m	31.12.2003 €m	30.6.2004 €m	31.12.2003 €m	30.6.2004 €m	31.12.2003 €m	30.6.2004 €m	31.12.2003 €m	30.6.2004 €m	31.12.2003 €m
–	–	–	–	–	–	–	–	3,416	3,390
105	79	1,635	1,134	–	–	–410	–243	7,061	6,315
86,935	85,169	243	123	–	–	–6,794	–6,392	100,582	98,134
1,781	1,905	4,377	4,438	–	–	–967	–1,063	44,401	42,619
7,150	6,821	119	109	–	–	–77	–49	7,894	7,488
95,971	93,974	6,374	5,804	–	–	–8,248	–7,747	159,938	154,556
1,148	945	–	–	–	–	–32	13	1,116	958
879	880	1,260	1,234	62	76	–10	–47	3,346	3,577
17,987	18,017	5,394	5,475	752	656	–10,573	–9,969	24,816	27,521
115,985	113,816	13,028	12,513	814	732	–18,863	–17,750	192,632	190,002
Shareholders' equity*								19,640	19,382
Total equity and liabilities								212,272	209,384

* Group shareholders' equity and minority interests.

Segment reporting

INCOME STATEMENT 1.1–30.6.2004	Reinsurance			
	Life and health		Property-casualty	
	Q1–2 2004	Q1–2 2003 (adjusted)*	Q1–2 2004	Q1–2 2003 (adjusted)*
	€m	€m	€m	€m
1. Gross premiums written	3,907	3,386	8,024	9,533
Thereof:				
– From insurance transactions with other segments	506	472	606	608
– From insurance transactions with external third parties	3,401	2,914	7,418	8,925
2. Net earned premiums	3,644	3,023	7,381	8,368
3. Investment result	697	577	1,008	837
Thereof:				
– Income from associated enterprises	10	–35	46	–54
4. Other income	52	40	164	159
Total income (2–4)	4,393	3,640	8,553	9,364
5. Net expenses for claims and benefits	3,207	2,576	5,032	5,831
6. Net operating expenses	810	744	1,975	2,194
7. Other expenses	88	129	244	405
Total expenses (5–7)	4,105	3,449	7,251	8,430
8. Result before amortisation of goodwill	288	191	1,302	934
9. Amortisation of goodwill	–	1	46	54
10. Operating result before tax	288	190	1,256	880
11. Tax	95	138	351	614
12. Minority interests in earnings	–	–	5	1
13. Net profit	193	52	900	265

* Adjusted owing to first-time application of IAS 39 (rev. 2003).

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
Q1-2 2004	Q1-2 2003 (adjusted)*	Q1-2 2004	Q1-2 2003 (adjusted)*	Q1-2 2004	Q1-2 2003 (adjusted)*	Q1-2 2004	Q1-2 2003 (adjusted)*	Q1-2 2004	Q1-2 2003 (adjusted)*
€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
5,865	5,979	3,005	2,947	–	–	–1,125	–1,085	19,676	20,760
2	4	11	1	–	–	–1,125	–1,085	–	–
5,863	5,975	2,994	2,946	–	–	–	–	19,676	20,760
5,203	5,331	1,933	1,799	–	–	–	–	18,161	18,521
2,177	699	208	–47	27	21	–54	–81	4,063	2,006
42	–65	3	–17	6	9	–	–	107	–162
377	347	415	322	117	115	–542	–484	583	499
7,757	6,377	2,556	2,074	144	136	–596	–565	22,807	21,026
6,387	4,962	1,182	1,138	–	–	–	–18	15,808	14,489
761	820	661	644	–	–	–2	3	4,205	4,405
403	528	555	455	108	107	–571	–511	827	1,113
7,551	6,310	2,398	2,237	108	107	–573	–526	20,840	20,007
206	67	158	–163	36	29	–23	–39	1,967	1,019
43	50	32	57	–	–	–	–	121	162
163	17	126	–220	36	29	–23	–39	1,846	857
107	637	85	24	14	5	2	–	654	1,418
12	–22	14	–8	2	–2	–3	–1	30	–32
44	–598	27	–236	20	26	–22	–38	1,162	–529

Segment reporting

INCOME STATEMENT 1.4–30.6.2004	Reinsurance			
	Life and health		Property-casualty	
	Q2 2004 €m	Q2 2003 (adjusted)* €m	Q2 2004 €m	Q2 2003 (adjusted)* €m
1. Gross premiums written	1,971	1,785	3,789	4,611
Thereof:				
– From insurance transactions with other segments	235	229	186	204
– From insurance transactions with external third parties	1,736	1,556	3,603	4,407
2. Net earned premiums	1,834	1,515	3,721	3,937
3. Investment result	366	330	568	615
Thereof:				
– Income from associated enterprises	2	–10	17	–8
4. Other income	15	17	74	67
Total income (2–4)	2,215	1,862	4,363	4,619
5. Net expenses for claims and benefits	1,592	1,261	2,483	2,756
6. Net operating expenses	382	343	1,025	1,000
7. Other expenses	57	71	163	218
Total expenses (5–7)	2,031	1,675	3,671	3,974
8. Result before amortisation of goodwill	184	187	692	645
9. Amortisation of goodwill	–	–	27	26
10. Operating result before tax	184	187	665	619
11. Tax	65	102	189	357
12. Minority interests in earnings	–	–	–	1
13. Net profit	119	85	476	261

* Adjusted owing to first-time application of IAS 39 (rev. 2003).

		Primary insurance		Asset management		Consolidation		Total	
Life and health		Property-casualty							
Q2 2004 €m	Q2 2003 (adjusted)* €m	Q2 2004 €m	Q2 2003 (adjusted)* €m	Q2 2004 €m	Q2 2003 (adjusted)* €m	Q2 2004 €m	Q2 2003 (adjusted)* €m	Q2 2004 €m	Q2 2003 (adjusted)* €m
2,878	2,911	1,106	1,062	–	–	–426	–435	9,318	9,934
–	1	5	1	–	–	–426	–435	–	–
2,878	2,910	1,101	1,061	–	–	–	–	9,318	9,934
2,591	2,653	965	925	–	–	–	–	9,111	9,030
1,166	1,803	111	98	15	18	–17	–46	2,209	2,818
10	–16	–1	–17	5	8	–	–	33	–43
142	158	190	136	60	59	–250	–231	231	206
3,899	4,614	1,266	1,159	75	77	–267	–277	11,551	12,054
3,282	3,611	578	621	–	–	–	–7	7,935	8,242
361	432	313	341	–	–	–11	2	2,070	2,118
148	214	268	152	54	56	–256	–226	434	485
3,791	4,257	1,159	1,114	54	56	–267	–231	10,439	10,845
108	357	107	45	21	21	–	–46	1,112	1,209
21	25	18	28	–	–	–	–	66	79
87	332	89	17	21	21	–	–46	1,046	1,130
70	616	64	40	7	2	2	3	397	1,120
5	–18	9	–	2	–1	5	–	21	–18
12	–266	16	–23	12	20	–7	–49	628	28

Segment reporting

INVESTMENTS*	Reinsurers		Primary insurers		Asset management		Total	
	30.6.2004 €m	31.12.2003 €m	30.6.2004 €m	31.12.2003 €m	30.6.2004 €m	31.12.2003 €m	30.6.2004 €m	31.12.2003 €m
Europe	42,748	43,188	102,416	100,764	491	395	145,655	144,347
North America	21,788	21,609	1,630	1,593	43	49	23,461	23,251
Asia and Australasia	2,403	2,560	551	476	4	21	2,958	3,057
Africa, Near and Middle East	543	507	102	88	–	–	645	595
Latin America	537	462	185	161	8	8	730	631
Total	68,019	68,326	104,884	103,082	546	473	173,449	171,881

* After elimination of intra-Group transactions across segments.

GROSS PREMIUMS WRITTEN* 1.1–30.6.2004	Reinsurers		Primary insurers		Total	
	Q1–2 2004 €m	Q1–2 2003 €m	Q1–2 2004 €m	Q1–2 2003 €m	Q1–2 2004 €m	Q1–2 2003 €m
Europe	5,965	6,766	8,682	8,737	14,647	15,503
North America	3,533	3,735	63	66	3,596	3,801
Asia and Australasia	727	724	54	49	781	773
Africa, Near and Middle East	354	353	54	61	408	414
Latin America	240	261	4	8	244	269
Total	10,819	11,839	8,857	8,921	19,676	20,760

* After elimination of intra-Group transactions across segments.

GROSS PREMIUMS WRITTEN* 1.4–30.6.2004	Reinsurers		Primary insurers		Total	
	Q2 2004 €m	Q2 2003 €m	Q2 2004 €m	Q2 2003 €m	Q2 2004 €m	Q2 2003 €m
Europe	2,773	3,523	3,935	3,937	6,708	7,460
North America	1,895	1,808	12	–	1,907	1,808
Asia and Australasia	351	344	4	9	355	353
Africa, Near and Middle East	186	167	28	26	214	193
Latin America	134	120	–	–	134	120
Total	5,339	5,962	3,979	3,972	9,318	9,934

* After elimination of intra-Group transactions across segments.

Notes

Accounting and valuation policies

This quarterly report as at 30 June 2004 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 2003.

Owing to the first-time application of the new accounting standard for financial instruments IAS 39 (rev. 2003) in 2003, the figures for the previous quarters have been adjusted accordingly.

Changes in the consolidated group

There were no significant changes in the group of consolidated companies in the first six months of 2004.

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		
	30.6.2004	31.12.2003	Q2 2004	Q1 2004	Q2 2003	Q1 2003
Australian dollar	1.74655	1.67410	1.68814	1.63427	1.77451	1.81064
Canadian dollar	1.63125	1.62995	1.63748	1.64815	1.58798	1.62165
Pound sterling	0.67085	0.70460	0.66688	0.68042	0.70174	0.66948
Rand	7.55810	8.41950	7.93235	8.46186	8.78376	8.95188
Swiss franc	1.52375	1.56000	1.53775	1.56825	1.51717	1.46582
US dollar	1.21665	1.26135	1.20494	1.25018	1.13609	1.07310
Yen	132.7550	135.1790	132.1350	134.0120	134.6170	127.6270

Intangible assets

All figures in €m	30.6.2004	31.12.2003
I. Goodwill	3,511	3,568
II. Other intangible assets	1,368	1,372
– Software	453	459
– Purchased insurance portfolios	845	831
– Other	70	82
Total	4,879	4,940

Other securities – Available for sale

All figures in €m	Carrying amounts		Unrealised gains/losses		Amortised cost	
	30.6.2004	31.12.2003	30.6.2004	31.12.2003	30.6.2004	31.12.2003
Fixed-interest securities	96,932	98,833	1,026	1,960	95,906	96,873
Non-fixed-interest securities						
– Shares	20,935	20,569	4,038	4,627	16,897	15,942
– Investment funds	1,714	1,987	127	106	1,587	1,881
– Other	939	978	118	196	821	782
	23,588	23,534	4,283	4,929	19,305	18,605
Total	120,520	122,367	5,309	6,889	115,211	115,478

Changes in shareholders' equity

All figures in €m	Issued capital	Capital reserve	Revenue reserves		Other reserves			Consolidated profit	Total shareholders' equity
			Revenue reserves before deduction of own shares	Own shares held	Unrealised gains and losses	Reserve from currency translation	Valuation result from cash flow hedges		
Status at 31.12.2002 (adjusted)*	457	2,990	9,046	-93	1,260	-	-	288	13,948
Restatement of currency translation reserve	-	-	-337	-	-	337	-	-	-
Currency translation	-	-	-	-	-	-496	-	-	-496
Allocation to revenue reserves	-	-	65	-	-	-	-	-65	-
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
Dividend	-	-	-	-	-	-	-	-223	-223
Other changes	-	-	117	-	-20	-	-	-	97
Adjustments*									
– Associated enterprises	-	-	-	-	101	-	-	-101	-
– Non-fixed-interest securities	-	-	-	-	-175	-	-	175	-
Status at 30.6.2003 (adjusted)*	457	2,990	8,235	-93	4,244	-159	-	-529	15,145
Status at 31.12.2003	588	6,800	7,930	-107	4,511	-399	10	-434	18,899
Currency translation	-	-	-	-	-	139	-	-	139
Allocation to revenue reserves	-	-	-720	-	-	-	-	720	-
Change in consolidated group	-	-	1	-	-1	7	-	-	7
Change resulting from valuation at equity	-	-	-1	-	139	-	-	-	138
Unrealised gains and losses on other securities	-	-	-	-	-1,047	-	-	-	-1,047
Consolidated net profit	-	-	-	-	-	-	-	1,162	1,162
Dividend	-	-	-	-	-	-	-	-286	-286
Share buy-backs	-	-	-	-43	-	-	-	-	-43
Change resulting from cash flow hedges	-	-	-	-	-	-	-1	-	-1
Other changes	-	-	141	-	-	-	-	-	141
Status at 30.6.2004	588	6,800	7,351	-150	3,602	-253	9	1,162	19,109

* Adjusted owing to first-time application of IAS 39 (rev. 2003).

Minority interests

These are mainly minority interests in the ERGO Insurance Group.

All figures in €m	30.6.2004	31.12.2003
Unrealised gains and losses	58	62
Consolidated profit	30	-34
Other equity components	443	455
Total	531	483

Subordinated liabilities

All figures in €m	30.6.2004	31.12.2003
Munich Re Finance B.V., Amsterdam 6.75%, €3,000m, Bonds 2003/2023 Rating: A-	2,973	2,969
Munich Re Finance B.V., Amsterdam 7.625%, €300m, Bonds 2003/2028 Rating: A-	443	421
Total	3,416	3,390

Notes and debentures

All figures in €m	30.6.2004	31.12.2003
American Re Corporation, Princeton 7.45%, US\$ 500m, Senior Notes 1996/2026 Rating: BBB	410	396
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-	658	647
Munich Reinsurance Company, Munich 1.0%, €1,150m, Bonds Exchangeable into Allianz AG Shares 2000/2005 Rating: A+	1,193	1,166
Total	2,261	2,209

Investment result

All figures in €m	Q1-2 2004	Q1-2 2003 (adjusted)*	Q2 2004	Q2 2003 (adjusted)*
Real estate	297	276	130	128
Investments in affiliated enterprises	-28	5	1	14
Investments in associated enterprises	107	-162	33	-43
Mortgage loans and other loans	462	428	236	239
Other securities held to maturity	19	22	9	11
Other securities available for sale				
– Fixed-interest	2,322	2,979	1,116	1,543
– Non-fixed-interest	1,045	-1,466	901	1,397
Other securities held for trading				
– Fixed-interest	4	35	1	-3
– Non-fixed-interest	-93	-116	-89	-446
Other investments	172	252	-6	109
Expenses for the management of investments, other expenses	244	247	123	131
Total	4,063	2,006	2,209	2,818

* Adjusted owing to first-time application of IAS 39 (rev. 2003).

1.1–30.6.2004	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Asset management		Total	
	Q1–2 2004	Q1–2 2003 (adjust- ed)**	Q1–2 2004	Q1–2 2003 (adjust- ed)**	Q1–2 2004	Q1–2 2003 (adjust- ed)**	Q1–2 2004	Q1–2 2003 (adjust- ed)**	Q1–2 2004	Q1–2 2003 (adjust- ed)**	Q1–2 2004	Q1–2 2003 (adjust- ed)**
All figures in €m*												
Investment income												
Regular income	638	639	751	719	2,263	2,318	195	165	22	12	3,869	3,853
Income from write-ups	8	46	30	222	64	81	5	5	–	–	107	354
Gains on the disposal of investments	108	82	438	473	741	1,193	81	47	6	4	1,374	1,799
Other income	–	–	–	–	34	18	–	–	–	–	34	18
	754	767	1,219	1,414	3,102	3,610	281	217	28	16	5,384	6,024
Investment expenses												
Writedowns on investments	20	64	121	318	162	979	34	84	–	–	337	1,445
Losses on the disposal of investments	43	54	133	255	353	1,581	43	154	–	1	572	2,045
Management expenses, interest expenses and other expenses	44	37	105	181	243	279	13	27	7	4	412	528
	107	155	359	754	758	2,839	90	265	7	5	1,321	4,018
Total	647	612	860	660	2,344	771	191	–48	21	11	4,063	2,006

* After elimination of intra-Group transactions across segments.

** Adjusted owing to first-time application of IAS 39 (rev. 2003).

1.4–30.6.2004	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Asset management		Total	
	Q2 2004	Q2 2003 (adjust- ed)**	Q2 2004	Q2 2003 (adjust- ed)**	Q2 2004	Q2 2003 (adjust- ed)**	Q2 2004	Q2 2003 (adjust- ed)**	Q2 2004	Q2 2003 (adjust- ed)**	Q2 2004	Q2 2003 (adjust- ed)**
All figures in €m*												
Investment income												
Regular income	293	323	389	378	1,182	1,258	114	80	10	10	1,988	2,049
Income from write-ups	4	–	15	–	11	–	4	–	–	–	34	–
Gains on the disposal of investments	74	44	295	244	341	931	39	26	6	4	755	1,249
Other income	–	–	–	–	8	14	–	–	–	–	8	14
	371	367	699	622	1,542	2,203	157	106	16	14	2,785	3,312
Investment expenses												
Writedowns on investments	12	1	57	12	71	41	16	8	–	–	156	62
Losses on the disposal of investments	14	8	49	45	115	158	23	2	–	–	201	213
Management expenses, interest expenses and other expenses	31	17	59	85	117	115	9	–	3	2	219	219
	57	26	165	142	303	314	48	10	3	2	576	494
Total	314	341	534	480	1,239	1,889	109	96	13	12	2,209	2,818

* After elimination of intra-Group transactions across segments.

** Adjusted owing to first-time application of IAS 39 (rev. 2003).

Net expenses for claims and benefits

1.1–30.6.2004	Reinsurance						Primary insurance			Total
	Life and health		Property-casualty		Life and health		Property-casualty			
	Q1–2 2004	Q1–2 2003	Q1–2 2004	Q1–2 2003	Q1–2 2004 (adjusted)**	Q1–2 2003 (adjusted)**	Q1–2 2004	Q1–2 2003	Q1–2 2004	
All figures in €m*										
Gross	2,693	2,305	5,005	6,117	7,135	5,572	1,514	1,528	16,347	15,522
Ceded share	105	206	239	290	125	160	70	377	539	1,033
Net	2,588	2,099	4,766	5,827	7,010	5,412	1,444	1,151	15,808	14,489

* After elimination of intra-Group transactions across segments.

** Adjusted owing to first-time application of IAS 39 (rev. 2003).

1.4–30.6.2004	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
	Q2 2004	Q2 2003	Q2 2004	Q2 2003	Q2 2004 (adjusted)**	Q2 2003 (adjusted)**	Q2 2004	Q2 2003		Q2 2004 (adjusted)**
All figures in €m*										
Gross	1,376	1,089	2,394	2,809	3,628	4,000	757	761	8,155	8,659
Ceded share	107	121	84	131	19	112	10	53	220	417
Net	1,269	968	2,310	2,678	3,609	3,888	747	708	7,935	8,242

* After elimination of intra-Group transactions across segments.

** Adjusted owing to first-time application of IAS 39 (rev. 2003).

Net operating expenses

1.1–30.6.2004	Reinsurance						Primary insurance			Total
	Life and health		Property-casualty		Life and health		Property-casualty			
	Q1–2 2004	Q1–2 2003	Q1–2 2004	Q1–2 2003	Q1–2 2004	Q1–2 2003	Q1–2 2004	Q1–2 2003	Q1–2 2004	
All figures in €m*										
Gross	839	750	1,918	2,220	874	1,027	820	909	4,451	4,906
Ceded share	127	90	93	139	8	107	18	165	246	501
Net	712	660	1,825	2,081	866	920	802	744	4,205	4,405

* After elimination of intra-Group transactions across segments.

1.4–30.6.2004	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
	Q2 2004	Q2 2003	Q2 2004	Q2 2003	Q2 2004	Q2 2003	Q2 2004	Q2 2003		Q2 2004
All figures in €m*										
Gross	393	370	996	1,049	429	532	388	458	2,206	2,409
Ceded share	81	63	32	115	4	51	19	62	136	291
Net	312	307	964	934	425	481	369	396	2,070	2,118

* After elimination of intra-Group transactions across segments.

Number of staff

The number of staff employed by the Group as at 30 June 2004 totalled 29,734 (30,223) in Germany and 11,040 (11,208) in other countries.

	30.6.2004	31.12.2003
Reinsurance companies	6,503	6,445
Primary insurance companies	33,631	34,360
Asset management	640	626
Total	40,774	41,431

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2003 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 net income for the reporting period by the weighted average number of shares.

		Q1-2 2004	Q1-2 2003 (adjusted)*	Q2 2004	Q2 2003 (adjusted)*
Net income	€m	1,162	-529	628	28
Weighted average number of shares		228,996,936	187,497,459**	228,911,258	187,497,459**
Earnings per share	€	5,08	-2.82**	2.75	0.15**

* Adjusted owing to first-time application of IAS 39 (rev. 2003).

** Taking into account the capital increase in November 2003.

Important dates

Interim report as at 30 September 2004	8 November 2004
Balance sheet meeting of the Supervisory Board	14 March 2005
Annual report for the business year 2004	15 March 2005
Press conference and analysts' conference	15 March 2005
Annual General Meeting	28 April 2005
Interim report as at 31 March 2005	9 May 2005
Interim report as at 30 June 2005	4 August 2005
Interim report as at 30 September 2005	7 November 2005

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:

Tel.: (0 18 02) 22 62 10

E-mail: shareholder@munichre.com

If you are an institutional investor or analyst, please contact our investor relations team:

Tel.: +49 (0) 89/38 91-39 01

Fax: +49 (0) 89/38 91-98 88

E-mail: investorrelations@munichre.com

Service for media

Journalists receive information from our Press Division:

Tel.: +49 (0) 89/38 91-25 04

Fax: +49 (0) 89/38 91-35 99

E-mail: presse@munichre.com

© August 2004

Münchener Rückversicherungs-Gesellschaft

Königinstrasse 107

80802 München

Germany

Tel.: +49 (0) 89/38 91 - 0

Fax: +49 (0) 89/39 90 56

<http://www.munichre.com>

Responsible for content

Group Accounting

Printed by

Druckerei Fritz Kriechbaumer, Wettersteinstrasse 12, 82024 Taufkirchen/München, Germany

© 2004

Münchener Rückversicherungs-Gesellschaft
Königinstrasse 107
80802 München
Germany

Order number 302-04165