Annual **RESULTS**

2001

Abridged draft version
for the Analysts' Meeting,
London, April 26, 2002

hannover **re**®

KEY FIGURES *of the Hannover Re Group*

Figures in EUR million	*2001*	*+/- previous year*	*2000*	*1999*
Gross written premiums	11 507.5	38.3%	8 320.5	6 706.3
Net premiums earned	6 496.1	24.7%	5 210.2	4 179.9
Net underwriting result	(878.2)	95.5%	(449.2)	(394.7)
Net investment income	945.7	8.9%	868.7	828.2
Profit or loss on ordinary activities	67.5	(83.9%)	419.5	433.4
Net income	11.1	-97.0%	364.9	201.6
Investments	12 127.2	18.9%	10 200.5	9 855.1
Total Stockholders' equity	1 672.0	6.3%	1 573.4	1 235.7
Net underwriting provisions	16 984.7	31.1%	12 953.3	10 703.1
Present value of future profits (life/health)	1 048.0	19.9%	874.0	609.0
Earnings per share (diluted) in EUR	0.34	(97.3%)	12.38	6.86
Dividend in EUR million	–	–	100.0	71.5
Dividend per share in EUR	–	–	3.64	2.91
Return on equity (after tax)	0.7%		26.0%	17.1%
Retention	61.7%		63.7%	62.0%
Loss ratio*	99.4%		90.1%	83.3%
Expense ratio*	16.3%		18.7%	25.0%
Combined ratio*	115.7%		108.8%	108.3%

* excluding life and health reinsurance and on the basis of net premiums earned

Dear shareholders, Ladies and Gentlemen,

For six years in succession I have been able to report record results in this letter. However, with the occurrence of the largest loss in the history of the insurance industry – the terrorist attacks of 11 September 2001 in the USA – your company has been affected by an event which severely impacted the 2001 result. As one of the leading reinsurers in the international aviation business and with a large proportion of our business stemming from the US market, the strains associated with this act of terrorist vandalism substantially exceed the maximum burden previously considered possible in our very large loss scenarios. Thanks to the strategy of diversification initiated some years ago we were nevertheless able – in contrast to the majority of our competitors – to avoid a balance sheet deficit and even generated a modest net income for the year of EUR 11.1 million. For the first time, however, we are not in a position to propose the distribution of a dividend to the Annual General Meeting.

Overall, then, I take pride in the fact that we managed to absorb an event of such unimaginable dimensions without having to fall back on our capital and reserves. Consequently, even in the wake of 11 September we were able to maintain very good ratings from the agencies Standard & Poor's and A.M. Best. This achievement sets us apart from many of our competitors and gives us a substantial competitive advantage – especially on the property and casualty reinsurance market, where more than ever before the key criteria are security and optimal capital resources. Our goal is to exploit this competitive edge – which offers very strong earnings prospects in the present pronounced market upswing – to the absolute maximum in the interest of our shareholders. As things currently stand, we shall be able to bounce back in the future to the accustomed high level of profitability of the past years and once again pay an attractive dividend.

Despite the losses associated with the terrorist attacks, our portfolio continued to record gratifying growth in the year just–ended. For the first time the gross premium income generated by your company surpassed EUR 10 billion – by a comfortable margin. Following the unattractive market cycle in property and casualty reinsurance in the years up to 2000 which we described in several previous annual reports, a significant market recovery set in during the first half-year; this was given considerable added impetus subsequent to 11 September. We optimally exploited the opportunities presented by this trend, and our growth in profitable submarkets was well in excess of the market average.

We also vigorously expanded our other business segments. Particularly gratifying growth was achieved in program business. Inter Hannover – a UK subsidiary charged with developing program business in Europe – established its position in a remarkable fashion. The premium volume written by this company rose by 74%. Even at this early stage after launching this business in Europe, we feel vindicated in our conviction that the USA is not the only market where program business can be successfully transacted.

As is to be expected in view of the events that occurred in the year under review, the quality of results in our business segments varied. It was only the good performance of life and health and financial reinsurance as well as program business which enabled your company to show a break–even result in the 2001 financial year.

Life and health reinsurance gave a further substantial boost to the earnings before tax. In this segment it is also important to bear in mind the increase in the present value of future profits on the portfolio of in–force business – a factor which is not reflected in the consolidated statement of income. Following unsatisfactory results in the previous year, program business generated a positive result in the year under review, thereby helping to offset the losses in property and casualty reinsurance. Furthermore, financial reinsurance – our most highly profitable business segment – was able in 2001 to improve on the already high operating profit of the previous year.

On the financial markets 2001 was a difficult year. Stock markets, which appeared to have bottomed out in the previous year, showed only modest gains in the first half of the year. Movements on bond markets were influenced by the lowered base rates set by central banks. Given this already difficult climate, the stock market collapse after 11 September came as a particularly heavy blow. Although our net investment income showed another overall increase, this was entirely attributable to the growth in our investment portfolio and the associated rise in ordinary income.

The performance of our company's share in the period until early September can be described as relatively satisfactory. Only as it became caught up in the wake of 11 September did the share lose value on a massive scale, falling to EUR 38.51 on 21 September – its lowest point since mid–1997. Although it had recovered some ground by year-end, the share price failed to climb back to its pre-September 11 level. In the months that followed we conducted an intensive information campaign aimed at strengthening confidence in our share and restoring its value. Only during the early months of the current year have these efforts met with appreciable success, as by further stepping up our Investor Relations activities – not only in traditional markets but also in new regions such as Scandinavia, the Benelux countries and Asia – we have been able to stimulate demand for our share.

In our business, as in so many others, there is often a fine line between light and shade. 2001 was for the most part spent in the shade; nevertheless, I can report on the remarkably favourable outcome of the renewal of a large portion of our property and casualty reinsurance portfolio as at 1 January 2002. The events of 11 September and their repercussions on conditions and rates, combined with the general trend towards hardening markets even before the terrorist attacks, have created extraordinarily promising business prospects. Assuming that the major loss experience and capital markets develop within normal bounds, we expect to recoup the losses of 11 September within at most 3 years. Since we were quick to recognise the new market opportunities, we already took steps in the fourth quarter of the year under review to strongly expand our acceptances in property and casualty reinsurance. In addition to increasing the profitability of our portfolio, we substantially enlarged our market share in the most important market segments.

In order to give you some insight into the current prospects for property and casualty reinsurance at this point in time, I would like to take a moment to discuss certain market movements in greater depth:

In the current year we shall be able to almost triple our premium volume in aviation business – an area where we suffered heavy losses in the year under review. While this growth is in part due to the expansion of our portfolio, it derives first and foremost – and this is most gratifying – from premium increases under existing business relationships where the scope of coverage is in every respect limited. We now reinsure risks which hitherto have been included in insurance coverage at no extra premium – for example losses caused by terrorism – only on a separate basis and at adequate premium rates.

In the London Market, which was also heavily impacted outside the aviation line of business and where we rank as one of the market leaders, we shall succeed in doubling our premium volume in the current year. In our largest market – North America – we similarly expect to increase our premium income by more than 70% in 2002. We are well-placed here for the first time in some years to considerably improve the profitability of our business.

Summing up, I would like to reiterate that your company derived the maximum benefit from the strong market upturn during the renewal season for 2002; it improved its market share and hence also its position in the global market, and – most notably – it enhanced the profitability of its business. Assuming that the loss experience and capital markets develop along normal lines, this should enable us in the current financial year to build on the previous year's performance and thus achieve a very good result.

On behalf of my fellow members of the Executive Board and myself, I would like to thank you, our shareholders, for your confidence in Hannover Re. I can assure you that we shall live up to your trust; we shall do everything in our power to bring about a lasting increase in the value of your company and thereby establish a solid foundation for the favourable performance of your investment.

Yours sincerely,

Wilhelm Zeller
Chairman of the Executive Board

2001 was one of the most difficult years in stock market history ...

Total market value of listed stocks eroded on an unprecedented scale in the year under review

On the world's capital markets 2001 will go down as one of the most difficult years in stock market history. With equity markets continuing the downward slide which had begun in March 2000, the worst "bear market" since the first oil crisis almost 30 years ago eroded the total market value of listed stocks on a hitherto unprecedented scale.

All the leading indices entered the new year in 2001 on an upbeat note with prospects of an impending recovery on the equity markets. This hope, however, failed to be fulfilled. Although falling capital market rates coupled with taxation and pension reforms in Europe created a favourable general climate, companies were repeatedly compelled to adjust their profit expectations downwards. With increasingly gloomy economic data emerging from the USA and many investors turning away from the stock market, equity prices embarked on a downward slide of sometimes dramatic proportions. This trend was further exacerbated by the 11 September terrorist attacks on New York and Washington. The resulting sell-out on the equity markets left no industry unscathed, although traditionally defensive sectors were less severely impacted.

Yet the stock markets were relatively quick to recover from this panic reaction. By the beginning of October the Dax had already climbed back to its early September level of 4,500 points. In December, however, the Enron bankruptcy began to cast a cloud over the market. This latest wave of bad news further eroded investor confidence and generated discussion of more transparent accounting methods on an international level.

All leading indices lost ground heavily in the year under review. At their lowest point on 21 September 2001 the Dax, Euro-Stoxx and CDax for insurance stocks had shed almost 40% of their value relative to the beginning of the year, and at year-end they closed down by around 20%. By contrast, the MDax (in which the HNR share is listed) performed relatively favourably, posting a temporary decline of 24% and closing the year down by just 8%.

... and insurance stocks were particularly hard hit

Losses from terrorist attacks recouped by November 2001

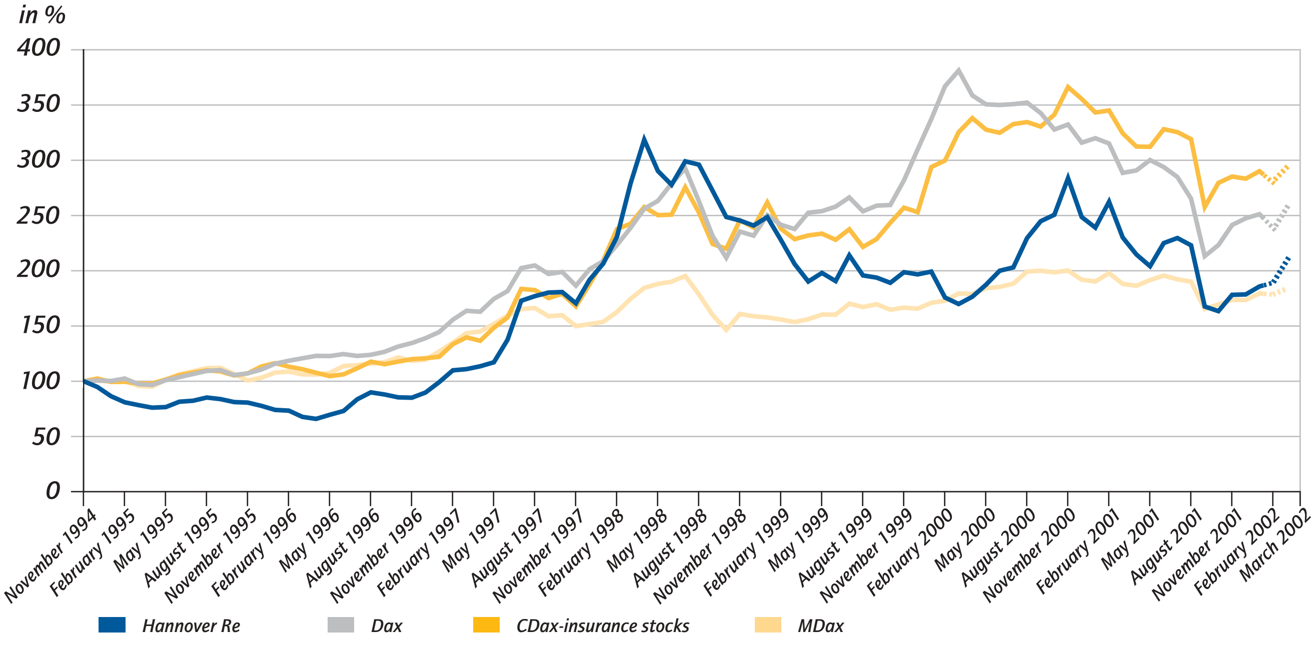
Insurance stocks were softening as 2001 got under way. Despite the favourable climate created for insurers and reinsurers by taxation reform and the so-called "Riester" pension scheme, the prevailing negative trend reached its lowest point with the terrorist attacks in September. Along with the airline and transportation industry, the insurance sector was particularly hard hit by the repercussions on the stock markets. Uncertainty about the true amount of the insured loss and fears of further attacks on a similar scale fundamentally shattered confidence in the stability of the industry. Insurers reacted by excluding terrorism risks from standard insurance policies. This measure, coupled with the initial loss estimates published by the reinsurers, helped to win back lost investor confidence. Indeed, investors took the now very favourably priced (re-)insurance equities back into their portfolios. Many of the stocks – principally the top-rated heavyweights – then recovered within a short time, and by November 2001 they had completely made good the ground lost directly in the wake of 11 September, although the price level of the first half-year remained out of reach.

The Hannover Re share fell disproportionately in value ...

The performance of our share was volatile over the course of the year. Benefiting from tax reform and the launch of the "Riester" pension, it entered the new year on a bright note at EUR 93 and outperformed the leading benchmark indices. In late January it even broke through the triple-digit mark, posting its high for the year of EUR 103.70 on 1 February 2001. Only towards the end of the first quarter did a negative undercurrent begin to take hold of the capital markets. However, by the middle of the year our share had again succeeded in breaking free. Reaching EUR 95, it even surpassed its initial price at the beginning of the year anew. Our share was disproportionately hard hit by the terrorist attacks of 11 September in the USA, not least due to the small free float, and within ten days it had lost more than half of its market value. On 21 September 2001, it fell to EUR 38.51 in intraday trading, its lowest point since mid-1997. Compared to the heavyweights of the leading indices our share was slow to recover and by year-end it still fell short of its starting price in 2001. Nevertheless, through our proactive, intensive and transparent communication in response to the events of 11 September and due to the favourable outlook for the future development of our business, we succeeded in restoring investor confidence in our share. It closed the year down 27% at EUR 67.80, a performance which approximately reflected the development of the Dax and CDax benchmark indices.

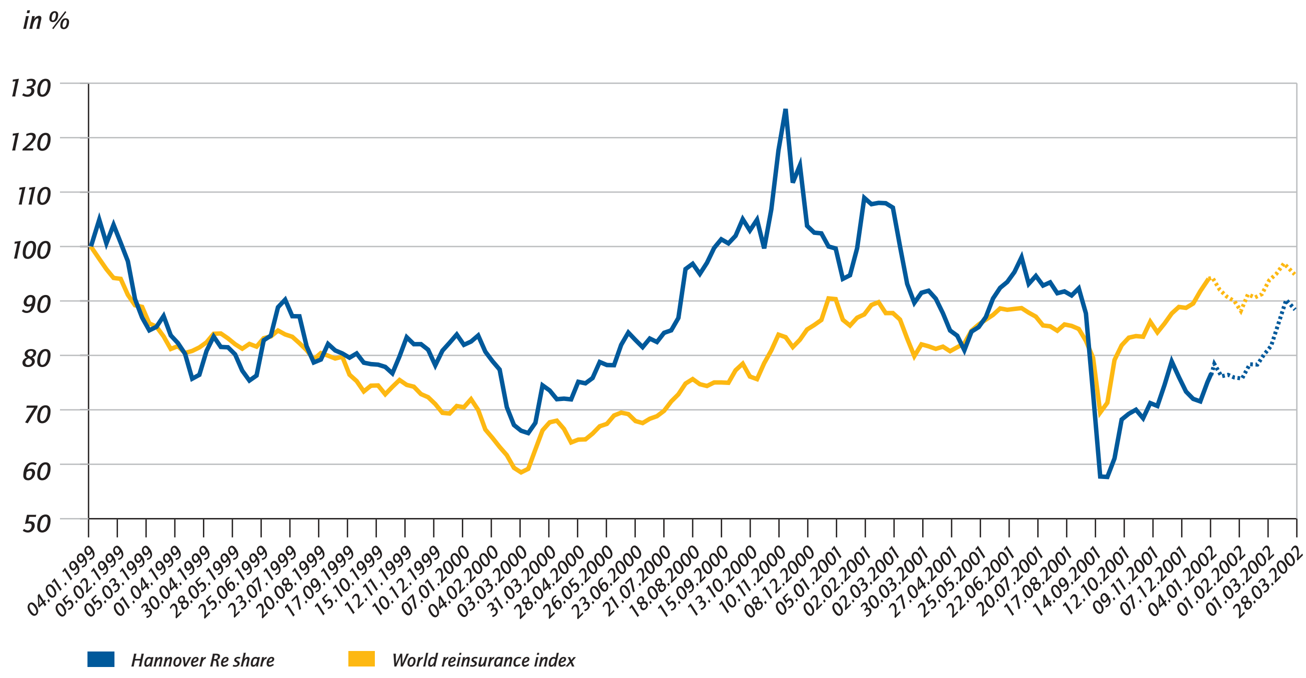
All-year high of our share: EUR 103.70

Share development since 1994



We do not consider the standard stock indices to be representative yardsticks for measuring the performance of our share; instead, we refer to the unweighted "Reactions" World Reinsurance Index, which combines all listed reinsurers worldwide. Our goal is to achieve an increase in the share price which on a 3-year moving average surpasses the performance of this benchmark. While over the past three years the Hannover Re share outperformed global reinsurance stocks almost without exception, it showed a greater decline and slower recovery in the wake of the 11 September terrorist attacks. Closer examination of our share's development in the period until the end of March 2002, however, clearly reveals its potential: although our share began to move upwards at a later point in time, its continuity sets it apart from the World Reinsurance Index. Already by the end of March 2002 the Hannover Re share showed only a difference of 2% compared to the World Reinsurance Index and it gained 24% since the turn of the year.

The Hannover Re share in comparison with the unweighted "Reactions" World Reinsurance Index



… but appears capable of realising its potential in the new year

Our share's upward trend continues

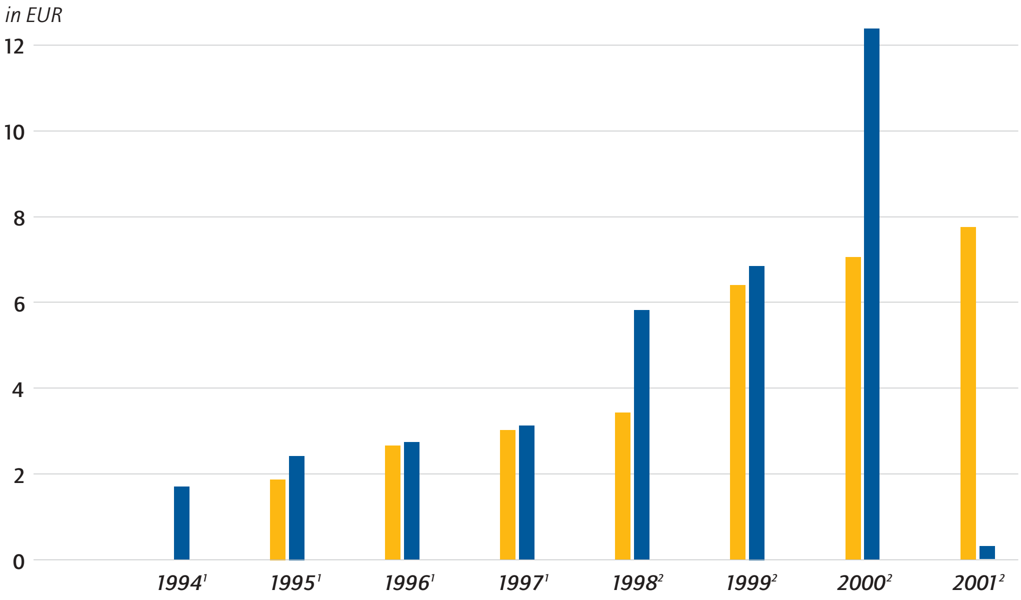
Particularly after recent events on the capital markets, we see further considerable scope for our share to develop favourably. Of course we cannot influence dramatic economic events and fundamental trends on the stock markets. Yet a clear strategy combined with the publication and achievement of our key return-on-equity parameters as well as transparency with regard to our expectations for 2002 establish the necessary conditions for realising the potential of our share.

We use a system of management ratios to steer and document the growth in our company's value. The earnings per share constitutes a central management ratio and performance indicator. Our strategic objective is to increase this figure by a double-digit percentage margin each year. The record shows that we have consistently achieved and even surpassed this goal. Only in the year under review – as an exception to this general pattern – were we unable to meet our target due to the losses associated with the terrorist attacks. While we had forecast earnings per share for the year under review of EUR 7.76 prior to 11 September, we were obliged to adjust this figure as at year-end to EUR 0.34. The current financial year, however, offers us an extraordinarily promising market environment. It is our assumption that we shall be able to recoup the losses stemming from the terrorist attacks within the next three years. For the current year, therefore, our goal is not merely to show a 10% higher year-on-year profit based on the result in 2000, but to comfortably surpass this target figure.

Furthermore, we have consistently demonstrated over the years our ability to sensibly and profitably deploy the capital made available to us. In this respect, our strategic objective is to generate a minimum return on equity of 750 basis points in excess of the average 5-year yield on 10-year government bonds. We were compelled to reduce our targeted rate of return on invested capital of 12.6% substantially for the year under review in the wake of 11 September. Given the excellent business prospects in the current year, we are confident that – assuming normal circumstances regarding major claims occurrences and in the capital markets – we shall once again be able to generate a substantially above-average return on equity.

Losses from the terrorist attacks will be offset in the coming years

Earnings per share

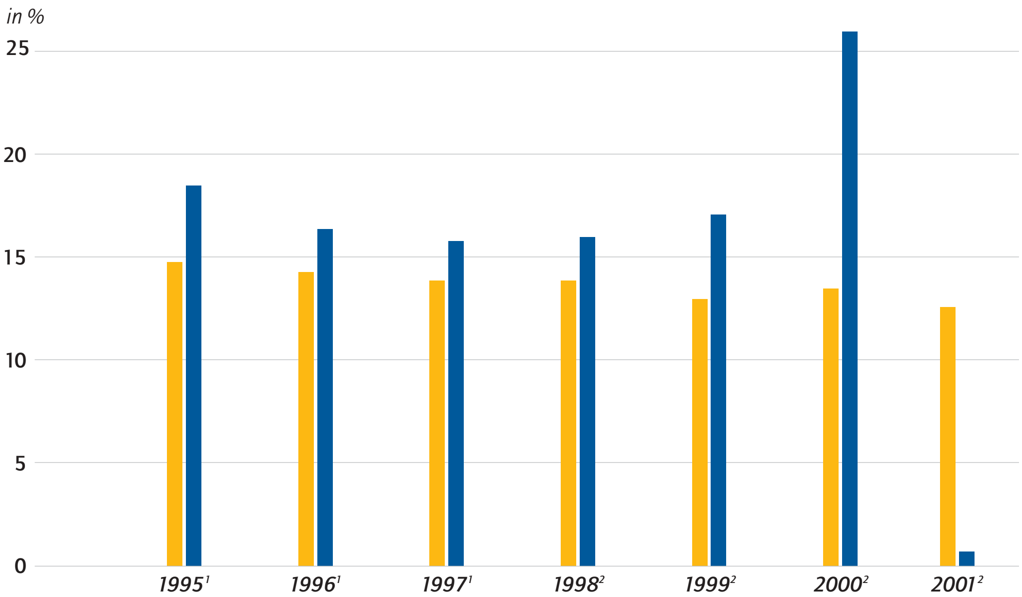


	1994[1]	1995[1]	1996[1]	1997[1]	1998[2]	1999[2]	2000[2]	2001[2]
Target		*1.88*	*2.67*	*3.03*	*3.44*	*6.41*	*7.05*	*7.76*
Actual	*1.71*	*2.43*	*2.75*	*3.13*	*5.83*	*6.86*	*12.38*	*0.34*

1) DVFA – revised calculation method (without adjustment for amortisation of goodwill)
2) Earnings per share calculated in accordance with US GAAP

We conduct highly efficient asset management so as to safeguard an optimal return on equity. Equity represents the most expensive method of financing our business. In order to efficiently structure our capital requirements and hence ensure the highest possible return on the capital invested by our shareholders, we therefore make use of more cost-effective capital substitutes. These take various forms, including the securitisation of reinsurance risks and their transfer to the capital markets, long-term subordinated debt (hybrid capital) as well as traditional reinsurance and retrocession arrangements.

Return on equity after tax



	1995[1]	1996[1]	1997[1]	1998[2]	1999[2]	2000[2]	2001[2]
Target	14.8%	14.3%	13.9%	13.5%	13.0%	13.5%	12.6%
Actual	18.5%	16.4%	15.8%	16.0%	17.1%	26.0%	0.7%

[1] German-GAAP basis (HGB)
[2] US GAAP-basis; Target: 750 basis points in excess of the average 5-year yield on 10-year government bonds

Our Investor Relations activities: Aimed at consistently generating greater HNR demand than supply

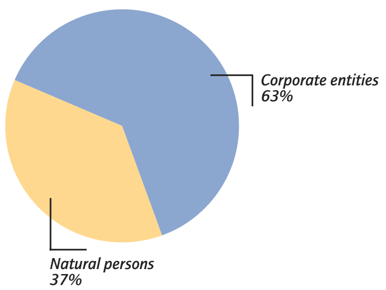
Bearing in mind that "supply and demand determine the price", we strive to constantly boost awareness of our share in order to generate steadily growing demand. In addition to our participation in numerous investors' fairs and stocks forums organised by various banks and shareholder associations, we attach considerable importance to direct contact with institutional investors. In the year under review, for example, we presented our share at more than 30 individual meetings. These take place both at our head office in Hannover and on international roadshows. In 2001 we also stepped up promotional activities for our share in additional geographical regions. Along with the familiar financial marketplaces of Frankfurt, London and New York, where we are active on a regular basis, we enhanced our presence in France, southern Europe, Scandinavia and the Benelux countries. Not only that, we hold teleconferences with analysts and investors to discuss significant new developments as well as in connection with the release of each quarterly report.

Annual analysts' seminar on selected topics

As part of our Investor Relations programme we have also initiated an analysts' seminar, which was held for the first time in 2000 in Hannover. Due to the superb response and heavy demand for this event, the annual organisation of such a seminar covering selected topics in the reinsurance sector now forms part of our standard Investor Relations repertoire. Led by reinsurance specialists from within our company, the seminar is aimed at financial analysts and institutional investors who already have close familiarity with Hannover Re but wish to obtain deeper insights into specialist issues affecting individual business segments. In March 2001 – in conjunction with the AIFA conference (American Association of Insurance and Financial Analysts) in San Diego – we held a seminar on the subject of program business. The event was attended not only by US analysts but also by almost 30 European capital market experts. This year, too, we shall maintain our already well established tradition of analysts' seminars.

Our Investor Relations activities are also closely attuned to our shareholding structure. This orientation has been assisted by the complete changeover to registered shares and the use of a stock ledger.

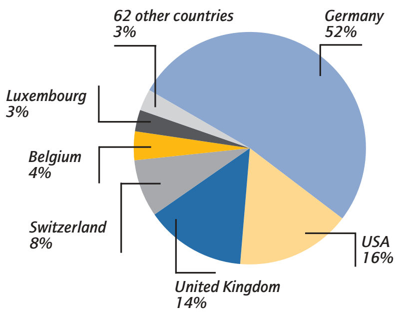
Natural persons / corporate entities (as % of free float)



The breakdown of the shareholding structure into corporate entities and natural persons of course reveals a predominance of the number of institutional investors. Compared to the previous year, however, the strong growth of almost 10 percentage points among private investors reflects not only the special measures which we have taken to attract this group of investors but also the increasing profile of our share.

We had already begun to practice the internationally recognised standards of corporate governance two years ago; today, we very largely fulfill the major criteria. The adoption of the German Corporate Governance Codex in February 2002 responds to the need to align Germany as a financial centre even more closely with international capital market standards and to improve its appeal by enhancing the applicable regulations and increasing their flexibility. We affirm our commitment to the trend towards a standardisation of corporate management and controlling guidelines which is geared towards responsibility and value enhancement in the interests of shareholders. The goal of the codex is to foster the confidence of international and national investors, clients, employees and the public at large in the management and monitoring of German listed companies.

Shareholding structure by countries (as % of free float)



In the previous year, for example, we introduced variable remuneration based on the company's performance. One element here is a virtual stock option plan which extends to our managerial staff worldwide. The most important target variable here is the earnings per share, which is defined in advance by the Supervisory Board and the over- or underfulfilment of which determines the number of stock option rights. The development of our share price relative to the unweighted World Reinsurance Index is also taken into account, with superior or inferior performance being treated as a further multiplier for the number of option rights.

It goes without saying that we are also committed to implementing further Corporate Governance requirements. We are currently enhancing our controlling concept by components of an EVA (Economic Value Added) calculation within a VBM (Value Based Management) framework, which is to be used as a basis for managing and measuring the growth in the company's value.

The internet has now evolved into the most up-to-date, quickest and hence one of the most important information tools at the disposal of listed companies. We take full account of this trend through our extensive and constantly updated Investor Relations website. Our annual financial statements are available here in all digital formats, including an interactive HTML report. In addition to our annual report, we also use video clips of our analysts' conferences as well as online teleconferences to convey information. Our Internet site also provides complete data on our share, a description of our business activities and of course an overview of the prospects for our company's development. A further milestone is the establishment of Hannover Re's own Internet service company, which coordinates our Group-wide Internet presence – taking into account all our subsidiaries. We invite you to visit our English-language website at www.hannover-re.com.

The opinions of our analysts

"EUR 1.3bn WTC loss, EUR 400m net, EUR 920m recoverable are all secure: well done, Hannover Re! HNR's retrocession result from the WTC loss shows its excellent capital management. Immediately after September 11 HNR signed highly attractive property and casualty covers especially in aviation and US property, leading us to believe the firm should benefit above market average from the hardening market. With strong growing life and financial reinsurance, HNR owns a highly attractive portfolio".

Michael H. Haid
Sal. Oppenheim, Frankfurt
April 2002

"Recent confirmation of a breakeven profit target for 2001 has helped reassure the market [...] and has boosted Hannover Re's image in terms of underwriting quality".

Thomas Fossard
BNP Paribas, Paris
March 2002

"Overall, Hannover Re can be credited with very good management in the allocation of available capital. Clear targets and transparency are the hallmarks of the system implemented in recent years, and they promote the generation of shareholder value. Good Asset/Liability Management rounds off the management systems and provides additional flexibility".

Dierk Schaffer
WGZ-Bank, Düsseldorf
February 2002

"Due to its anticyclical underwriting policy Hannover Re is likely to profit disproportionately strongly from the turnaround".

Lars Niggeling
Bank Vontobel, Cologne
February 2002

"With the latest outlook for 2002 Hannover Re's management breathed new life into the investment story. In the final analysis the "flight to quality" – a trend which began some time ago – continues unchecked. In other words, in the wake of recent events (and insurance bankruptcies) many market players now prefer to pay a higher premium for a reinsurer with a better rating than ultimately risk the uncertainty of losing insurance protection by paying a lower premium to a more poorly rated reinsurer. This is a trend from which not only the "AAA"-rated insurers but also "AA"-rated providers such as Hannover Re will profit".

Ralph Lutz
HypoVereinsbank, Munich
February 2002

"An unusually bullish walk-through of the renewal season also reflects well on the group's 2002 prospects.".

William Hawkins
Fox-Pitt, Kelton, London
February 2002

"While being just outside of the „bulge bracket" category, Hannover Re has sizeable non-life reinsurance operations with a strong position in certain attractive and defendable niches. Its life reinsurance business is by far the largest among the mid-tier players and its product range can rival that of most industry leaders. Its ART operations have produced spectacular returns in the past, and while we conservatively expect the returns to decline significantly, ART is likely to continue to be a high value generator for the company".

Alex Orloff
Bank of America, London
January 2002

"Capital management is best-in-class and transparency is exemplary. [...] We think the company is well-positioned and is an attractive alternative".

Simon Fößmeier
Bank Julius Bär, Frankfurt
January 2002

"A mark of confidence in the profitability of the business it has written this year, Hannover Re has been quick to show its determination to take full advantage of today's rates conditions".

Frédéric Bourgeois,
Natexis Capital, Paris
January 2002

"On the basis of its well-diversified portfolio the Hannover Re Group can react more swiftly to positive and negative margin trends in individual market segments".

Dirk Krieger, Ulrich Vogel
NORD/LB, Hannover
December 2001

"Its niche strategy makes Hannover Re the most profitable reinsurer in our universe, and in normal years the broadly diversified portfolio serves to smooth results".

Frank Stoffel
WestLB Panmure, Düsseldorf
December 2001

Share information

in EUR	2001	2000	1999	1998	1997	1996
Earnings per share (diluted)	0.34	12.38	6.86	5.83	3.13**	2.75**
Dividend per share	–	2.30	2.05	1.94	1.74	1.61
Corporation-tax credit	–	1.09*	0.86	0.24	0.24	0.19
Gross dividend	–	3.64*	2.91	2.18	1.98	1.80

** incl. bonus of EUR 0.25*
*** DVFA earnings per share in accordance with German accounting principles*

Security identification number:	840 221
Stock exchange ID:	Share: Investdata: HNR Bloomberg: HNR1 GY Reuters: HNRGn.DE HNRGn.F ADR: HVRRY ISIN: DE 000 84 022 15
Exchange listings:	Germany Listed on all German stock exchanges; Xetra, Frankfurt and Hannover in official trading USA American Depositary Receipts (Level 1 ADR-Program), OTC (over-the-counter-market)
First listed:	30 November 1994
Majority shareholder:	HDI Haftpflichtverband der Deutschen Industrie V.a.G. (75%)
Common stock as at 31 December 2001:	EUR 82,798,545.89
Number of shares as at 31 December 2001:	32,387,976 no-par value registered shares
Market capitalisation as at 31 December 2001:	EUR 2.196 milion
Highest share price in 2001:	EUR 103.70
Lowest share price in 2001:	EUR 38.51
Annual General Meeting:	24 May 2002, 10:30 a.m. Hannover Congress Centrum Kuppelsaal Theodor-Heuss-Platz 1-3 30175 Hannover, Germany

Financial calendar 2002

25 April 2002	**Press conference on the annual results 2001** Beginning 2:00 p.m. Hannover Rückersicherungs-AG Karl-Wiechert-Allee 50 30625 Hannover, Germany
26 April 2002	**DVFA Analysts' meeting, Frankfurt**
26 April 2002	**Analysts' meeting, London**
24 May 2002	**Annual General Meeting** Beginning 10:30 a.m. Hannover Congress Centrum Theodor-Heuss-Platz 1-3 30175 Hannover, Germany
24 May 2002	**Interim Report 1/2002**
21 August 2002	**Interim Report 2/2002**
20 November 2002	**Interim Report 3/2002**

We consider a long-term, strategic mind-set and way of conducting business to be a crucial factor in our Group's success. This calls for vision, on the one hand, but also necessitates concrete strategic objectives, which serve to guide our company's tactical orientation.

In order to update or redefine these necessary visions and objectives, we draw up a strategy document setting out such goals roughly every three years. This document is – very deliberately – kept concise and is not printed on "glossy paper", rather, as a normal working paper, it is intended to serve as a guideline for our day-to-day actions.

With the aim of familiarising you more closely with these guidelines we have set out below our self-image and the strategic objectives (our "ten commandments") which apply to our Group as a whole.

Self-image

We strive to assert our position in the international reinsurance markets as an important, optimally diversified reinsurance group of above-average profitability in order to secure our long-term survival as an independent enterprise.

Our actions are guided by the goal of constant value enhancement for all our shareholders. It is essential for us to present our share as a solid and attractive investment.

As a "somewhat different reinsurer" we chart our own course. Its hallmarks are the power of innovation, flexibility, a readiness to perform and, most notably, the quality of our services.

1. Profit target

In order to generate above-average returns on the capital invested by our shareholders, we strive to achieve, as an absolute minimum for the Hannover Re Group, an operating result on a moving 5-year average which in relation to our capital, as per US GAAP, corresponds to at least the average 10-year government bond yield plus a risk premium of 750 basis points.

In addition, our goal is to increase the earnings per share by at least 10% annually.

2. Capital requirements/costs

In order to ensure the attainment of our minimum return-on-equity target, our pricing always makes allowance for corresponding capital costs. These capital costs are determined and differentiated according to risk-based-capital considerations based on a degree of risk that tolerates the omission of the dividend payment not more than once in 25 years.

In the light of the increasing "flight to quality", the ratings which have a bearing on our industry are assuming greater importance. Consequently, our capital must ensure a sustainable Standard & Poor's rating of at least AA (equivalent to A+ from A.M. Best).

The divergence between capital requirements under risk-based-capital considerations and the actual capital stock generates excess capital. Such excess capital is exposed to risk in accordance with our profit targets.

In order to keep our capital costs as low as possible, we prefer, to the extent of the rating agencies' tolerance limits, debt over equity. In addition, we also make intensive use of capital substitutes (transfer of risks to the capital market as well as conventional retrocession).

3. Share price

With a view to minimising the costs of raising equity capital, the performance of our share assumes key importance. The development of the earnings per share and our investor relations activities are intended to ensure a share price development exceeding, on a moving 3-year average, the performance of the unweighted World Reinsurance Index.

4. Allocation of resources

As a reinsurer whose roots are in the highly competitive, cyclical and volatile property and casualty treaty reinsurance sector, investments in the optimisation of the portfolio mix enjoy top priority. Within the individual strategic business segments, we identify geographical, line-of-business and product priorities which take precedence in the event of investment conflicts.

5. Growth

For us, growth means first and foremost an increase in profit, not an expansion of the (gross or net) premium income. Acquisitions are considered inasmuch as they help us to achieve our strategic priorities faster and meet our profit targets and return-on-investment requirements. Equity stakes in primary insurers are, however, not considered a sensible growth vehicle.

6. Invested assets

The general objective of our investment strategy is to generate an optimal profit contribution to the overall business result. Due to the already high degree of risk inherent in our principal business of reinsurance, however, risk limitation takes precedence over yield maximisation.

The fundamental approach to the structure of our invested assets is that equity as per US GAAP is invested on a long-term basis (preferably in equity securities), with the technical reserves being invested on a short and medium-term basis. More advanced optimisation of the structure of our invested assets is to be achieved by way of sophisticated asset liability management.

7. Organisation and infrastructure

We strive for an efficient organisation geared to our business processes with a minimum of bureaucracy.

Information management is increasingly evolving into a crucial competitive factor. Our information and communication systems must therefore optimally support our business processes and, after cost/benefit considerations, be based on state-of-the-art technological developments. Investments required to accomplish this goal are given priority.

Our accounting systems are organised in such a way that they satisfy the demands of the international capital markets as well as internal management and controlling requirements.

8. Human resources policy

For a globally active financial services organisation with a professional clientele, the skills and motivation of our staff are just as important success factors as capital resources. For this reason, we offer a working environment that is designed to appeal to performance-minded employees who identify with our corporate objectives. Our human resources development and leadership activities are geared to the constant enhancement of our staff's skills and motivation. By delegating tasks, authority and responsibility wherever possible and by setting demanding performance targets, we foster entrepreneurial thinking at all levels. In the case of members of the international management team, this principle is also reflected in performance-related remuneration components and in attractive stock options.

9. Quality

Quality enjoys a special status in our way of thinking and the way we do business. By means of specific actions and a constant process of quality improvement, we strive to become the quality leader in international reinsurance ("Clients prefer to work with us!") in order to attain competitive advantages.

10. Risk management

Our risk management system regularly monitors all global, strategic and operating risks within the Hannover Re Group. In addition to control and early warning systems for traditional underwriting risks, systems are developed and maintained for the identification and containment of all other risks which may have a bearing on the Group's survival.

Quantitative objectives

Due to extraordinary tax effects associated with the change in the rates of corporation tax in 1999 and 2001, the target figures for 2001 and 2002 are based on the 1998 results, the last "normal year".

In order to ensure the achievement of our company-wide return-on-equity target, we have broken down this goal into specially defined units within our total business volume. To this end, we subdivided our total business into 40 units, each characterised by the greatest possible homogeneity from the risk perspective.

In this regard, the level of risk – primarily determined by the volatility of the technical result – is the yardstick for the capital requirement of each risk unit. The principle applied here is the greater the volatility of results, the higher the capital requirement. The capital requirement of each individual risk segment can then be specified accordingly.

By combining these insights with our return-on-equity target, it is possible to calculate a minimum profit margin that every concluded treaty must generate in order to produce a satisfactory return on equity. This enables our underwriters to examine the contribution made by every single proposed treaty to the achievement of our return-on-equity target. The accomplishment of this goal forms an important integral part of the agreements on targets drawn up with our managerial staff and hence also of our system of remuneration. In this way, we ensure at the operating level that our return-on-equity target is fulfilled for the Group as a whole.

CONSOLIDATED BALANCE SHEET *as at 31 December 2001*

Assets *Figures in EUR thousand*	*Notes*	*2001*	*2000*
Fixed-income securities – held to maturity	5.1	284 070	267 031
Fixed-income securities – available for sale	5.1	8 422 878	6 518 580
Fixed-income securities – trading	5.1	46 895	40 869
Equity securities – available for sale	5.1	1 021 451	1 593 969
Equity securities – trading	5.1	8 879	–
Real estate	5.1	311 207	228 540
Other invested assets	5.1	578 578	593 415
Short-term investments	5.1	622 569	475 849
Total investments without cash		11 296 527	9 718 253
Cash		830 659	482 262
Total investments and cash		12 127 186	10 200 515
Prepaid reinsurance premiums	5.2	910 068	823 915
Reinsurance recoverables on benefit reserve	5.2	493 650	254 696
Reinsurance recoverables on unpaid claims	5.2	6 758 763	3 532 690
Reinsurance recoverables on other reserves	5.2	113 017	6 392
Deferred acquisition costs	5.2	1 196 459	714 427
Accounts receivable		3 148 683	3 296 030
Funds held by ceding companies		7 150 799	3 995 706
Goodwill	5.4	263 258	266 066
Other assets	5.13	291 574	275 591
Accrued interest and rent		194 137	131 574
		32 647 594	23 497 602

Liabilities *Figures in EUR thousand*	*Notes*	*2001*	*2000*
Loss and loss adjustment expense reserve	5.2	18 859 679	12 782 710
Policy benefits for life and health contracts	5.2	3 908 584	3 043 573
Unearned premium reserve	5.2	2 312 432	1 608 381
Provision for contingent commission	5.2	144 228	114 243
Other technical provisions	5.2	35 323	22 117
Reinsurance payable		1 336 760	1 378 184
Funds held under reinsurance treaties		1 744 536	817 609
Contract deposits		261 250	109 773
Minorities	5.9	307 811	294 134
Other liabilities	5.13	460 673	307 740
Taxes	5.5	99 070	171 955
Provision for deferred taxes	5.5	588 555	741 102
Notes payable	5.8	797 148	415 105
Surplus debenture	5.8	119 517	117 597
Total liabilities		30 975 566	21 924 223
Stockholders' equity			
Common stock	5.9	82 799	75 493
Nominal value 82 799 Authorised capital 13 461			
Additional paid-in capital		388 816	201 794
Cumulative comprehensive income			
Unrealised appreciation/depreciation of investments, net of deferred taxes	5.10	31 164	71 413
Cumulative foreign currency conversion adjustment, net of deferred taxes	5.10	(58 192)	-8 800
Other changes in cumulative comprehensive income	5.10	(15 893)	864
Total comprehensive income		(42 921)	63 477
Treasury stock	5.11	-	–
Retained earnings			
Beginning of period		1 232 615	900 630
Net income		11 084	364 880
Dividend paid		(69 990)	(80 426)
Other changes		69 625	47 531
		1 243 334	1 232 615
Total stockholders' equity		1 672 028	1 573 379
		32 647 594	23 497 602

CONSOLIDATED STATEMENT OF INCOME *for the 2001 financial year*

Figures in EUR thousand	*Notes*	*2001*	*2000*
Gross written premiums		11 507 489	8 320 493
Ceded written premiums		4 409 828	3 016 514
Change in gross unearned premiums		(623 721)	(216 922)
Change in ceded unearned premiums		22 119	123 127
Net premiums earned		6 496 059	5 210 184
Ordinary investment income	5.1	941 988	798 947
Realised gains on investments	5.1	190 006	251 168
Realised losses on investments	5.1	134 053	70 524
Unrealised gains and losses on investments	5.1	21 332	(4 402)
Other investment expenses	5.1	73 567	106 509
Net investment income	5.1	945 706	868 680
Other technical income		17 831	18 704
Total revenues		7 459 596	6 097 568
Claims and claims expenses	5.2	5 795 449	4 467 863
Change in policy benefits for life and health contracts	5.2	297 973	37 494
Commission and brokerage	5.2	1 028 602	903 946
Other acquisition costs	5.2	11 667	17 627
Other technical expenses		79 869	71 468
Administrative expenses		178 574	179 675
Total technical expenses		7 392 134	5 678 073
Profit or loss on ordinary activities		67 462	419 495
Amortisation of goodwill	5.4	13 377	11 679
Other income/expenses	5.15	(943)	(103 540)
Net income before taxes		53 142	304 276
Taxes (tax yield in 2000)	5.5	17 505	129 025
Minority interest		(24 553)	(68 421)
Net income		11 084	364 880

Figures in EUR thousand	*Notes*	*2001*	*2000*
Other comprehensive income	5.10		
Net unrealised appreciation/depreciation of investments		(40 249)	22 680
Cumulative foreign currency conversion adjustments		(49 392)	(27 937)
Other comprehensive income		(16 757)	(2 091)
Net comprehensive income		(95 314)	357 532
Earnings per share	5.12		
Earnings per share in EUR		0.34	13.29
Diluted earnings per share in EUR		0.34	12.38

CASH FLOW STATEMENT *for the 2001 financial year*

Figures in EUR thousand	*2001*	*2000*
I. Cash flows from operating activities		
Consolidated net income (after tax)	11 084	364 880
Appreciation/depreciation	54 434	88 502
Net realised gains and losses on investments	(55 953)	(180 644)
Amortisation of investments	(2 650)	(10 925)
Changes in funds held	(2 179 236)	(897 298)
Changes in prepaid reinsurance premiums (net)	603 500	77 205
Changes in tax assets/provisions for taxes	(212 995)	(228 831)
Changes in benefit reserves (net)	569 958	679 796
Changes in claims reserves (net)	2 695 687	1 023 537
Changes in deferred acquisition costs	(482 738)	(220 218)
Changes in other technical provisions	(89 396)	20 883
Changes in clearing balances	119 083	(605 279)
Changes in other assets and liabilities (net)	93 182	(567 173)
Cash flows from operating activities	1 123 960	(455 565)

Income taxes paid (-)/refunded (+)	(97 620)	(95 269)
Interest paid	(88 554)	(96 205)

II. Cash flows from investing activities		
Fixed income securities – held to maturity		
Maturities	15 705	11 924
Purchases	(31 745)	(14 165)
Fixed income securities – available for sale		
Maturities, sales	3 377 429	1 803 328
Purchases	(4 986 378)	(1 766 656)
Equity securities – available for sale		
Sales	831 694	562 338
Purchases	(400 488)	(565 639)
Other invested assets		
Sales	312 654	306 625
Purchases	(300 176)	(419 630)
Affiliated companies and participating interests		
Sales	26 500	11 002
Acquisitions	(53 939)	(80 704)
Real estate		
Sales	1 094	–
Acquisitions	(84 360)	(7 148)
Short-term investments		
Changes	(151 176)	235 194
Other changes (net)	(7 972)	195 895
Cash flows from investing activities	(1 451 158)	272 364

Figures in EUR thousand	2001	2000
III. Cash flows from financing activities		
Changes in treasury stock	–	230
Inflows from capital increases	209 644	12 782
Net changes in contract deposits	156 214	168 850
Dividend paid	(69 990)	(80 426)
Changes in notes payable	350 646	(925)
Other changes	30 594	116 134
Cash flows from financing activities	677 108	216 645
IV. Exchange rate differences on cash	(1 513)	11 552
Change in cash and cash equivalents (I.+II.+III.+IV.)	348 397	44 996
Cash and cash equivalents at the beginning of the period	482 262	437 266
Change in cash and cash equivalents according to cash flow statement	348 397	44 996
Cash and cash equivalents at the end of the period	830 659	482 262

SEGMENTAL REPORT *as at 31 December 2001*

In the following table we have allocated the underwriting assets and liabilities as at 31 December 2001 and 2000 to our business segments after eliminating intergroup transactions across segments:

Segmentation of underwriting assets and liabilities

Figures in EUR thousand	*Property/ casualty reinsurance 2001*	*Property/ casualty reinsurance 2000*	*Life/ health reinsurance 2001*	*Life/ health reinsurance 2000*
Assets				
Prepaid reinsurance premiums	135 664	112 460	503	359
Deferred acquisition costs (net)	218 873	135 330	889 117	577 863
Reinsurance recoverables on benefit reserves	–	–	493 650	254 696
Reinsurance recoverables on incurred claims and others	3 309 175	1 329 943	187 807	195 144
Funds held by ceding companies	376 714	301 436	3 007 960	1 887 236
Total underwriting assets	4 040 426	1 879 169	4 579 037	2 915 298
Liabilities				
Loss and loss adjustment expense reserve	10 120 457	7 497 745	1 087 888	952 999
Policy benefits for life and health contracts	–	–	3 908 584	3 043 573
Unearned premium reserve	1 016 839	701 855	15 926	4 723
Other technical provisions	135 574	121 977	36 661	6 680
Funds held under reinsurance treaties	735 653	403 926	331 418	347 076
Total underwriting liabilities	12 008 523	8 725 503	5 380 477	4 355 051

Program business 2001	Program business 2000	Financial reinsurance 2001	Financial reinsurance 2000	Total 2001	Total 2000
773 901	673 482	–	37 614	910 068	823 915
86 879	(262)	1590	1 496	1 196 459	714 427
–	–	–	–	493 650	254 696
2 540 021	1 876 231	834 777	137 764	6 871 780	3 539 082
34 693	63 159	3 731 432	1 743 875	7 150 799	3 995 706
3 435 494	2 612 610	4 567 799	1 920 749	16 622 756	9 327 826
3 107 002	2 175 503	4 544 332	2 156 463	18 859 679	12 782 710
–	–	–	–	3 908 584	3 043 573
1 153 976	792 972	125 691	108 831	2 312 432	1 608 381
2 841	–	4 475	7703	179 551	136 360
309 520	8 040	367 945	58 567	1 744 536	817 609
4 573 339	2 976 515	5 042 443	2 331 564	27 004 782	18 388 633

SEGMENTAL REPORT *as at 31 December 2001*

Segmental statement of income

Figures in EUR thousand	*Property/ casualty reinsurance 2001*	*Property/ casualty reinsurance 2000*	*Life/ health reinsurance 2001*	*Life/ health reinsurance 2000*
Gross written premiums	4 938 461	3 385 386	2 371 022	2 090 506
Net premiums earned	2 989 302	2 524 439	1 740 263	1 592 297
Claims and claims expenses	2 795 966	2 033 826	1 066 010	1 209 010
Change in policy benefits for life and health contracts	–	–	(297 973)	(37 494)
Commission and brokerage and other technical expenses	603 834	625 844	492 601	424 602
Other technical income	13 468	4 323	2 949	13 949
Investment income	361 353	471 930	196 751	204 347
Administrative expenses	84 261	75 444	32 459	56 869
Net technical and investment income	(119 938)	265 578	50 920	82 618
Other expenses	(37 971)	45 851	6 473	51 720
Net income before tax	(81 967)	219 727	44 447	30 898
Taxes (tax yield)	(14 387)	(108 729)	15 764	(27 658)
Minority interest	(7 946)	(61 943)	(5 452)	(4 624)
Net income	(75 526)	266 513	23 231	53 932

Program business 2001	Program business 2000	Financial reinsurance 2001	Financial reinsurance 2000	Total 2001	Total 2000
2 457 400	1 974 407	1 740 606	870 194	11 507 489	8 320 493
486 149	292 699	1 280 345	800 749	6 496 059	5 210 184
376 015	261 809	1 557 458	963 218	5 795 449	4 467 863
–	–	–	–	(297 973)	(37 494)
10 953	(4 365)	12 750	(53 040)	1 120 138	993 041
–	–	1 414	432	17 831	18 704
29 647	24 682	357 955	167 721	945 706	868 680
59 040	42 686	2 814	4 676	178 574	179 675
69 788	17 251	66 692	54 048	67 462	419 495
40 404	14 650	5 414	2 998	14 320	115 219
29 384	2 601	61 278	51 050	53 142	304 276
10 235	3 394	5 893	3 968	17 505	(129 025)
(1 325)	3 902	(9 830)	(5 756)	(24 553)	(68 421)
17 824	3 109	45 555	41 326	11 084	364 880

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