

The Hannover Re share

Stock market environment

The international financial crisis and the ensuing global economic crisis continued to leave the world's stock markets in a tense state during the early months of 2009. The abrupt slump of around 20% in global trade caused a contraction in output and corresponding falls in the gross domestic product of many national economies. A string of bad news had pushed leading indices such as the Dow Jones, Nikkei and DAX down by around 20% by early March.

Yet the broad range of support measures and interest rate cuts initiated by central banks in the previous year as well as the bank rescue funds and economic stimulus packages launched by numerous governments started to have an effect: the financial sector began to stabilise, while the first pieces of good news and optimistic sentiment indicators brought about a trend reversal on equity markets towards the end of March. By the end of the first half-year most stock market indices had regained or even surpassed their levels at the opening of the year. Stock exchanges in many emerging countries enjoyed particularly marked surges.

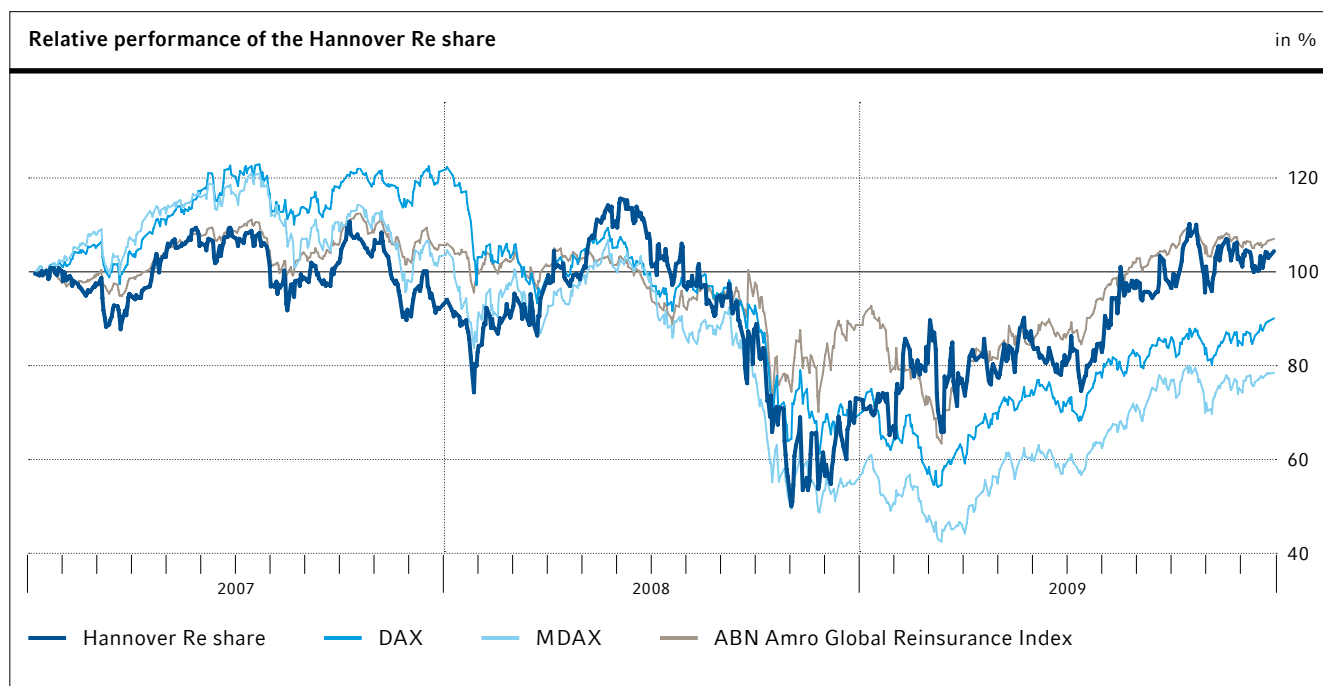
Thanks to improved economic data the recovery was sustained into the second half-year. By year-end the Dow Jones and the Nikkei had climbed by 22% and 19%

respectively relative to the start of the year. The DAX put on 24% to close the year at 5,975 points. The MDAX performed even better with a gain of 34%.

Performance

The general downslide at the start of the year also impacted the Hannover Re share, which slipped to its lowest point of the year on 27 January 2009 with a closing price of EUR 20.64. However, it was subsequently able to decouple itself from the broad downward trend: initially, the share profited greatly from the outcome of our treaty renewals as at 1 January, and it then enjoyed lively demand following its surprising inclusion in Germany's bellwether DAX index. Even at the time, though, it was evident that inclusion in the DAX was due not only to our own strength, but more to the weakness of many major stocks as a consequence of the economic crisis.

In early May the publication of very good figures for the first quarter prompted another sharp upward surge, which was then followed by a period of consolidation. The unremarkable third quarter of 2009 – especially with an eye to hurricane events – as well as the very pleasing figures for the second quarter, which were published in early August, ultimately led to higher price targets for our share. Our share price climbed vigorously, reaching EUR 34.65 on 14 October – its high for the year. The exit from the DAX on 21 September, which was only to be expected after the general economic recovery, had no significant effect on the share price.



Many analysts anticipated difficult treaty renewals at year-end, prompting a consolidation of the Hannover Re share in the range of EUR 32 to 34. Closing at EUR 32.71 on 30 December 2009, our share posted a performance of EUR 10.21 or 45% in the year under review, hence comfortably outperforming the DAX and MDAX. The price decline of the previous year was thus more than offset.

In a three-year comparison (see chart) the Hannover Re share including reinvested dividends delivered a performance of +4.5%. It thus clearly surpassed the DAX and MDAX. We fell only marginally short of our strategic objective of outperforming the weighted ABN Amro Global Reinsurance Index in a three-year comparison.

The market capitalisation of the Hannover Re Group totalled EUR 3,945 million as at year-end. With a free float market capitalisation of EUR 1,945 million our company ranked eighth in the MDAX at the end of December, while our share came in at number 5 according to the criterion "Trading volume over the past 12 months" with a volume of EUR 3,586 million for the year. According to both criteria the Hannover Re Group thus ranks among the 40 largest listed companies in Germany.

With a book value per share of EUR 30.78 the Hannover Re share showed a price-to-book (P/B) ratio of 1.1 as at year-end 2009; compared to the average MDAX P/B ratio of 1.4 the share is thus quite moderately valued.

As far as the dividend for the 2009 financial year is concerned, we intend to propose to our shareholders at the Ordinary General Meeting on 4 May 2010 that an amount of EUR 2.10 per share be distributed. Based on the year-end closing price of EUR 32.71, this produces a dividend yield of 6.4%.

Investor Relations activities

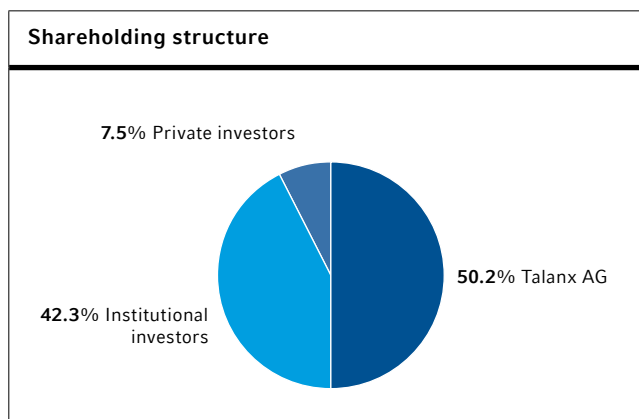
The increased need to meet and talk with us felt by many analysts and investors as a consequence of the financial market crisis was reflected in lively attendance at our analysts' conferences, which we again held simultaneously in Frankfurt and London one day after the press briefing on the annual results.

We expanded our Investor Relations activities in the year under review in order to counter the uncertainty among market players about Hannover Re's further development. A special highlight was the increased attendance at investor conferences; we also again took part in numerous roadshows in order to facilitate contacts between investors and our company's management. Along with multiple visits to London, Frankfurt and New York, we also travelled to Boston, Paris, Luxembourg, Zurich and Edinburgh as well as other business centres.

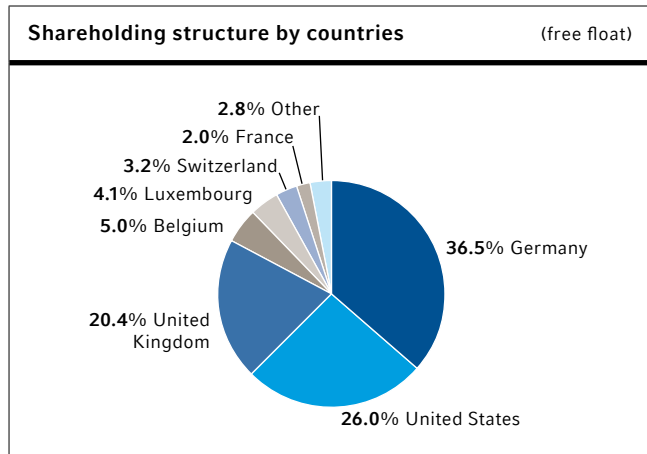
What is more, we again held a series of conference calls for analysts and investors with the management and hosted numerous visitors at our offices in Hannover for face-to-face meetings.

Our annual Investors' Day was again well attended by analysts and investors alike in 2009. Topics covered in the year under review included the acquisition of the US ING life reinsurance portfolio and the future development of our US subsidiary Hannover Life Reassurance of America, the life reinsurance market in the United Kingdom, credit and surety reinsurance and the level of our reserves.

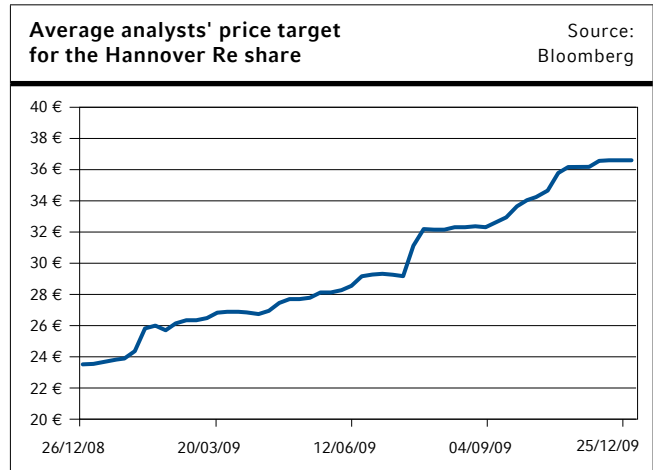
Our shareholding structure changed only marginally in the year under review. The interest held by Talanx AG remained unchanged, while the stake held by private investors fell by 0.2% to 7.5%, hence fractionally pushing up the proportion in the hands of institutional investors to 42.3%.



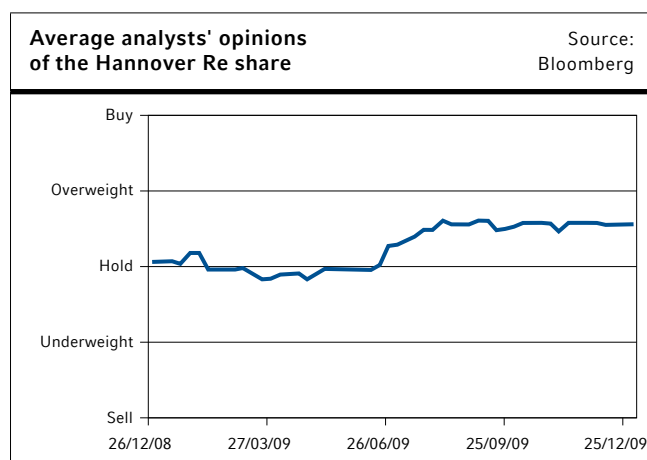
Turning to the breakdown of our free float by countries, the proportionate holding attributable to Germany fell by an appreciable 6% in the year under review to 36.5%, while the US share increased by 4.2% to 26.0%. Shareholders in Luxembourg also enlarged their stake, specifically by 1.8% to 4.1%. The relative holdings attributable to other countries changed only marginally relative to the end of the previous year.



Interest in our company among analysts was again very lively in the year under review and gained added impetus from the inclusion of our share in the DAX. All in all, 38 analysts handed down more than 200 recommendations for Hannover Re in 2009. Based on the data for the first nine months of 2009, 32 analysts recently published the following opinions: fourteen recommended the Hannover Re share as “buy” or “overweight”; another fourteen opinions were a “hold”, while only four recommendations to “underweight” or “sell” were issued. In the course of 2009 the average analysts' opinion clearly improved. At the same time the average target price for our share rose sharply to stand at EUR 36.71 at the beginning of 2010.



We fundamentally revamped and progressively updated our Investor Relations website in the year under review. Most strikingly, along with a new design the structure was simplified, hence making more content accessible at a glance. Our newest service is the provision of information on the analysts' recommendations. Please visit <http://www.hannover-re.com/ir/share/consensus/index.html> for continuously updated and interactive insights into the latest analysts' opinions and their expectations as to Hannover Re's premium volume and profitability.



Basic information	
Share class:	No-par-value registered shares
International Securities Identification Number (ISIN):	DE 000 840 221 5
Securities identification number:	840 221
Exchange listings:	Germany: Listed on all German stock exchanges; XETRA, Frankfurt and Hannover in official trading USA: American Depositary Receipts (Level 1 ADR program; 2 ADR = 1 share)
Ticker symbols:	Bloomberg: HNR1 Thomson Reuters: HNRGn ADR: HVRRY
First listed:	30 November 1994
Common shares as at 31 December 2009:	EUR 120,597,134.00, divided into 120,597,134 no-par-value registered shares
Shareholding structure since February 2006:	50.2% Talanx AG, 49.8% free float
Annual General Meeting:	4 May 2010, 10:30 h Hannover Congress Centrum, Kuppelsaal Theodor-Heuss-Platz 1–3, Hannover, Germany

Key figures	in EUR				
	2009	2008	2007	2006	2005
Number of shares in million	120.6	120.6	120.6	120.6	120.6
Lowest price ¹	20.64	15.70	30.30	25.85	26.45
Highest price ¹	34.65	35.79	37.50	35.14	32.69
Year-end closing price ¹	32.71	22.50	31.55	35.08	29.93
Market capitalisation at year-end in EUR million	3,944.7	2,713.4	3,804.8	4,230.5	3,609.5
Shareholders' equity in EUR million	3,711.9	2,830.1	3,349.1	2,897.8	2,601.0
Book value per share	30.78	23.47	27.77	24.03	21.57
Earnings per share (diluted)	6.06	(1.05)	5.98	4.27	0.41
Dividend per share	2.10	–	2.30 ²	1.60	–
Cash flow per share	14.53	12.10	7.56	13.77	12.89
Return on equity (after tax) ³	22.4%	–4.1%	23.1%	18.7%	1.9%
Dividend yield (after tax) ⁴	6.4%	–	7.3%	4.6%	–
Price-to-book (P/B) ratio ⁵	1.1	1.0	1.1	1.5	1.4
Price/earnings (P/E) ratio ⁶	5.4	–	5.3	8.2	73.0
Price-to-cash flow (P/CF) ratio ⁷	2.3	1.9	4.2	2.5	2.3

1 XETRA daily closing prices from Bloomberg

2 EUR 1.80 + EUR 0.50 bonus

3 Earnings per share/average of book value per share at start and end of year

4 Dividend per share/year-end closing price

5 Year-end closing price/book value per share

6 Year-end closing price/earnings per share

7 Year-end closing price/cash flow (from operating activities) per share