

The Hannover Re share

Stock market environment

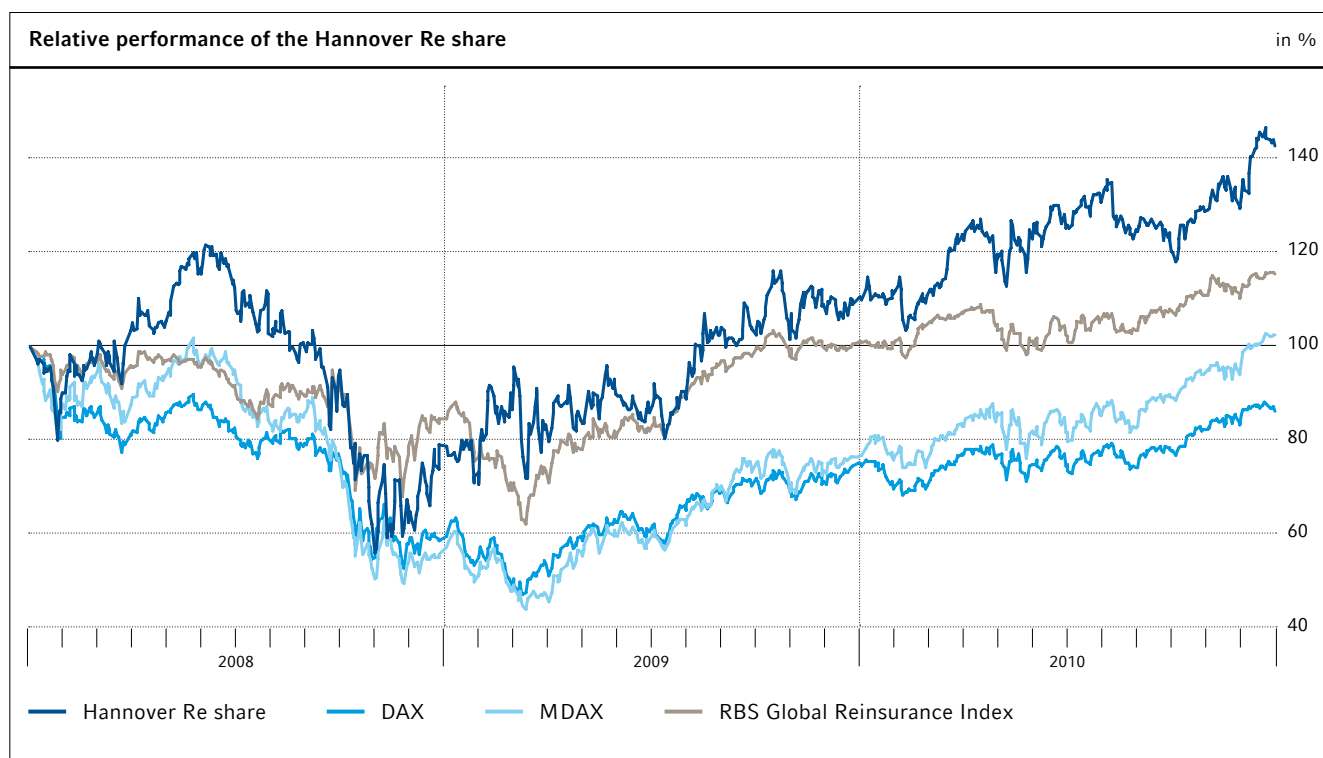
The stock market environment was broadly favourable in the 2010 financial year, despite considerable volatility and uncertainty among the market players. A brief upswing at the turn of the year very quickly gave way to a sharp correction – triggered by reports of possible sovereign default by Greece and discussions surrounding the solvency of a number of other European countries. From the end of February onwards markets underwent repeated swings – sometimes of a violent nature – in various directions. These lasted several weeks at a time and were fed largely by economic news. The protracted uncertainty prevailing on financial markets prompted further restraint as the third quarter got underway. This was due to growing concern about a possible double-dip recession in the United States. The prospect of a further cut in interest rates and the supply of liquidity by the Federal Reserve nevertheless served to soothe investors as the weeks passed. Finally, towards the end of the third quarter, the major equity markets also began to recover appreciably.

The Dow Jones had gained 11.0% by year-end, while the Nikkei closed 3.0% down on the beginning of the year. The DAX, which had started 2010 at 5,957 points, ended the year only just below the 7,000 mark at 6,914 – an improvement of 16.1% on the previous year's closing date. The MDAX put on as much as 34.9% in the same period.

Performance

The Hannover Re share began 2010 at a price of EUR 32.71. The performance in the first three months of the year was determined largely by the reporting on the treaty renewals as well as the publication of the year-end results for the 2009 financial year. On the back of the company's favourable development the price of the Hannover Re share climbed to EUR 36.56 by the end of the first quarter. However, heavy loss expenditures – resulting inter alia from the earthquake in Chile and the sinking of the "Deepwater Horizon" drilling rig in the Gulf of Mexico – adversely impacted the share performance in the second quarter. Between June and November the share price then moved in a sideways direction. However, the publication of the figures for the first nine months and the associated raising of the guidance for the full year prompted vigorous price increases – the share reached its highest point of the year on 22 December at EUR 41.38. At the end of the financial year on 31 December 2010 the Hannover Re share was listed at EUR 40.14, an improvement of 22.7% on the previous year-end closing. We thus comfortably outperformed our benchmark, the RBS Global Reinsurance Index, which put on just 14.8%.

In a three-year comparison (see chart) the Hannover Re share including reinvested dividends delivered a performance of +27.2%. It thus clearly surpassed the DAX (-14.3%), MDAX (+2.7%) and the RBS Global Reinsurance Index (+15.9%).



The market capitalisation of the Hannover Re Group totalled EUR 4,840.8 million as at year-end. With a free float market capitalisation of EUR 2,384.6 million our company ranked seventh in the MDAX at the end of December, while our share came in at number 10 in the MDAX according to the criterion “trading volume over the past twelve months” with a volume of EUR 3,227.7 million. According to both criteria the Hannover Re Group thus ranks among the 50 largest listed companies in Germany.

With a book value per share of EUR 37.39 the Hannover Re share showed a price-to-book (P/B) ratio of 1.1 as at year-end 2010; compared to the average MDAX P/B ratio of 1.9 as at year-end the share is thus very moderately valued. A comparison of the price-to-earnings (P/E) ratios reveals a similar picture, although it makes sense here to base the comparison on the expected earnings for 2011 since the results posted by many MDAX companies in 2010 were still heavily impacted by the economic crisis. Based on current guidance for the 2011 financial year, the P/E ratio for Hannover Re at the turn of the year stood at just 7.4 as against 14.9 for the MDAX.

As far as the dividend for the 2010 financial year is concerned, we intend to propose to our shareholders at the Annual General Meeting on 3 May 2011 that an amount of EUR 2.30 (EUR 2.10) per share be distributed. This represents an increase on the previous year. Based on the year-end closing price of EUR 40.14, this produces a dividend yield of 5.7%.

Annual General Meeting

The Annual General Meeting of Hannover Re in the year under review was held on 4 May 2010 in the Kuppelsaal of Hannover Congress Centrum. Around 660 shareholders, shareholder and bank representatives as well as guests accepted our invitation to come to Hannover in order to learn about the development of our business in the financial year just-ended. This means that roughly 71% of the share capital was represented. In his address to the meeting Chief Executive Officer Ulrich Wallin took the opportunity to look back on a superb 2009 financial year, in which the company was for the first time able to show an operating profit (EBIT) in excess of EUR 1 billion after positive non-recurring effects.

In the subsequent voting the Annual General Meeting adopted by a large majority the resolutions proposed by the Executive Board and Supervisory Board and also approved for the first time the new system of remuneration for the members of Hannover Re’s Executive Board.

The next Annual General Meeting is scheduled for 3 May 2011 and will again be held at Hannover Congress Centrum.

Investor Relations activities

We further expanded our Investor Relations activities in 2010. Most strikingly, the number of roadshow days was almost double that of the previous year. Altogether, we held 22 roadshows and took part in nine investor conferences. On these trips and also by way of separate conference calls and visits to our offices in Hannover we were able to cultivate a personal dialogue in numerous discussions with institutional investors and analysts. Along with the financial centres of New York, London and Frankfurt, which are a regular stop on our travels, we returned to Boston, Paris, Copenhagen, Stockholm, Oslo, Munich and Zurich in the year under review and added Toronto, Chicago, Los Angeles and Geneva to our itinerary. Investors and analysts had another opportunity for a lively exchange with the Executive Board at our analysts’ conferences, which we again held same-day in Frankfurt and London one day after the press briefing on the annual results. Conference calls for investors and analysts were also held following the publication of the quarterly results and in connection with any exceptional developments.

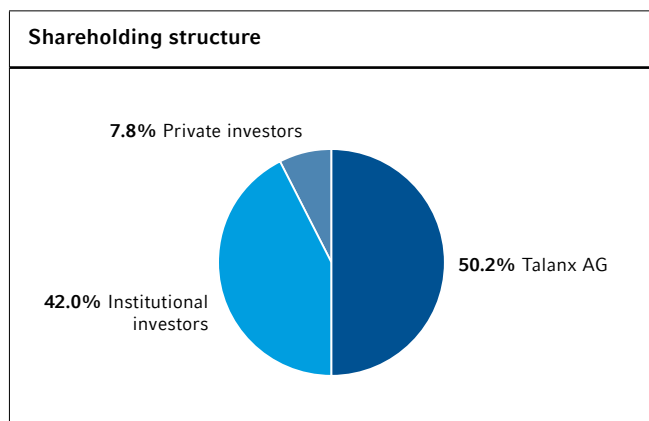
In the year just-ended we also optimised the online offerings available on our Investor Relations website. Not only did we expand the range of available information, e.g. in the form of an online fact sheet, we also significantly enhanced the user-friendliness of the online version of our Annual Report. These steps were already recognised in the year under review: our Investor Relations website was selected as the best in the MDAX by the company NetFederation, and our HTML Annual Report moved up 13 places in the Kirchhoff ranking to number 4 in the MDAX.

Other surveys also delivered a pleasing assessment of Hannover Re’s overall Investor Relations activities. The company placed fourth within the MDAX category in the IR rankings published by the business magazine Capital, while it came in at number 11 in a survey conducted by Thomson Extel. In the European IR Perception Study carried out by Institutional Investor magazine we placed tenth in the “insurers” category.

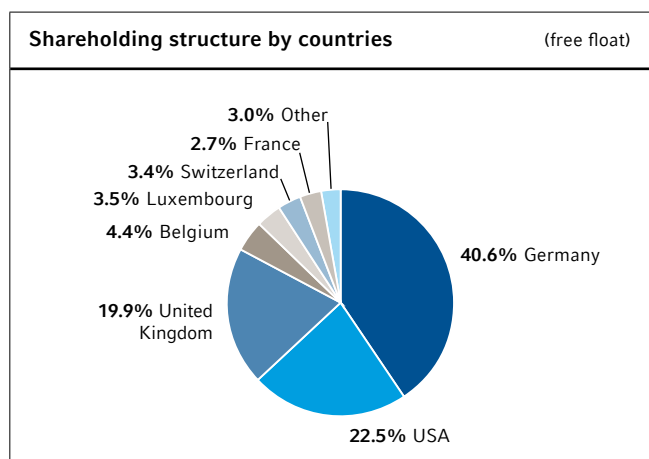
Our annual Investors’ Day – the thirteenth time this event has been held – was again well attended by analysts and investors alike in the year under review. The most notable topics covered included the future challenges facing the insurance industry against the backdrop of Solvency II, the significance of

the Market Consistent Embedded Value (MCEV) for life reinsurance business, the importance of the Chinese market for Hannover Re going forward as well as – along with an update on the level of our reserves – the handling of retrocessions within the Hannover Re Group.

The shareholding structure of Hannover Re was stable in the year under review. The interest held by Talanx AG remained unchanged, while the stake held by private investors grew by 0.3% to 7.8%, causing the proportion in the hands of institutional investors to contract slightly to 42.0%.

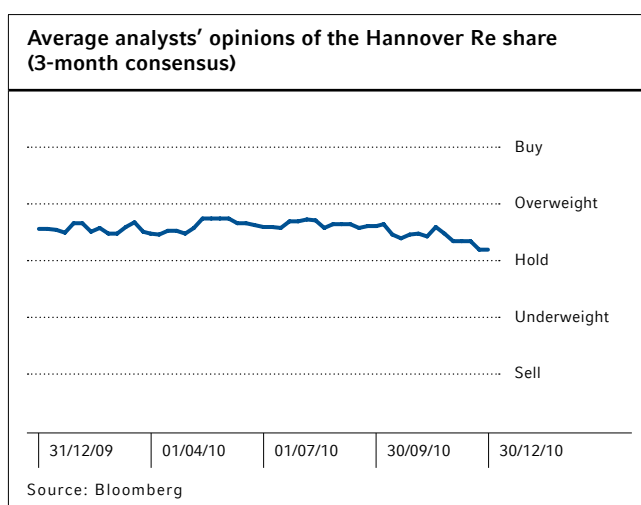
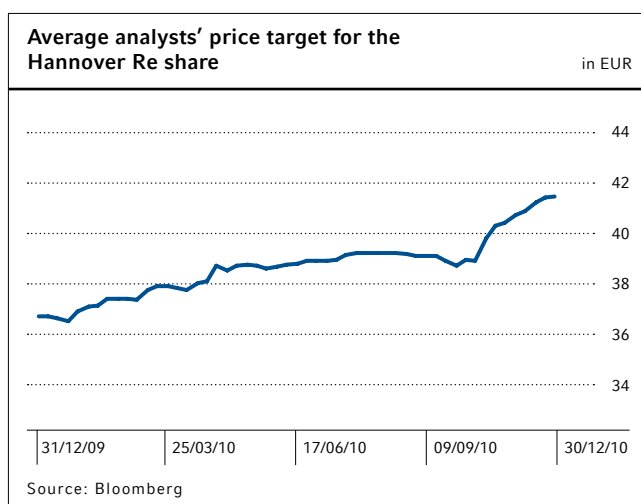


Turning to the breakdown of our free float by countries, the proportionate holding attributable to Germany increased sharply in the year under review by 4.1% to 40.6%, while the US share contracted. The relative holdings attributable to other countries changed only marginally in comparison with the end of the previous year.



Analyst research

All in all, 38 analysts handed down more than 220 recommendations for Hannover Re in 2010. The extent of our analyst coverage remained very stable overall, although fluctuation among the analysts was comparatively high. We were pleased to note that the cessation of research activities as a consequence of takeovers was offset by the fact that four new analysts began to follow us. The analysts' average target price developed favourably in the course of the year, climbing incrementally from EUR 36.71 at the start of the year to EUR 41.43 by year-end. The average analysts' opinion tended to move sideways during the year, declining only in the fourth quarter in the context of the rise in price of the Hannover Re share. Based on the data for the first nine months of 2010, 33 analysts published their opinion at year-end: twelve analysts recommended the Hannover Re share as "buy" or "overweight"; altogether fifteen opinions were a "hold", making this the most common, while only six "underweight" or "sell" recommendations were handed down.



Basic information	
Securities identification number:	840221
International Securities Identification Number (ISIN):	DE 000 840 221 5
Bloomberg ticker symbol:	HNR1
Thomson Reuters ticker symbol:	HNRGn
Market segment:	Prime Standard
Index inclusion:	MDAX
First listed:	30 November 1994
Number of issued shares (as at 31 December 2010):	120,597,134
Common shares (as at 31 December 2010):	EUR 120,597,134.00
Share class:	No-par-value registered shares
Exchange listings:	Xetra, Frankfurt, Munich, Stuttgart, Hamburg, Berlin, Düsseldorf, Hannover (official trading: Xetra, Frankfurt and Hannover) USA: American Depositary Receipts (Level 1 ADR program; 2 ADR = 1 share)

Key figures in EUR	2010	2009 ¹	2008	2007	2006
Number of shares in million	120.6	120.6	120.6	120.6	120.6
Annual low ²	30.61	20.64	15.70	30.30	25.85
Annual high ²	41.38	34.65	35.79	37.50	35.14
Year-opening price ²	32.71	22.50	31.55	35.08	29.93
Year-ending price ²	40.14	32.71	22.50	31.55	35.08
Market capitalisation at year-end in EUR million	4,840.8	3,944.7	2,713.4	3,804.8	4,230.5
Shareholders' equity in EUR million	4,509.0	3,714.4	2,830.1	3,349.1	2,897.8
Book value per share	37.39	30.80	23.47	27.77	24.03
Earnings per share (basic and diluted)	6.21	6.08	(1.05)	5.98	4.27
Dividend per share	2.30 ³	2.10	–	2.30 ⁴	1.60
Cash flow per share	13.94	14.53	12.10	7.56	13.77
Return on equity (after tax) ⁵	18.2%	22.4%	–4.1%	23.1%	18.7%
Dividend yield (after tax) ⁶	5.7%	6.4%	–	7.3%	4.6%
Price-to-book (P/B) ratio ⁷	1.1	1.1	1.0	1.1	1.5
Price-to-earnings (P/E) ratio ⁸	6.5	5.4	–	5.3	8.2
Price-to-cash flow (P/CF) ratio ⁹	2.9	2.3	1.9	4.2	2.5

1 Adjusted to IAS 8

2 XETRA daily closing prices

3 Dividend proposal

4 1.80 EUR + 0.50 EUR bonus

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

6 Dividend per share/year-end closing price

7 Year-end closing price/book value per share

8 Year-end closing price/earnings per share

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