3/2004

Munich Re Group
Quarterly Report

Münchener Rück
Munich Re Group

Supervisory Board

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Board of Management

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Karl Wittmann

Key figures for the Munich Re Group

		Q1–3 2004	Q1–3 2003 (adjusted)*	Change in %	Q3 2004	Q3 2003 (adjusted)*	Change in %
Gross premiums written	€m	28,932	30,658	–5.6	9,256	9,898	–6.5
Result before amortisation of goodwill	€m	2,457	1,272	93.2	490	253	93.7
Minority interests in earnings	€m	51	–22	–	21	10	110.0
Net income	€m	1,527	–487	–	365	42	769.0
Earnings per share	€	6.68	–2.60**	–	1.60	0.22**	627.3

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

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

		30.9.2004	31.12.2003	Change in %
Investments	€m	177,212	171,881	3.1
Shareholders' equity	€m	19,502	18,899	3.2
Net underwriting provisions	€m	155,508	147,476	5.4
Staff		40,891	41,431	–1.3
Share price	€	77.56	96.12	–19.3

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

To our shareholders

Dear Shareholders,

An unusually close succession of severe windstorms over the Atlantic and Pacific has left its mark on our result for the third quarter 2004. In August and September, Hurricanes Charley, Frances, Ivan and Jeanne tore over the Caribbean and southeastern United States in rapid sequence, leaving in their wake a trail of destruction with many fatalities and enormous property damage. The weather records show that the region had not seen such an accumulation of catastrophic hurricane events in almost 120 years. At about the same time, Typhoons Songda and Chaba wreaked havoc in the Pacific region. The economic losses caused by the storms are considerable. We estimate them at approximately US$ 50bn. Of this, insurers and reinsurers will cover an estimated US$ 30bn, thus demonstrating yet again the economic importance of the insurance industry.

For the reinsurance business of the Munich Re Group – our primary insurers have not been affected by windstorm losses – we anticipate a claims burden of around €550m from the storms. Our proportion of the losses is thus lower in relative terms than that of some other providers. The fact that these natural catastrophes burdened Munich Re less than similar events in the past is largely due to the progress we have made in recent years in improving risk transparency, introducing liability limits and implementing our risk-adequate underwriting policy.

I would like to avoid any misunderstandings here: the measures described are not aimed at developing a form of "risk aversion" in reinsurance business that allows us to accept only practically risk-free business. After all, the insurance industry derives its raison d'être from bearing risk and covering the financial consequences in the event of loss. Our "business" as insurers and reinsurers is to generate profits from risks that we accept selectively on a calculated basis. Ours is a unique business model – and we want to keep it that way. It is important to make risks manageable through sophisticated underwriting and to achieve a balance over time, regions and classes of business through intelligent risk management. For you quite rightly expect us to use the capital you have placed at our disposal efficiently and appropriately. Although Munich Re will soon be able to look back on 125 years of experience as a professional reinsurer, there are always new things to be developed in these areas and existing elements to be improved. Integrated risk management, which we are currently vigorously expanding, is a good example of this – not least against the background of the stock market crisis, which is behind us.

The storms have once again made it clear to us that the insurance industry has to live with random fluctuations in claims experience, which in turn are reflected in the results. We of course take a certain amount of claims costs for natural catastrophes into account when we calculate the expected annual results and always keep a close eye on our Group's risk tolerance when we agree to cover exceptional hazards with long return periods. Certain fluctuations in performance are unavoidable, especially as far as quarterly reporting is concerned. Our long-term investors are aware of this and are rightly much more interested in our development over a longer period.

On the basis of the information currently available to us, the windstorm losses in August and September 2004 are included in the quarterly results presented to you here. We pursue a firm policy of not putting things off but providing transparency with regard to the performance of our business through prompt reporting in accordance with your expectations. In line with this approach, we also promptly reflect and communicate necessary reserve strengthenings in our figures. Based on our assessments, increases in reserves of €84m were necessary at American Re in the third quarter, but in relation to total provisions these are not of a disconcerting magnitude. Compared with the previous quarters, however, our quarterly result thus declined to €365m, of which €294m derives from reinsurance and €64m from primary insurance.

Natural catastrophe losses pushed the combined ratio in reinsurance up to 105.8% for the third quarter 2004 (95.5% in the first half of 2004); for the first three quarters of 2004, it stands at 98.8%.

In primary insurance, for example at ERGO, no exceptional loss events occurred in the third quarter of 2004. The combined ratio in primary insurance for the third quarter is a very pleasing 90.0% (93.4% in the first half of 2004). Our primary insurance activities are mainly concentrated in Germany, where the ongoing reform of the social security systems has repercussions chiefly for the life and health insurance sector. However, the outcome of the political debate on health insurance reform is currently still wide open. The life insurers in the Munich Re Group are well prepared for the changes that the German Retirement Income Act will involve for life insurance. Their market position in the area of private and company pensions is excellent and with their great franchise strength they will launch new, customised products from January 2005.

Following the windstorm losses in the third quarter, we currently expect a result for the business year 2004 of between €1.8bn and €2bn. That would make this year's result the best one posted in the history of Munich Re.

The ERGO Insurance Group expects to earn its cost of capital this year, and thus earlier than originally announced. Before the end of the year it will strengthen VICTORIA Leben's equity capital through an allocation of €500m to the capital reserve. Munich Re will help finance this amount out of existing Group resources through a subordinated loan of €400m to ERGO. Even before this measure, VICTORIA Leben has substantially reduced its "hidden losses" (negative valuation differences), adjusted its reserves to reflect the changed biometric risk, improved its pricing and implemented a strict cost-savings programme.

Ladies and gentlemen,

Although the severe storms in the Atlantic and Pacific have reduced the profit outlook for the current year, I can report a positive interim balance after the first three quarters. We have successfully set course for a profitable future. In reinsurance, we have clearly shown that we are serious about wanting to secure and where possible build on long-term profitability. Ongoing negotiations with our cedants with regard to the annual renewal of our reinsurance treaties will again consistently follow our guideline that profit takes precedence over growth. Primary insurance is returning to steady and long-term profits; the reorganisation of ERGO will have an increasingly positive effect on our earnings performance. I do not by any means believe that we have reached our goal yet, but we have managed to gain more room for manoeuvre again this year, which we will be able to exploit in your interest in the coming year in advancing the Munich Re Group further.

Yours sincerely,

Overall economic development

- **Global economic growth beginning to level out**
- **Persisting geopolitical risks**

The year 2004 is likely to show the highest growth in the global economy since 1988, with the exception of 2000. However, worldwide growth dynamics compared with the first months of the year seem to be slackening. This is mainly due to the fact that the powerful monetary and fiscal policy impulses in the USA are petering out.

Robust demand and short supplies caused oil prices at the end of September to rise for the first time ever above the US$ 50 mark. In addition, the prevailing political instability in the Middle East and Gulf region continued to have an adverse impact. The oil price also influenced consumer prices. In its monthly report of September 2004, the European Central Bank stated that "it is unlikely that annual inflation rates will return to levels below 2% in the remainder of this year".

At the end of September, an increasing number of early indicators pointed to a continued deceleration of the growth rate in the USA. According to first estimates, seasonally adjusted and annualised growth in real terms came to 3.7% in the third quarter as against 3.3% in the second quarter. In the eurozone, early indicators also remained subdued. In Germany, the much-heeded Ifo Business Climate Index again declined marginally. Uncertainty as to whether and how the necessary social reforms will work and the persistently high unemployment rate continue to impact consumer demand.

After growth in the second quarter remained below expectations, economic recovery seems to be strengthening in Japan. The emerging markets in Southeast Asia and Latin America are following the same trend as the global economy. Despite dampening economic policy measures, economic dynamics in China are slowing only gradually, while inflation is rising.

The global cycle of interest rate hikes started by the central banks continued in the period under review. In September, the US Federal Reserve raised key interest rates by 25 basis points for the third time this year, whereas the ECB kept interest rates constant. Growing uncertainty about the economy caused long-term interest rates to tend downwards again in the third quarter. At the end of the reporting period, the most important share price indices also stood slightly below the level recorded at the beginning of the quarter.

The US dollar gained little ground against the euro in the third quarter, moving in a narrow range of between US$ 1.20 and 1.25 and closing at US$ 1.24 per euro on 30 September 2004 – almost the same value as at the beginning of the quarter.

For the coming months we expect growth to decelerate, in particular in the USA and Asia. We therefore anticipate that the annual rate will be lower in 2005 than in 2004. Growth rates in the eurozone should be down only slightly. The lower overall economic growth is likely to have a minimal effect on the insurance industry. Geopolitical risks, such as terrorism, Irak and the Middle East remain high.

Business experience from 1 January to 30 September 2004

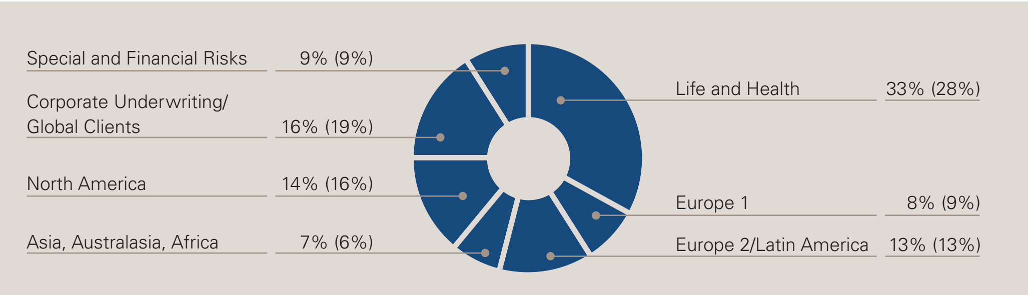
Reinsurance

- **Overall result of €1,387m for the first three quarters**
- **Satisfactory investment result**
- **Storms in the Atlantic and Pacific with a loss burden of around €550m**
- **Despite the windstorm losses, combined ratio of no more than 98.8%**

Notwithstanding the recent series of cyclones in the Atlantic and Pacific, the result in reinsurance was clearly positive. Before amortisation of goodwill, it totalled €313m (253m)* from July to September and €1,903m (1,378m) in the first nine months. The reinsurers' contribution to the overall result after tax was €294m (118m) in the third quarter and €1,387m (435m) in the first three quarters.

In spite of ambivalent price trends in individual segments, the reinsurance markets are still offering risk-adequate prices and conditions overall, enabling us to obtain very attractive conditions for new business and renewals during the year. The series of cyclones in the third quarter, ending a long period marked by a relatively low incidence of major losses, once again showed the necessity of adequate prices with satisfactory profit margins; the losses will stabilise the markets not only for natural catastrophe risks.

Gross premiums by division Q1–3



In the third quarter 2004, we wrote gross premiums totalling €5.5bn (6.2bn) in reinsurance, a reduction of 10.0% over the same period last year. Our premium income for the first nine months of the business year fell by 8.4% to €17.5bn (19.1bn). Adjusted to eliminate currency translation effects, the decrease amounted to 5.1%.

In life and health reinsurance we recorded an increase in premiums of 2.5% to €1.83bn (1.79bn) in the quarter under review. From 1 January to 30 September we wrote gross premiums of €5.7bn (5.2bn), a rise of 10.9%. Without the effects of changes in exchange rates, this growth even amounted to 13.5%.

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

Our premium income in property-casualty reinsurance fell by 15.1% to €3.7bn (4.4bn) in the third quarter of 2004 and by 15.6% to €11.8bn (13.9bn) in the first nine months of the business year. Changes in exchange rates had an impact of –3.6 percentage points. In this segment, we reduced individual large reinsurance treaties as scheduled and also consistently withdrew from business that did not meet our return requirements. For the same risk assumed, there was an increase in premium.

Until mid-August, the burden from major losses on our reinsurance result remained below the long-term average. Since then, there has been an unusual accumulation of windstorms in the Atlantic and Pacific exceeding this average and resulting in economic losses of approximately US$ 50bn. The total insured losses are currently reckoned to be about US$ 30bn. At present, we estimate the impact of the storms on the Munich Re Group at around €550m before tax, or 14.2% in terms of net premiums earned in the third quarter, and 4.6% in terms of net premiums earned in the first nine months. By comparison, the correspondingly calculated average loss ratio for all natural hazards in the last ten business years was 2.7 percentage points per year.

Hurricane Charley cut across Florida on 13 and 14 August, moving from west to east and reaching wind speeds in gusts of over 240 km/h. Hurricane Frances hit Florida on 5 September 2004 as a Category 2 cyclone and caused great damage. The low-pressure system Ivan was the third severe hurricane in six weeks to strike the USA and the Caribbean. Attaining an intensity of up to 4–5 on the five-stage Saffir-Simpson Hurricane Scale, it raged over a series of Caribbean islands and caused major devastation, in particular in Grenada, Jamaica and the Cayman Islands. Hurricane Jeanne cut a path of destruction in Haiti, killing over 2,000 people before reaching Florida as a Category 3 hurricane on 15 September.

We anticipate about €69m in loss expenditure for Charley, around €64m for Frances and approximately €244m for Ivan. Jeanne is likely to cost us €82m. The Pacific typhoons Songda and Chaba will lead to a claims burden of about €95m for the Group.

Compared with similar natural hazards in the past and in contrast to some other providers, Munich Re came off relatively lightly. We owe this to the business policy we have pursued in recent years, which includes the agreement of reasonable deductibles and retentions for policyholders and primary insurers respectively and adequate limits of liability. In addition, the "Florida Hurricane Catastrophe Fund" provides substantial compensation in the personal lines property insurance sector in the hardest-hit state of the USA.

Particularly with a view to the forthcoming renewals for 2005, the burden from major losses arising from such a chain of spectacular natural hazard events should help stabilise prices for catastrophe covers.

Typical man-made disasters will have an equally price-stabilising effect. In the third quarter, a serious road accident in Germany illustrated that the approach we have pursued here since 2002 for risk-based reasons, i.e. not to grant unlimited liability in new and replacement business, was the right one. On 26 August 2004, a fully laden tanker truck collided with a passenger car, careered off the Wiehltal bridge near Gummersbach and exploded; the truck driver was killed. If the bridge, which was damaged severely because of the heat, had had to be torn down, the loss would have been in the three-digit million euro range. We currently estimate our share at up to €20m.

In the third quarter, given the increase in losses reported by our clients, we again strengthened the reserves of our US subsidiary American Re by a further €84m, mainly for the years 1997 to 2001.

The combined ratio totalled 105.8% (99.3%) in the third quarter and 98.8% (97.0%) for the first nine months. The unusually large cost burdens from natural catastrophes account for 14.2 percentage points for the quarter ended and 4.6 percentage points for the first nine months. This shows how excellently our business performed otherwise.

The investment result in the third quarter was satisfactory: its contribution to the reinsurance result was €755m (627m) for the third quarter and €2,460m (2,041m) for the period from 1 January to 30 September.

Reinsurance

		Q1–3 2004	Q1–3 2003 (adjusted)*	Q3 2004	Q3 2003 (adjusted)*
Gross premiums	€bn	17.5	19.1	5.5	6.2
Loss ratio non-life	%	70.8	70.9	77.5	73.4
Expense ratio non-life	%	28.0	26.1	28.3	25.9
Combined ratio non-life	%	98.8	97.0	105.8	99.3
Thereof natural catastrophes	%	4.6	1.4	14.2	1.8
Result before amortisation of goodwill	€m	1,903	1,378	313	253

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

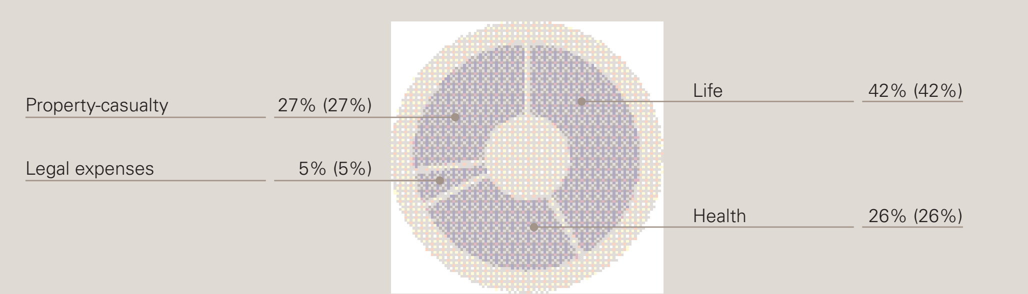
		30.9.2004	31.12.2003
Investments	€bn	82.4	80.4
Net underwriting provisions	€bn	60.9	56.7

Primary insurance

- **Significantly improved result of €135m in the first nine months**
- **Still excellent combined ratio of 92.2%**
- **Structural change at ERGO proceeding as planned**

The primary insurers in the Munich Re Group – which include not only the ERGO Group but also the Karlsruher Group and Europäische Reiseversicherung – continued to develop positively in the third quarter 2004. The result before amortisation of goodwill rose to €164m in the third quarter, compared with €10m in the same period last year. For the period from January to September, the result totalled €528m (–86m). The quarterly profit after amortisation of goodwill and tax was €64m (–73m). For the first nine months, the profit for the year came to €135m, a significant improvement over the same period last year, in which extreme tax burdens, high writedowns on investments in associated companies and amortisation of goodwill led to a loss of €907m.

Gross premiums by class of insurance Q1–3



The gross premiums written fell marginally by 0.4% to €4.10bn (4.11bn) in the months of July to September. Since the beginning of the year, overall premium volume amounted to about €12.97bn (13.04bn), representing a decrease of 0.6%. The development of premium income in the individual classes of business varied.

Our life insurers recorded premiums of €1.79bn (1.84bn) in the period under review, a decline of 2.9% over the same period last year. In the course of the year, premium volume fell by 1.9% to €5.4bn (5.5bn). New business decreased, with the reduction in policyholders' bonuses making itself felt. Besides this, last year's result had been positively affected by a high automatic adjustment in sums insured in 2003 and a capitalisation product that was actively being offered at the time. In Germany, the Retirement Income Act passed in June 2004 provided hardly any stimulus in the third quarter. However, an increased need for advice is perceptible amongst the public, which gives us reason to assume that new business potential is likely to be significant in the fourth quarter. The number of enquiries regarding the changes effective from 2005 has risen considerably in the last few weeks. In the area of company pensions, new business concluded since the beginning of the year amounted to €266m, thus reaching the same high level as last year.

Our health insurers wrote premiums of €1.14bn (1.11bn) in the third quarter of 2004, which is slightly higher than the level in the same period last year (+2.2%). Since the beginning of the year, premium income fell as expected by 1.0% to €3.40bn (3.43bn), as last year's figures had still included the results of Dutch health insurer DKV Nederland N.V. sold on 1 January 2004. Adjusted to eliminate this effect, growth would have been 4.9% for the first nine months. New business in Germany continued to develop very positively as in the previous quarters. In particular, business with supplementary benefits insurance was noticeably expanded, our partnerships with statutory health insurers beginning to bear fruit here.

In property-casualty insurance, premiums climbed by 1.0% to €1.17bn (1.16bn) in the third quarter. Since the beginning of the year, premium volume increased by 1.7% to €4.2bn (4.1bn), with growth in personal lines business particularly strong in the liability and homeowners' insurance segments. Premiums written in legal expenses insurance rose by 8.5% to €0.7bn (0.6bn) in the months of January to September. The combined ratio for property-casualty business including legal expenses insurance amounted to an excellent 92.2% (96.3%).

The investment result continued to develop satisfactorily. Since the beginning of the year, income from investments totalled €3.3bn, compared with €2.2bn in the corresponding period last year. The investment result amounted to €0.9bn (1.6bn) in the third quarter.

The development of the new management structure in the ERGO Group is proceeding according to plan. With its new structure ERGO will be more cohesive and effective. Our primary insurers are also making good progress with their current cost-reduction programmes.

Primary insurance

		Q1–3 2004	Q1–3 2003 (adjusted)*	Q3 2004	Q3 2003 (adjusted)*
Gross premiums	€bn	13.0	13.0	4.1	4.1
Loss ratio property-casualty	%	58.6	61.3	58.5	60.5
Expense ratio property-casualty	%	32.2	33.7	30.6	32.7
Combined ratio property-casualty	%	90.8	95.0	89.1	93.2
Combined ratio legal expenses insurance	%	97.7	99.7	93.1	98.2
Combined ratio property-casualty including legal expenses insurance	%	92.2	96.3	90.0	94.6
Result before amortisation of goodwill	€m	528	–86	164	10

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

		30.9.2004	31.12.2003
Investments	€bn	112.2	108.3
Net underwriting provisions	€bn	94.6	91.0

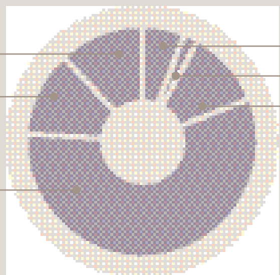
Asset management

- **Stock markets at end of the third quarter at same level as beginning of the year**
- **Bond markets with price gains in the third quarter**

The international stock markets recorded slight price losses in the third quarter. In September 2004, the EURO STOXX 50, the barometer for European equities, closed at 2,726 points. Compared with its level at the beginning of the year, this amounted to a decline of approximately 1%. As far as the US stock market is concerned, the S&P 500 – at 1,115 points – is also at nearly its start-of-the-year level. In line with our asset-liability management targets, we reduced the ratio of equities to total investments – on a market value basis and taking hedging transactions into account – from 14.2% to 13.0% in the third quarter. As reported after the second quarter, we have lowered our stake in Allianz to under 10%, thus consistently adhering to our policy of reducing our concentration risk in the German financial services sector.

As in the first half of the year, the bond markets were again subject to strong fluctuations in the third quarter. Following a clear rise in yields in the previous quarter, there was a countervailing trend in the period under review. In Europe, yields on ten-year government bonds fell by 32 basis points to 3.99%. Even greater was the decline in yields on ten-year US government bonds by 50 basis points to 4.12%. The decreasing yields boosted the market value of our bond portfolio.

Investment mix as at 30.9.2004 (31.12.2003)



The investment result in the first three quarters of 2004 totalled €5,730m (3,988m). This includes writedowns of about €450m for impairments in the value of real estate, which we made in the period under review owing to the persistently tight economic situation in the real estate sector.

In third-party business with retail funds, our asset management company MEAG maintained its gross sales volume at a high level of approximately €117m in the third quarter. In the market for institutional business, MEAG can exploit its strength as a group asset manager for insurances and corporate pension schemes, i.e. its ability to manage assets holistically on the basis of clients' requirements, taking account of regulatory provisions and accounting parameters, as well as the structure of liabilities. MEAG's focus on long-term client partnerships in institutional business has met with a pleasingly positive response.

Prospects

- **Solid capital base**
- **Moderate premium development at a high level**
- **Higher combined ratio in reinsurance due to cyclones**
- **Combined ratio in primary insurance consistently low**
- **Annual result between €1.8bn and €2bn envisaged**
- **Successful renewal season for 2005 expected in reinsurance**

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

Our shareholders' equity remains at a very solid level; it has risen by €603m to €19.5bn since 31 December 2003. The net unrealised gains on investments included in this figure have fallen by €793m since the beginning of the year. As the level of interest rates decreased further in the third quarter, we were able to more than offset the unrealised losses on fixed-interest securities incurred in the first half of the year by gains in the third quarter.

The consolidated net profit of €1,527m had the effect of pleasingly increasing our shareholders' equity. Exchange rates remained almost unchanged compared with the beginning of the year. Currency translation effects therefore had only a minor impact on our shareholders' equity. If the currency and capital markets do not develop adversely in the last two months of the year and our underwriting business is not burdened by further major losses, we will be able to increase our shareholders' equity further through profits.

Growth

As our reinsurance business is international in orientation, exchange rate developments can have a substantial influence on our growth expressed in euros. Provided that exchange rates remain largely unchanged up to the end of the year, we expect a slightly lower premium volume of about €23bn in reinsurance for the year 2004.

During the coming round of renewals for 2005, we will continue to focus on risk-adequate prices and conditions and consistently implement our "profit before growth" maxim. Not least because of the recent windstorm losses in the Atlantic and Pacific, we expect conditions to soften only in isolated cases and terms of trade to remain stable overall, with appreciable differentiations according to region, class of business and client segment. We continue to be prepared to sacrifice premium volume if prices and conditions do not adequately reflect the risks assumed. Our experience, our extensive data resources and our sophisticated pricing and monitoring systems are a solid foundation and prerequisite for such a selective underwriting approach. Since all the other main market players are also seeking to achieve risk-commensurate prices, we take it that market discipline will generally remain high.

For our primary insurance business, we assume that premium income as a whole will total about €18bn for 2004. In life insurance, we anticipate that premium growth will be moderate. The adoption of the German Retirement Income Act is likely to lead to increased demand for endowment insurance policies in particular in the last quarter. Many clients wish to secure the tax advantages that will apply until the end of this year. Given the subdued economic mood prevailing at present, the number and volume of policies actually concluded is likely to be lower than in past years with similar fiscal incentives. The decline in premiums in health insurance was inevitable because of the sale of our Dutch subsidiary DKV Nederland N.V. We estimate that the trend in German new business will remain positive for the full year, the reason being that the sale of supplementary benefits insurance has increased owing to the growing number of cuts under state health insurance. For health and property-casualty insurance, including legal expenses insurance, we expect premium to grow by about 4%.

We anticipate that overall premium volume in reinsurance and primary insurance will come to about €39bn for 2004.

Result

In reinsurance, we were largely spared major losses until the end of July. However, the natural catastrophe losses in the months of August and September totalling about €550m burdened us to a degree surpassing what can be statistically expected for a full year. In October, there was another typhoon and an earthquake in Japan. The months of November and December could be affected by further large losses. Hence our objective of recording a combined ratio of below 97% has become considerably more difficult to achieve.

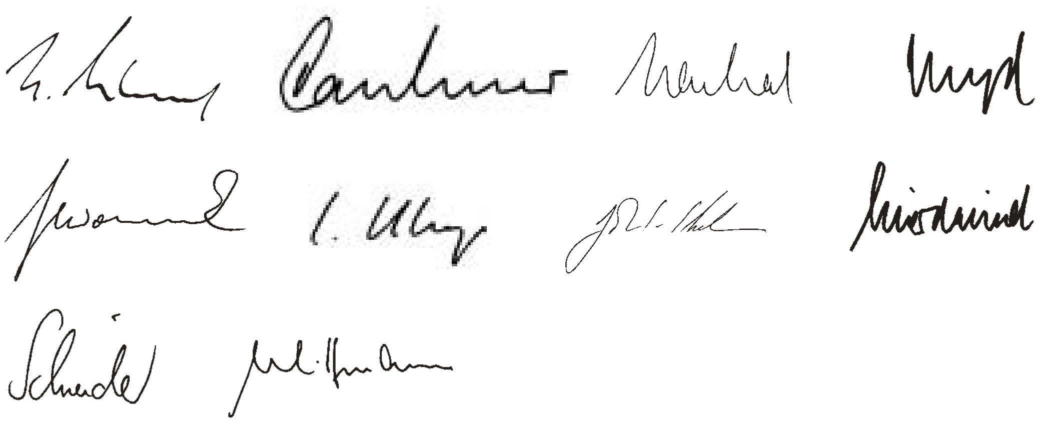
In our primary insurance segment, we are on the right track. We have absorbed the heavy capital market burdens of the last few years. That is why the improvements in our underwriting business will be reflected in the year-end result. In the ERGO Group, the cost-reduction programmes with a scheduled volume of €300m per year, which started in 2003, will be concluded in 2005. By the end of this year, approximately two-thirds of the savings will have been achieved as planned. Beyond this, the new management structure will create the prerequisites for a more cohesive and effective ERGO in the future. In property-casualty insurance including legal expenses insurance, we expect the combined ratio – which has been excellent for years – to remain below 97%.

However, future performance also depends on capital market trends. Given the stricter impairment rules for investments under IAS 39 (rev. 2003), considerable declines in share prices would lead to an increased need for writedowns on investments. However, if prices on the stock exchange at least remain at more or less the same level, we anticipate a return on investments of about 4.5%.

Even if recent major loss events have placed a considerable burden on us, we are essentially adhering to our result target of €2bn. Nevertheless, this objective has become much more difficult to attain, so that it is now the upper limit of a conceivable range. If business experience remains normal and is not subject to further extraordinary influences, we should be able to achieve an annual result of €1.8bn as the lower limit.

Munich, November 2004

The Board of Management



Consolidated balance sheet as at 30 September 2004

ASSETS				31.12.2003	Change	
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		3,427		3,568	–141	–4.0
II. Other intangible assets		1,368		1,372	–4	–0.3
			4,795	4,940	–145	–2.9
B. Investments						
I. Real estate		9,695		10,075	–380	–3.8
II. Investments in affiliated enterprises and associated enterprises		4,426		4,353	73	1.7
III. Loans		19,425		16,046	3,379	21.1
IV. Other securities						
1. Held to maturity	590			747	–157	–21.0
2. Available for sale	122,709			122,367	342	0.3
3. Held for trading	638			548	90	16.4
		123,937		123,662	275	0.2
V. Other investments						
1. Deposits retained on assumed reinsurance	14,958			14,480	478	3.3
2. Miscellaneous	3,602			2,256	1,346	59.7
		18,560		16,736	1,824	10.9
			176,043	170,872	5,171	3.0
C. Investments for the benefit of life insurance policyholders who bear the investment risk			1,169	1,009	160	15.9
D. Ceded share of underwriting provisions			7,029	8,038	–1,009	–12.6
E. Receivables			8,303	8,175	128	1.6
F. Cash with banks, cheques and cash in hand			2,852	1,884	968	51.4
G. Deferred acquisition costs			8,490	7,997	493	6.2
H. Deferred tax			4,990	5,140	–150	–2.9
I. Other assets			1,088	1,329	–241	–18.1
Total assets			214,759	209,384	5,375	2.6

EQUITY AND LIABILITIES			31.12.2003	Change	
	€m	€m	€m	€m	%
A. Shareholders' equity					
I. Issued capital and capital reserve	7,388		7,388	–	–
II. Revenue reserves	7,189		7,823	–634	–8.1
III. Other reserves	3,398		4,122	–724	–17.6
IV. Consolidated profit	1,527		–434	1,961	–
		19,502	18,899	603	3.2
B. Minority interests		520	483	37	7.7
C. Subordinated liabilities		3,405	3,390	15	0.4
D. Gross underwriting provisions					
I. Unearned premiums	6,732		6,315	417	6.6
II. Provision for future policy benefits	101,419		98,134	3,285	3.3
III. Provision for outstanding claims	44,433		42,619	1,814	4.3
IV. Other underwriting provisions	8,777		7,488	1,289	17.2
		161,361	154,556	6,805	4.4
E. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders		1,176	958	218	22.8
F. Other accrued liabilities		3,288	3,577	–289	–8.1
G. Liabilities					
I. Notes and debentures	2,256		2,209	47	2.1
II. Other liabilities	16,122		18,098	–1,976	–10.9
		18,378	20,307	–1,929	–9.5
H. Deferred tax liabilities		7,090	7,159	–69	–1.0
I. Other deferred items		39	55	–16	–29.1
Total equity and liabilities		214,759	209,384	5,375	2.6

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

ITEMS	Q1–3 2004	Q1–3 2003 (adjusted)*	Change	
	€m	€m	€m	%
1. Gross premiums written	28,932	30,658	–1,726	–5.6
2. Net earned premiums	27,216	27,726	–510	–1.8
3. Investment result	5,730	3,988	1,742	43.7
4. Other income	846	890	–44	–4.9
Total income (2–4)	33,792	32,604	1,188	3.6
5. Net expenses for claims and benefits	23,816	23,005	811	3.5
6. Net operating expenses	6,302	6,683	–381	–5.7
7. Other expenses	1,217	1,644	–427	–26.0
Total expenses (5–7)	31,335	31,332	3	0.0
8. Result before amortisation of goodwill	2,457	1,272	1,185	93.2
9. Amortisation of goodwill	172	240	–68	–28.3
10. Operating result before tax	2,285	1,032	1,253	121.4
11. Tax	707	1,541	–834	–54.1
12. Minority interests in earnings	51	–22	73	–
13. Net profit	1,527	–487	2,014	–
	Q1–3 2004	Q1–3 2003 (adjusted)*	Change	
	€	€	€	%
Earnings per share	6.68	–2.60**	9.28	–

* 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 July to 30 September 2004

ITEMS	Q3 2004 €m	Q3 2003 (adjusted)* €m	Change €m	Change %
1. Gross premiums written	9,256	9,898	–642	–6.5
2. Net earned premiums	9,055	9,205	–150	–1.6
3. Investment result	1,667	1,982	–315	–15.9
4. Other income	263	391	–128	–32.7
Total income (2–4)	10,985	11,578	–593	–5.1
5. Net expenses for claims and benefits	8,008	8,516	–508	–6.0
6. Net operating expenses	2,097	2,278	–181	–7.9
7. Other expenses	390	531	–141	–26.6
Total expenses (5–7)	10,495	11,325	–830	–7.3
8. Result before amortisation of goodwill	490	253	237	93.7
9. Amortisation of goodwill	51	78	–27	–34.6
10. Operating result before tax	439	175	264	150.9
11. Tax	53	123	–70	–56.9
12. Minority interests in earnings	21	10	11	110.0
13. Net profit	365	42	323	769.0
	Q3 2004 €	**Q3 2003 (adjusted)* €**	**Change €**	**Change %**
Earnings per share	1.60	0.22**	1.38	627.3

* 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	Q3 2004 €m	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	**9,256**	9,318	10,358	9,773	9,898	9,934	10,826
2. Net earned premiums	**9,055**	9,111	9,050	9,891	9,205	9,030	9,491
3. Investment result	**1,667**	2,209	1,854	3,143	1,982	2,818	–812
4. Other income	**263**	231	352	321	391	206	293
Total income (2–4)	**10,985**	11,551	11,256	13,355	11,578	12,054	8,972
5. Net expenses for claims and benefits	**8,008**	7,935	7,873	9,482	8,516	8,242	6,247
6. Net operating expenses	**2,097**	2,070	2,135	2,314	2,278	2,118	2,287
7. Other expenses	**390**	434	393	819	531	485	628
Total expenses (5–7)	**10,495**	10,439	10,401	12,615	11,325	10,845	9,162
8. Result before amortisation of goodwill	**490**	1,112	855	740	253	1,209	–190
9. Amortisation of goodwill	**51**	66	55	447	78	79	83
10. Operating result before tax	**439**	1,046	800	293	175	1,130	–273
11. Tax	**53**	397	257	252	123	1,120	298
12. Minority interests in earnings	**21**	21	9	–12	10	–18	–14
13. Net profit	**365**	628	534	53	42	28	–557
	Q3 2004 €	**Q2 2004 €**	**Q1 2004 €**	**Q4 2003 (adjusted)* €**	**Q3 2003 (adjusted)* €**	**Q2 2003 (adjusted)* €**	**Q1 2003 (adjusted)* €**
Earnings per share	**1.60**	**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 September 2004

	Q1–3 2004 €m	Q1–3 2003 (adjusted)* €m
Net profit, including minority interests in earnings	1,578	–509
Net change in underwriting provisions	6,890	4,480
Change in deferred acquisition costs	–485	–303
Change in deposits retained and accounts receivable and payable	–1,612	–2,740
Change in other receivables and liabilities	–646	282
Gains and losses on the disposal of investments	–1,383	–305
Change in securities held for trading	–136	–393
Change in other balance sheet items	–55	347
Other income/expenses without impact on cash flow	964	940
I. Cash flows from operating activities	5,115	1,799
Change from the acquisition and sale of consolidated enterprises	287	–4
Change from the acquisition, sale and maturities of other investments	–3,459	–4,607
Change from the acquisition and sale of investments for unit-linked life insurance	–134	69
Other	–61	–404
II. Cash flows from investing activities	–3,367	–4,946
Inflows from increases in capital	–	–
Dividend payments	–295	–229
Change from other financing activities	–488	4,387
III. Cash flows from financing activities	–783	4,158
Cash flows for the reporting period (I + II + III)	965	1,011
Effects of exchange rate changes on cash	3	3
Cash at the beginning of the business year	1,884	2,735
Cash at the end of the reporting period	2,852	3,749
Additional information		
Tax on earnings (net)	417	138
Interest paid	438	286

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

Segment reporting

ASSETS	Reinsurance			
	Life and health		Property-casualty	
	30.9.2004 €m	31.12.2003 €m	30.9.2004 €m	31.12.2003 €m
A. Intangible assets	265	243	1,349	1,370
B. Investments				
I. Real estate	1,051	1,066	1,295	1,430
II. Investments in affiliated enterprises and associated enterprises	3,502	3,247	3,919	4,011
III. Loans	51	63	45	63
IV. Other securities				
1. Held to maturity	–	–	–	–
2. Available for sale	19,152	17,926	30,343	31,054
3. Held for trading	59	65	67	133
	19,211	17,991	30,410	31,187
V. Other investments	10,419	9,362	12,533	12,010
	34,234	31,729	48,202	48,701
C. Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–
D. Ceded share of underwriting provisions	1,276	1,457	3,798	4,359
E. Other segment assets	4,756	4,330	9,202	9,157
Total segment assets	40,531	37,759	62,551	63,587

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
30.9.2004 €m	31.12.2003 €m	30.9.2004 €m	31.12.2003 €m	30.9.2004 €m	31.12.2003 €m	30.9.2004 €m	31.12.2003 €m	30.9.2004 €m	31.12.2003 €m
2,137	2,171	1,070	1,139	13	17	–39	–	4,795	4,940
6,643	6,866	707	714	6	7	–7	–8	9,695	10,075
3,130	3,327	2,899	2,800	116	112	–9,140	–9,144	4,426	4,353
20,045	16,921	1,001	751	195	202	–1,912	–1,954	19,425	16,046
550	700	40	47	–	–	–	–	590	747
66,773	67,258	6,422	6,076	19	53	–	–	122,709	122,367
221	128	290	221	1	1	–	–	638	548
67,544	68,086	6,752	6,344	20	54	–	–	123,937	123,662
1,847	1,181	423	251	433	302	–7,095	–6,370	18,560	16,736
99,209	96,381	11,782	10,860	770	677	–18,154	–17,476	176,043	170,872
1,169	1,009	–	–	–	–	–	–	1,169	1,009
8,814	8,233	1,499	1,548	–	–	–8,358	–7,559	7,029	8,038
10,348	10,157	2,679	2,931	181	186	–1,443	–2,236	25,723	24,525
121,677	117,951	17,030	16,478	964	880	–27,994	–27,271	214,759	209,384

Segment reporting

EQUITY AND LIABILITIES	Reinsurance			
	Life and health		Property-casualty	
	30.9.2004 €m	31.12.2003 €m	30.9.2004 €m	31.12.2003 €m
A. Subordinated liabilities	1,628	1,539	1,777	1,851
B. Gross underwriting provisions				
I. Unearned premiums	320	281	5,176	5,064
II. Provision for future policy benefits	19,877	18,598	638	636
III. Provision for outstanding claims	5,263	4,675	33,923	32,664
IV. Other underwriting provisions	540	371	236	236
	26,000	23,925	39,973	38,600
C. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders	–	–	–	–
D. Other accrued liabilities	304	394	797	1,040
E. Other segment liabilities	3,139	3,197	8,688	10,145
Total segment liabilities	31,071	29,055	51,235	51,636

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
30.9.2004 €m	31.12.2003 €m	30.9.2004 €m	31.12.2003 €m	30.9.2004 €m	31.12.2003 €m	30.9.2004 €m	31.12.2003 €m	30.9.2004 €m	31.12.2003 €m
–	–	–	–	–	–	–	–	3,405	3,390
94	79	1,472	1,134	–	–	–330	–243	6,732	6,315
87,473	85,169	265	123	–	–	–6,834	–6,392	101,419	98,134
1,776	1,905	4,437	4,438	–	–	–966	–1,063	44,433	42,619
8,100	6,821	110	109	–	–	–209	–49	8,777	7,488
97,443	93,974	6,284	5,804	–	–	–8,339	–7,747	161,361	154,556
1,190	945	–	–	–	–	–14	13	1,176	958
893	880	1,251	1,234	59	76	–16	–47	3,288	3,577
18,099	18,017	5,171	5,475	743	656	–10,333	–9,969	25,507	27,521
117,625	113,816	12,706	12,513	802	732	–18,702	–17,750	194,737	190,002
						Shareholders' equity*		20,022	19,382
						Total equity and liabilities		214,759	209,384

* Group shareholders' equity and minority interests.

Segment reporting

INCOME STATEMENT 1.1–30.9.2004	Reinsurance			
	Life and health		Property-casualty	
	Q1–3 2004 €m	Q1–3 2003 (adjusted)* €m	Q1–3 2004 €m	Q1–3 2003 (adjusted)* €m
1. Gross premiums written	5,739	5,173	11,739	13,907
Thereof:				
– From insurance transactions with other segments	732	683	759	766
– From insurance transactions with external third parties	5,007	4,490	10,980	13,141
2. Net earned premiums	5,429	4,687	10,957	12,250
3. Investment result	994	860	1,466	1,181
Thereof:				
– Income from associated enterprises	9	–33	57	–54
4. Other income	113	89	302	292
Total income (2–4)	6,536	5,636	12,725	13,723
5. Net expenses for claims and benefits	4,739	4,027	7,858	8,684
6. Net operating expenses	1,206	1,328	2,970	3,188
7. Other expenses	159	182	426	572
Total expenses (5–7)	6,104	5,537	11,254	12,444
8. Result before amortisation of goodwill	432	99	1,471	1,279
9. Amortisation of goodwill	1	1	70	81
10. Operating result before tax	431	98	1,401	1,198
11. Tax	97	155	343	704
12. Minority interests in earnings	–	–	5	2
13. Net profit	334	–57	1,053	492

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

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
Q1–3 2004 €m	Q1–3 2003 (adjusted)* €m	Q1–3 2004 €m	Q1–3 2003 (adjusted)* €m	Q1–3 2004 €m	Q1–3 2003 (adjusted)* €m	Q1–3 2004 €m	Q1–3 2003 (adjusted)* €m	Q1–3 2004 €m	Q1–3 2003 (adjusted)* €m
8,794	8,937	4,171	4,102	–	–	–1,511	–1,461	28,932	30,658
2	7	18	5	–	–	–1,511	–1,461	–	–
8,792	8,930	4,153	4,097	–	–	–	–	28,932	30,658
7,876	8,029	2,954	2,760	–	–	–	–	27,216	27,726
3,004	2,197	298	21	37	28	–69	–299	5,730	3,988
60	–81	–	–17	5	10	–	–	131	–175
502	497	558	563	171	170	–800	–721	846	890
11,382	10,723	3,810	3,344	208	198	–869	–1,020	33,792	32,604
9,439	8,587	1,780	1,735	–	–	–	–28	23,816	23,005
1,141	1,185	991	976	–	–	–6	6	6,302	6,683
556	914	757	756	159	166	–840	–946	1,217	1,644
11,136	10,686	3,528	3,467	159	166	–846	–968	31,335	31,332
246	37	282	–123	49	32	–23	–52	2,457	1,272
62	74	39	83	–	1	–	–	172	240
184	–37	243	–206	49	31	23	–52	2,285	1,032
117	628	127	56	20	–2	3	–	707	1,541
22	–16	26	–4	2	–2	–4	–2	51	–22
45	–649	90	–258	27	35	–23	–50	1,527	–487

Segment reporting

INCOME STATEMENT 1.7–30.9.2004	Reinsurance			
	Life and health		Property-casualty	
	Q3 2004 €m	Q3 2003 (adjusted)* €m	Q3 2004 €m	Q3 2003 (adjusted)* €m
1. Gross premiums written	1,832	1,787	3,715	4,374
Thereof:				
– From insurance transactions with other segments	226	211	153	158
– From insurance transactions with external third parties	1,606	1,576	3,562	4,216
2. Net earned premiums	1,785	1,664	3,576	3,882
3. Investment result	297	283	458	344
Thereof:				
– Income from associated enterprises	–1	2	11	–
4. Other income	61	49	138	133
Total income (2–4)	2,143	1,996	4,172	4,359
5. Net expenses for claims and benefits	1,532	1,451	2,826	2,853
6. Net operating expenses	396	584	995	994
7. Other expenses	71	53	182	167
Total expenses (5–7)	1,999	2,088	4,003	4,014
8. Result before amortisation of goodwill	144	–92	169	345
9. Amortisation of goodwill	1	–	24	27
10. Operating result before tax	143	–92	145	318
11. Tax	2	17	–8	90
12. Minority interests in earnings	–	–	–	1
13. Net profit	141	–109	153	227

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

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
Q3 2004 €m	Q3 2003 (adjusted)* €m	Q3 2004 €m	Q3 2003 (adjusted)* €m	Q3 2004 €m	Q3 2003 (adjusted)* €m	Q3 2004 €m	Q3 2003 (adjusted)* €m	Q3 2004 €m	Q3 2003 (adjusted)* €m
2,929	2,958	1,166	1,155	–	–	–386	–376	9,256	9,898
–	3	7	4	–	–	–386	–376	–	–
2,929	2,955	1,159	1,151	–	–	–	–	9,256	9,898
2,673	2,698	1,021	961	–	–	–	–	9,055	9,205
827	1,498	90	68	10	7	–15	–218	1,667	1,982
18	–16	–3	–	–1	1	–	–	24	–13
125	150	143	241	54	55	–258	–237	263	391
3,625	4,346	1,254	1,270	64	62	–273	–455	10,985	11,578
3,052	3,625	598	597	–	–	–	–10	8,008	8,516
380	365	330	332	–	–	–4	3	2,097	2,278
153	386	202	301	51	59	–269	–435	390	531
3,585	4,376	1,130	1,230	51	59	–273	–442	10,495	11,325
40	–30	124	40	13	3	–	–13	490	253
19	24	7	26	–	1	–	–	51	78
21	–54	117	14	13	2	–	–13	439	175
10	–9	42	32	6	–7	1	–	53	123
10	6	12	4	–	–	–1	–1	21	10
1	–51	63	–22	7	9	–	–12	365	42

Segment reporting

INVESTMENTS*	Reinsurers		Primary insurers		Asset management		Total	
	30.9.2004 €m	31.12.2003 €m	30.9.2004 €m	31.12.2003 €m	30.9.2004 €m	31.12.2003 €m	30.9.2004 €m	31.12.2003 €m
Europe	43,698	43,188	104,551	100,764	515	395	148,764	144,347
North America	22,384	21,609	1,670	1,593	45	49	24,099	23,251
Asia and Australasia	2,424	2,560	526	476	5	21	2,955	3,057
Africa, Near and Middle East	555	507	115	88	–	–	670	595
Latin America	573	462	143	161	8	8	724	631
Total	69,634	68,326	107,005	103,082	573	473	177,212	171,881

* After elimination of intra-Group transactions across segments.

GROSS PREMIUMS WRITTEN* 1.1–30.9.2004	Reinsurers		Primary insurers		Total	
	Q1–3 2004 €m	Q1–3 2003 €m	Q1–3 2004 €m	Q1–3 2003 €m	Q1–3 2004 €m	Q1–3 2003 €m
Europe	8,515	9,970	12,751	12,769	21,266	22,739
North America	5,488	5,614	65	92	5,553	5,706
Asia and Australasia	1,126	1,123	56	69	1,182	1,192
Africa, Near and Middle East	494	514	69	89	563	603
Latin America	364	410	4	8	368	418
Total	15,987	17,631	12,945	13,027	28,932	30,658

* After elimination of intra-Group transactions across segments.

GROSS PREMIUMS WRITTEN* 1.7–30.9.2004	Reinsurers		Primary insurers		Total	
	Q3 2004 €m	Q3 2003 €m	Q3 2004 €m	Q3 2003 €m	Q3 2004 €m	Q3 2003 €m
Europe	2,550	3,204	4,069	4,032	6,619	7,236
North America	1,955	1,879	2	26	1,957	1,905
Asia and Australasia	399	399	2	20	401	419
Africa, Near and Middle East	140	161	15	28	155	189
Latin America	124	149	–	–	124	149
Total	5,168	5,792	4,088	4,106	9,256	9,898

* After elimination of intra-Group transactions across segments.

Notes

Accounting and valuation policies

This quarterly report as at 30 September 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 nine 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					
	30.9.2004	31.12.2003	Q3 2004	Q2 2004	Q1 2004	Q3 2003	Q2 2003	Q1 2003
Australian dollar	1.71465	1.67410	1.72222	1.68814	1.63427	1.70970	1.77451	1.81064
Canadian dollar	1.57180	1.62995	1.59919	1.63748	1.64815	1.55413	1.58798	1.62165
Pound sterling	0.68640	0.70460	0.67228	0.66688	0.68042	0.69926	0.70174	0.66948
Rand	8.04195	8.41950	7.79333	7.93235	8.46186	8.34545	8.78376	8.95188
Swiss franc	1.55085	1.56000	1.53623	1.53775	1.56825	1.54494	1.51717	1.46582
US dollar	1.24200	1.26135	1.22233	1.20494	1.25018	1.12636	1.13609	1.07310
Yen	136.8870	135.1790	134.3640	132.1350	134.0120	132.2500	134.6170	127.6270

Intangible assets

All figures in €m	30.9.2004	31.12.2003
I. Goodwill	3,427	3,568
II. Other intangible assets	1,368	1,372
– Software	464	459
– Purchased insurance portfolios	837	831
– Other	67	82
Total	**4,795**	**4,940**

Other securities – Available for sale

All figures in €m	Carrying amounts 30.9.2004	Carrying amounts 31.12.2003	Unrealised gains/losses 30.9.2004	Unrealised gains/losses 31.12.2003	Amortised cost 30.9.2004	Amortised cost 31.12.2003
Fixed-interest securities	100,252	98,833	2,653	1,960	97,599	96,873
Non-fixed-interest securities						
– Shares	19,703	20,569	3,444	4,627	16,259	15,942
– Investment funds	1,739	1,987	156	106	1,583	1,881
– Other	1,015	978	168	196	847	782
	22,457	23,534	3,768	4,929	18,689	18,605
Total	**122,709**	**122,367**	**6,421**	**6,889**	**116,288**	**115,478**

Changes in shareholders' equity

All figures in €m	Issued capital	Capital reserve	Revenue reserves: Revenue reserves before deduction of own shares	Revenue reserves: Own shares held	Other reserves: Unrealised gains and losses	Other reserves: Reserve from currency translation	Other reserves: Valuation result from cash flow hedges	Consolidated profit	Total shareholders' equity
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	–	–	–	–	–	–582	–	–	–582
Allocation to revenue reserves	–	–	65	–	–	–	–	–65	–
Change resulting from valuation at equity	–	–	–667	–	–197	–	–	–	–864
Unrealised gains and losses on other securities	–	–	–	–	3,039	–	–	–	3,039
Consolidated net profit	–	–	–	–	–	–	–	–451	–451
Dividend	–	–	–	–	–	–	–	–223	–223
Share buy-backs	–	–	–	–14	–	–	–	–	–14
Other changes	–	–	67	–	–22	–	–	–	45
Adjustments*									
– Associated enterprises	–	–	–	–	101	–	–	–101	–
– Non-fixed-interest securities	–	–	–	–	–65	–	–	65	–
Status at 30.9.2003 (adjusted)*	457	2,990	8,174	–107	4,116	–245	–	–487	14,898
Status at 31.12.2003	588	6,800	7,930	–107	4,511	–399	10	–434	18,899
Currency translation	–	–	–	–	–	62	–	–	62
Allocation to revenue reserves	–	–	–720	–	–	–	–	720	–
Change in consolidated group	–	–	8	–	–3	7	–	–	12
Change resulting from valuation at equity	–	–	–1	–	116	–	–	–	115
Unrealised gains and losses on other securities	–	–	–	–	–906	–	–	–	–906
Consolidated net profit	–	–	–	–	–	–	–	1,527	1,527
Dividend	–	–	–	–	–	–	–	–286	–286
Share buy-backs	–	–	–	–46	–	–	–	–	–46
Other changes	–	–	125	–	–	–	–	–	125
Status at 30.9.2004	588	6,800	7,342	–153	3,718	–330	10	1,527	19,502

* 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	30.9.2004	31.12.2003
Unrealised gains and losses	72	62
Consolidated profit	51	–34
Other equity components	397	455
Total	**520**	**483**

Subordinated liabilities

All figures in €m	30.9.2004	31.12.2003
Munich Re Finance B.V., Amsterdam 6.75%, €3,000m, Bonds 2003/2023 S&P rating: A–	2,974	2,969
Munich Re Finance B.V., Amsterdam 7.625%, £300m, Bonds 2003/2028 S&P rating: A–	431	421
Total	**3,405**	3,390

Notes and debentures

All figures in €m	30.9.2004	31.12.2003
American Re Corporation, Princeton 7.45%, US$ 500m, Senior Notes 1996/2026 S&P rating: BBB	401	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 S&P rating: A–	647	647
Munich Reinsurance Company, Munich 1.0%, €1,150m, Bonds Exchangeable into Allianz AG Shares 2000/2005 S&P rating: A+	1,208	1,166
Total	**2,256**	**2,209**

Investment result

All figures in €m	Q1–3 2004	Q1–3 2003 (adjusted)*	Q3 2004	Q3 2003 (adjusted)*
Real estate	–14	393	–311	117
Investments in affiliated enterprises	–27	11	1	6
Investments in associated enterprises	131	–175	24	–13
Mortgage loans and other loans	749	664	287	236
Other securities held to maturity	27	32	8	10
Other securities available for sale – Fixed-interest	3,629	4,637	1,307	1,658
– Non-fixed-interest	1,326	–1,629	281	–163
Other securities held for trading – Fixed-interest	60	68	56	33
– Non-fixed-interest	–53	–19	40	97
Other investments	273	382	101	130
Expenses for the management of investments, other expenses	371	376	127	129
Total	**5,730**	**3,988**	**1,667**	**1,982**

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

1.1–30.9.2004	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty					
All figures in €m*	**Q1–3 2004**	Q1–3 2003 (adjusted)**	**Q1–3 2004**	Q1–3 2003 (adjusted)**	**Q1–3 2004**	Q1–3 2003 (adjusted)**	**Q1–3 2004**	Q1–3 2003 (adjusted)**	**Q1–3 2004**	Q1–3 2003 (adjusted)**	**Q1–3 2004**	Q1–3 2003 (adjusted)**
Investment income Regular income	**855**	971	**1,251**	1,040	**3,348**	3,391	**272**	238	**32**	16	**5,758**	5,656
Income from write-ups	**12**	46	**67**	222	**137**	81	**7**	5	**–**	–	**223**	354
Gains on the disposal of investments	**133**	104	**710**	592	**1,166**	1,817	**152**	58	**7**	4	**2,168**	2,575
Other income	**12**	–	**–**	–	**34**	28	**–**	–	**–**	–	**46**	28
	1,012	1,121	**2,028**	1,854	**4,685**	5,317	**431**	301	**39**	20	**8,195**	8,613
Investment expenses Writedowns on investments	**50**	79	**323**	356	**577**	1,085	**60**	91	**–**	–	**1,010**	1,611
Losses on the disposal of investments	**43**	65	**182**	329	**488**	1,717	**72**	158	**–**	1	**785**	2,270
Management expenses, interest expenses and other expenses	**44**	56	**153**	252	**443**	402	**23**	29	**7**	5	**670**	744
	137	200	**658**	937	**1,508**	3,204	**155**	278	**7**	6	**2,465**	4,625
Total	**875**	**921**	**1,370**	**917**	**3,177**	**2,113**	**276**	**23**	**32**	**14**	**5,730**	**3,988**

* After elimination of intra-Group transactions across segments.
** Adjusted owing to first-time application of IAS 39 (rev. 2003).

1.7–30.9.2004	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty					
All figures in €m*	**Q3 2004**	Q3 2003 (adjusted)**	**Q3 2004**	Q3 2003 (adjusted)**	**Q3 2004**	Q3 2003 (adjusted)**	**Q3 2004**	Q3 2003 (adjusted)**	**Q3 2004**	Q3 2003 (adjusted)**	**Q3 2004**	Q3 2003 (adjusted)**
Investment income Regular income	**217**	332	**500**	321	**1,085**	1,073	**77**	73	**10**	4	**1,889**	1,803
Income from write-ups	**4**	–	**37**	–	**73**	–	**2**	–	**–**	–	**116**	–
Gains on the disposal of investments	**25**	22	**272**	119	**425**	624	**71**	11	**1**	–	**794**	776
Other income	**12**	–	**–**	–	**–**	10	**–**	–	**–**	–	**12**	10
	258	354	**809**	440	**1,583**	1,707	**150**	84	**11**	4	**2,811**	2,589
Investment expenses Writedowns on investments	**30**	15	**202**	38	**415**	106	**26**	7	**–**	–	**673**	166
Losses on the disposal of investments	**–**	11	**49**	74	**135**	136	**29**	4	**–**	–	**213**	225
Management expenses, interest expenses and other expenses	**–**	19	**48**	71	**200**	123	**10**	2	**–**	1	**258**	216
	30	45	**299**	183	**750**	365	**65**	13	**–**	1	**1,144**	607
Total	**228**	**309**	**510**	**257**	**833**	**1,342**	**85**	**71**	**11**	**3**	**1,667**	**1,982**

* 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

1.1–30.9.2004	Reinsurance								Primary insurance								Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
All figures in €m*	Q1–3 2004	Q1–3 2003	Q1–3 2004	Q1–3 2003	Q1–3 2004	Q1–3 2003 (adjusted)**	Q1–3 2004	Q1–3 2003	Q1–3 2004	Q1–3 2003 (adjusted)**
Gross	4,012	3,716	7,794	8,875	10,466	9,428	2,239	2,295	24,511	24,314
Ceded share	153	304	322	426	144	256	76	323	695	1,309
Net	3,859	3,412	7,472	8,449	10,322	9,172	2,163	1,972	23,816	23,005

* After elimination of intra-Group transactions across segments.
** Adjusted owing to first-time application of IAS 39 (rev. 2003).

1.7–30.9.2004	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
All figures in €m*	Q3 2004	Q3 2003	Q3 2004	Q3 2003	Q3 2004	Q3 2003 (adjusted)**	Q3 2004	Q3 2003	Q3 2004	Q3 2003 (adjusted)**
Gross	1,319	1,411	2,789	2,758	3,331	3,856	725	767	8,164	8,792
Ceded share	48	98	83	136	19	96	6	–54	156	276
Net	1,271	1,313	2,706	2,622	3,312	3,760	719	821	8,008	8,516

* After elimination of intra-Group transactions across segments.
** Adjusted owing to first-time application of IAS 39 (rev. 2003).

Net operating expenses

1.1–30.9.2004	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
All figures in €m*	Q1–3 2004	Q1–3 2003	Q1–3 2004	Q1–3 2003	Q1–3 2004	Q1–3 2003	Q1–3 2004	Q1–3 2003	Q1–3 2004	Q1–3 2003
Gross	1,240	1,272	2,891	3,245	1,303	1,577	1,240	1,372	6,674	7,466
Ceded share	138	118	146	223	51	200	37	242	372	783
Net	1,102	1,154	2,745	3,022	1,252	1,377	1,203	1,130	6,302	6,683

* After elimination of intra-Group transactions across segments.

1.7–30.9.2004	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
All figures in €m*	Q3 2004	Q3 2003	Q3 2004	Q3 2003	Q3 2004	Q3 2003	Q3 2004	Q3 2003	Q3 2004	Q3 2003
Gross	401	522	973	1,025	429	550	420	463	2,223	2,560
Ceded share	11	28	53	84	43	93	19	77	126	282
Net	390	494	920	941	386	457	401	386	2,097	2,278

* After elimination of intra-Group transactions across segments.

Number of staff

The number of staff employed by the Group as at 30 September 2004 totalled 29,804 (30,223) in Germany and 11,087 (11,208) in other countries.

	30.9.2004	31.12.2003
Reinsurance companies	6,560	6,445
Primary insurance companies	33,687	34,360
Asset management	644	626
Total	40,891	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.

		Q1–3 2004	Q1–3 2003 (adjusted)*	Q3 2004	Q3 2003 (adjusted)*
Net income	€m	1,527	–487	365	42
Weighted average number of shares		228,802,101	187,492,908**	228,586,159	187,483,955**
Earnings per share	€	6.68	–2.60**	1.60	0.22**

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

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

Important dates

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

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