somewhat different

Interim Report 1/2006

hannover re®

KEY FIGURES
of the Hannover Re Group

Figures in EUR million	2006		2005	
	1.1.–31.3.	+/- previous year	1.1.–31.3.	31.12.
Results				
Gross written premium	2 849.2	+8.9%	2 617.3	
Net premium earned	1 998.1	+12.2%	1 780.7	
Net underwriting result	(6.1)	(85.0%)	(40.8)	
Net investment income	245.2	+2.3%	239.8	
Operating profit (EBIT)	214.3	+38.6%	154.6	
Group net income	105.7	+7.6%	98.3	
Balance sheet				
Policyholders' surplus	4 643.8	+1.0%		4 595.6
Total shareholders' equity	2 619.5	+0.7%		2 601.0
Minority interests	585.9	+5.3%		556.5
Hybrid capital	1 438.4	+0.0%		1 438.1
Investments (incl. funds held by ceding companies)	28 261.7	+2.7%		27 526.4
Total assets	41 144.3	+3.4%		39 789.2
Share				
Earnings per share (diluted) in EUR	0.88	+7.6%	0.81	0.41
Book value per share in EUR	21.72	(0.5%)	21.83	21.57
Ratios				
Combined ratio (property and casualty reinsurance)	98.5%		96.8%	112.8%
Retention	87.3%		84.3%	80.3%
Return on investment	4.1%		4.1%	4.8%
EBIT margin [1]	10.7%		8.7%	1.6%
Return on equity (after tax)	16.2%		15.2%	1.9%

[1] *Operating profit (EBIT) / net premium earned*

Wilhelm Zeller
Chairman of the
Executive Board

Dear shareholders,
Ladies and Gentlemen,

Your company has started the new year on a successful note. With our quarterly result we have taken a vital first step towards achieving our profit target for 2006 – namely a return on equity of at least 15 percent. At the end of the day, this also testifies to your company's ability to withstand even the most catastrophic loss events such as the 2005 hurricanes.

I would now like to outline for you the development of our portfolio in the current financial year to date, broken down into our four strategic business groups:

Turning first to *property and casualty reinsurance*, our largest and most important business group, I can report that market conditions continue to be highly favourable. Although our treaty renewals as at 1 January 2006 did not live up to all our expectations, we were still able to surpass the already high rate level in some areas. The updating of pricing models to reflect experiences gained in the wake of last year's hurricanes also played a part in this positive trend. We enhanced our quotation models to include loadings for components that had previously been disregarded or inadequately modelled. Our efforts to push through the resulting rate increases for catastrophe covers on the market were successful. What is more, as part of our risk management activities we significantly scaled back peak risks. Overall, then, we were able to bring about a highly profitable readjustment of our portfolio.

Our latest transfer of insurance risks to the capital market should also not go unmentioned: as you are doubtless aware, we have long used such transactions as an equity substitute to keep our cost of capital low. Through the most recent and largest-volume transaction in the company's history – dubbed "K5" – we have made ourselves less vulnerable to the sharply higher prices prevailing on the retrocession market.

All in all, the development of property and casualty reinsurance in the first quarter gave grounds for considerable satisfaction: in contrast to the first quarter of 2005, the burden of major losses came in below the multi-year average of eight percent of net premium; the performance of the rest of the portfolio was also highly gratifying overall.

I have similarly good news to report on *life and health reinsurance*: in this business group we were able to significantly boost our gross premium income. The primary growth impetus here derived from European markets, where we were able to write an increased volume of new business – especially in the area of annuity insurance in the United Kingdom. The performance of life and health reinsurance is notable for its continuity relative to the previous year and highlights the quality of our worldwide portfolio. We expect even better results for the coming quarters.

In *financial reinsurance* we are satisfied with the business development. After appreciable declines in premium in the previous quarters we are seeing a clear revival of interest in financial reinsurance products. This is borne out by the sharply higher gross premium volume. I feel very confident that this trend will be sustained over the course of the year.

Following a rather lean period I am especially pleased to report that our *specialty insurance* business group is back on a positive track. In the first quarter we began the process of transferring all US specialty business to the newly established Praetorian Financial Group, Inc.; Clarendon Insurance Group, Inc., which has written this business to date, will now concentrate on the professional management of the expired programs as well as a still highly attractive portfolio of commodity business. This separation marks the final logical step in our restructuring activities aimed at maximising the value of our specialty insurance business group. The results for the first quarter clearly demonstrate that we are on the right course.

The performance of our *investments* was most satisfactory: the continued strong underwriting cash flow boosted the self-managed assets and the income generated on this portfolio. We consequently closed the first quarter with a further improvement in our net investment income.

The movements in our *share price* in the first quarter were mixed. Until late February our share enjoyed a very positive price trend. At the beginning of March, however, it took some significant mark-downs – albeit for reasons not associated with the development of our business. We nevertheless held our own against our internal benchmark, the Global Reinsurance Index.

I would like to thank you – as always also on behalf of my colleagues on the Executive Board – most sincerely for your trust in Hannover Re. We shall continue to pursue our overriding goal of leading your company profitably and safely into the future.

Yours sincerely

Wilhelm Zeller
Chairman of the Executive Board

BOARDS AND OFFICERS
of Hannover Re

Supervisory Board (Aufsichtsrat)

Wolf-Dieter Baumgartl [1) 2)] Hannover	Chairman
Dr. Paul Wieandt [2)] Königstein i. T.	Deputy Chairman
Herbert K. Haas [1) 2)] Burgwedel	
Karl Heinz Midunsky Munich	
Ass. jur. Otto Müller [3)] Hannover	
Ass. Jur. Renate Schaper-Stewart [3)] Lehrte	
Dipl.-Ing. Hans-Günter Siegerist [3)] Nienstädt	
Dr. Klaus Sturany [1)] Essen	
Bodo Uebber Stuttgart	

Executive Board (Vorstand)

Wilhelm Zeller Burgwedel	Chairman
André Arrago Hannover	
Dr. Wolf Becke Hannover	
Jürgen Gräber Ronnenberg	
Dr. Elke König Hannover	
Dr. Michael Pickel Gehrden	
Ulrich Wallin Hannover	

[1)] Member of the Standing Committee
[2)] Member of the Balance Sheet Committee
[3)] Staff representative

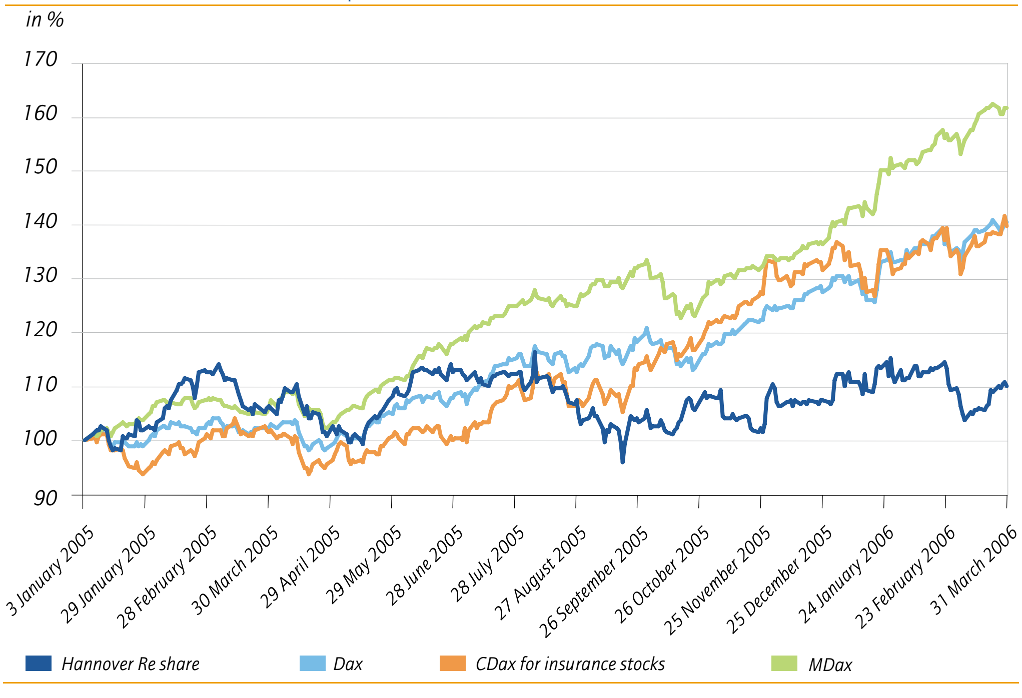
THE HANNOVER RE SHARE

Movements on German capital markets in the first quarter of 2006 were extremely promising. The German stock index (Dax) closed at 5,970 points on 31 March 2006 and touched a new high of 5,984 points for the year to date. This was equivalent to an increase of 10.4% compared to the level of 31 December 2005.

Mid-caps developed even more favourably: as at the end of the quarter the MDax (+18.6%) again outperformed all benchmark indices. The Dax (+10.4%), CDax for Insurance Stocks (+6.1%) as well as the EuroStoxx 50 (+7.7%) and Dow Jones (+3.7%) all lagged well behind the MDax.

The Hannover Re share similarly benefited from the very upbeat mood on the markets, although it fell well short of the benchmark stock indices. Our share reached its highest point of the year to date on 1 February 2006 with a price of EUR 32.10. The analysts' conference held in conjunction with the publication of our 2005 annual financial statements was held at the end of March. The Executive Board took this opportunity to present, inter alia, our forward-looking risk and capital management activities and explained that even in the aftermath of 2005's devastating natural disasters Hannover Re – as one of the few reinsurers in the world – was not compelled to dip into its capital resources. In early March our share came under pressure in the context of the annual reporting season for the reinsurance industry. Once our results had been published, however, the price rallied to close the quarter at EUR 30.61. This was equivalent to a performance of +2.3% in the period since 31 December 2005.

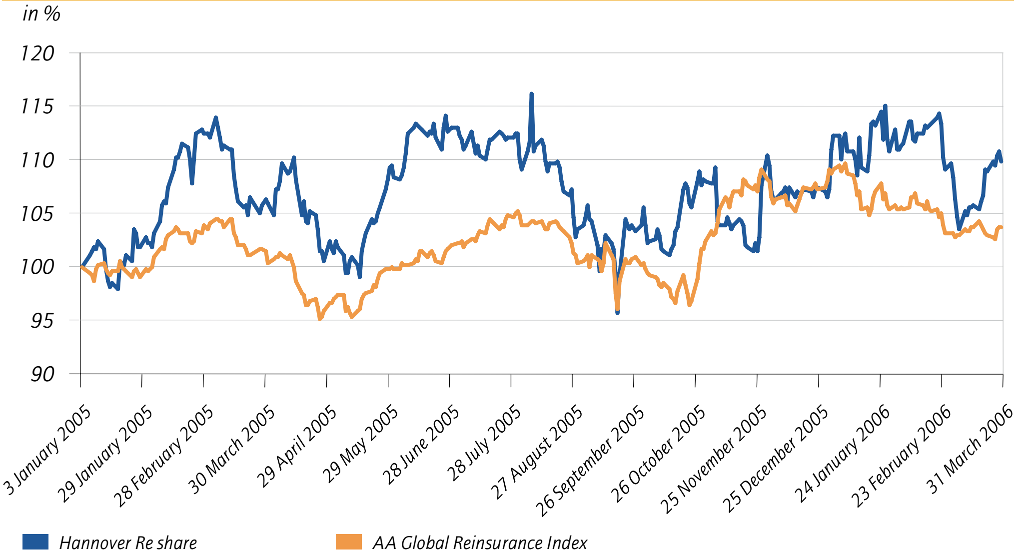
Performance of the Hannover Re share compared with standard benchmark indices



In the first quarter of the current market year the Hannover Re share nevertheless performed better than our internal benchmark, the weighted "ABN Amro Rothschild Global Reinsurance Index": our share had outperformed the index by 5.6 percentage points as at the end of the quarter.

Analysts currently put the price target for the Hannover Re share at around EUR 37 on average, i.e. about 20% higher than the closing price for the quarter. Given its present price of roughly EUR 30, the price/earnings (P/E) ratio based on the consensus profit estimate for 2006 is around 8. As at 31 March 19 of the 33 analysts listed in Bloomberg (i.e. 57.6%) recommended the Hannover Re share as a "buy".

The Hannover Re share in comparison with the ABN Amro Rothschild Global Reinsurance Index



The ABN Amro Rothschild Global Reinsurance Index combines all listed reinsurers worldwide. Our strategic objective is to achieve an increase in the share price which on a three-year moving average surpasses the performance of this benchmark.

Share information

Figures in EUR	31.3.2006	2005	2004	2003 [1]	2002 [1]	2001 [1]
Earnings per share (diluted)	0.88	0.41	2.32	3.24	2.75	0.11
Dividend per share	–	–	1.00	0.95	0.85	–
Corporation-tax credit	–	–	–	–	–	–
Gross dividend	–	–	1.00	0.95	0.85	–

[1] *US GAAP*

International Securities Identification Number (ISIN):	DE 000 840 221 5
Shareholding structure:	Talanx AG: 50.2% Free float: 49.8%
Common shares as at 31 March 2006:	EUR 120,597,134.00
Number of shares as at 31 March 2006:	120,597,134 no-par-value registered shares
Market capitalisation as at 31 March 2006:	EUR 3,691.5 million

MANAGEMENT REPORT

Business development

All in all, we are highly satisfied with the progress of the first quarter of 2006. All four business groups developed according to plan, and the results recorded to date therefore establish a solid foundation for achieving our profit target for the full financial year.

Gross written premium in total business amounted to EUR 2.8 billion (EUR 2.6 billion) as at 31 March 2006; this corresponds to growth of 8.9% compared to the same period of the previous year. Exchange-rate movements had a positive effect of 6.5%. The level of retained premium climbed by a modest 3.0 percentage points to 87.3%, causing net premium to rise by a more marked 12.2% to EUR 2.0 billion (EUR 1.8 billion).

The performance of our investments was satisfactory overall, although the rise in interest rates on fixed-income securities took a toll on our unrealised gains. Our portfolio of self-managed assets grew to EUR 19.3 billion. Net investment income improved by 2.3 % to EUR 245.2 million (EUR 239.8 million) on the basis of a 36.0 % surge in the income from self-managed assets and a simultaneous decline in interest on deposits.

The operating profit (EBIT) was boosted by a very healthy 38.6% to EUR 214.3 million (EUR 154.6 million). Due to a somewhat higher tax load than in the same period of the previous year Group net income as at 31 March 2006 improved by a less appreciable 7.6% to EUR 105.7 million (EUR 98.3 million). Earnings of EUR 0.88 (EUR 0.81) per share were generated, corresponding to an annualised return on equity of 16.2%.

As part of our pro-active approach to capital management we have used securitisations – i.e. the transfer of insurance risks to the capital market – as an equity substitute for many years. This enables us to keep our cost of capital low and return on equity high. In 2006 we concluded another such transaction – referred to as "K5" – which represents a capital substitute of USD 414 million for Hannover Re. "K5" is thus our largest-volume risk securitisation to date. By way of this transaction we are also providing against shortages and rising prices on the retrocession markets and safeguarding the underwriting capacity needed to share in the profitable market opportunities that will present themselves in the coming years. The portfolio underlying the "K5" securitisation consists of non-proportional property catastrophe, aviation and marine (including offshore) reinsurance risks.

Our financial strength continues to be very good. Shareholders' equity increased by around EUR 18 million compared to the position as at 31 December 2005 to reach EUR 2.6 billion. The policyholders' surplus, comprised of shareholders' equity, minority interests and hybrid capital, also grew by 1.0% to EUR 4.6 billion (EUR 4.6 billion).

Property and casualty reinsurance

The treaty renewals as at 1 January 2006 – the date when roughly two-thirds of our business was renewed – passed off highly satisfactorily. Although not all our expectations were realised, we were again able to improve on the already very high level of rates in many areas of the portfolio.

The extraordinarily intense hurricane season of the previous year was the primary factor in preserving a favourable market climate for reinsurers in the USA. Higher rates were pushed through, especially in programmes that had been impacted by the hurricanes; the increases here averaged 50%, although in some instances they exceeded 100%. The development of the other segments was also highly satisfactory, with average rate rises of 5% to 10%.

The updating of pricing models to reflect the insights gained from the hurricanes also played a part in the positive rate trend: the market accepted the adjustment of quotation models to include loadings for components that had previously been disregarded or inadequately modelled, such as cyclical climate fluctuations, flood and inundation damage, business interruption losses or demand-driven price rises for restorative and remedial services. In addition to revising our models, we also scaled back our peak exposures – in some cases significantly so – as at 1 January.

Gross written premium totalled EUR 1.4 billion (EUR 1.3 billion) as at 31 March 2006; this corresponded to an increase of 6.3%. At constant exchange rates, especially against the US dollar, growth would have come in at 1.4%. The level of retained premium increased by 1.2% to 88.4%. Net premium earned surged 19.2% to EUR 1.0 billion (EUR 0.9 billion).

Key figures for property and casualty reinsurance

Figures in EUR million	2006		2005
	1.1.–31.3.	+/- previous year	1.1.–31.3.
Gross written premium	1 418.7	+6.3%	1 335.3
Net premium earned	1 014.7	+19.2%	851.4
Underwriting result	14.8	(45.4%)	27.1
Net investment income	113.2	+33.1%	85.1
Operating profit (EBIT)	121.9	+55.6%	78.4
Group net income	60.7	+11.4%	54.5
Earnings per share in EUR	0.51	+13.3%	0.45
Retention	88.4%		87.2%
Combined ratio	98.5%		96.8%

On the claims side the first quarter developed in line with our expectations. A number of major losses were incurred, including a satellite loss, one fire and one marine claim and cyclone "Larry", which caused considerable damage in Queensland, Australia. The total burden for net account was EUR 40.0 million. This figure is equivalent to 3.9% of net premium in property and casualty reinsurance and is hence well below the multi-year average of 8% – a promising starting-point for the full financial year. The combined ratio stood at 98.5% (96.8%) and reflects a conservative and risk adjusted reserving of the first quarter.

The results trend in property and casualty reinsurance was most gratifying: the operating profit (EBIT) improved by 55.6% to EUR 121.9 million (EUR 78.4 million). Group net income as at 31 March 2006 amounted to EUR 60.7 million (EUR 54.5 million), a rise of 11.4%. Earnings of EUR 0.51 (EUR 0.45) per share were generated.

Life and health reinsurance

Developments in life and health reinsurance in the first quarter of 2006 were very much as expected. We again enlarged our premium volume: growth impetus derived primarily from the European markets – including for example from the United Kingdom where Hannover Re wrote particularly strong new business in the area of annuity insurance. Broadly speaking, the demographic trend continues to be the driver of growth in annuity and health insurance. With this in mind we consider Germany, in particular, to be a highly promising market for the future, since – unlike in the Anglo-Saxon markets – products for senior citizens are still underrepresented here. This optimism remains justified even though, in the current interest rate environment, enhanced annuities cannot as yet be designed as attractively as we would like on the pricing side.

In addition to the enhanced annuities segment, our focus in Europe is on expanding our activities in the bancassurance sector. The American market continued to be dominated by steady growth in senior citizens' products and high-value financing transactions.

Gross written premium as at 31 March 2006 totalled EUR 605.7 million (EUR 541.4 million), an increase of 11.9%. At constant exchange rates growth would have come in at 6.6%. Net premium earned rose by a less marked 3.4% to EUR 525.8 million (EUR 508.4 million) due to a reduction of 6.8 percentage points in the retention to 87.7% (94.5%).

All in all, life and health reinsurance got off to a satisfactory start in the first three months. The results built on the very good performance of the comparable period in the previous year.

The operating profit (EBIT) edged up 1.3% to EUR 25.9 million (EUR 25.6 million). Group net income as at 31 March 2006 contracted by 19.8% to EUR 14.0 million (EUR 17.5 million), producing earnings of EUR 0.12 (EUR 0.14) per share. The appreciable decrease can be attributed primarily to higher minority interests. We nevertheless continue to anticipate significantly improved profitability for the full financial year.

Key figures for life and health reinsurance

Figures in EUR million	2006		2005
	1.1.–31.3.	+/- previous year	1.1.–31.3.
Gross written premium	605.7	+11.9%	541.4
Net premium earned	525.8	+3.4%	508.4
Net investment income	63.3	+5.9%	59.7
Operating profit (EBIT)	25.9	+1.3%	25.6
Group net income	14.0	(19.8%)	17.5
Earnings per share in EUR	0.12	(14.3%)	0.14
Retention	87.7%		94.5%
EBIT margin [1]	4.9%		5.0%

[1] *Operating profit (EBIT) / net premium earned*

For the 2005 financial year we are for the first time reporting the "European Embedded Value" (EEV). This replaces the calculation of the value of in-force business and constitutes an actuarial valuation of the life and health (re)insurance portfolio. The EEV for Hannover Re amounts to EUR 1.3 billion (EUR 1.2 billion), a highly gratifying increase of 8.2% compared to 2004. Both the business and the profitability have developed favourably; the operating embedded value earnings amounted to EUR 112.5 million, while the value of new business totalled EUR 84.7 million. Further details are provided on our website.

Financial reinsurance

The development of financial reinsurance in the first quarter gave grounds for considerable satisfaction. Particularly notable, as in the previous year, was the further expansion of our business in Eastern European and Asian markets. Other regions saw business begin to pick up again towards the end of the previous year after several quarters of declining interest in financial reinsurance products. This tendency was sustained in the first quarter of 2006. Above all, a resurgence in demand for surplus relief contracts could be observed. The majority of our clients for such solutions are mutual insurers or privately owned insurance companies that do not have access to the capital market.

Key figures for financial reinsurance

Figures in EUR million	2006		2005
	1.1.–31.3.	+/- previous year	1.1.–31.3.
Gross written premium	450.1	+27.2%	353.8
Net premium earned	237.5	+20.8%	196.7
Net investment income	32.1	(54.2%)	70.1
Operating profit (EBIT)	27.5	+7.2%	25.6
Group net income	19.1	+6.8%	17.9
Earnings per share in EUR	0.16	+6.7%	0.15
Retention	96.0%		86.6%
EBIT margin [1]	11.6%		13.0%

[1] *Operating result (EBIT)/net premium earned*

Gross written premium in financial reinsurance surged to EUR 450.1 million (EUR 353.8 million) as at 31 March 2006, a significant rise of 27.2% compared to the same quarter of the previous year. At constant exchange rates growth would have amounted to 18.7%. The level of retained premium climbed 9.4 percentage points to 96.0% (86.6%). Net premium earned increased by 20.8% to EUR 237.5 million (EUR 196.7 million).

The operating profit (EBIT) grew by 7.2% to EUR 27.5 million (EUR 25.6 million). Group net income improved 6.8% on the corresponding quarter of the previous year to reach EUR 19.1 million (EUR 17.9 million). This was equivalent to earnings of EUR 0.16 (EUR 0.15) per share.

Specialty insurance

In the first quarter of 2006 we fundamentally reorganised our specialty business with a view to maximising the value of this business group: the specialty insurance that constitutes the strategic focus of our activities was assumed by the newly established Praetorian Financial Group, Inc. Responsibility for these activities had previously been borne by Clarendon Insurance Group, Inc., which will now concentrate on the professional management of the expired programs as well as commodity business.

As early as 1 January 2006 we were already able to reap the first rewards of this systematic orientation towards specialty business. As at this date we wrote numerous new programs with a premium volume in US dollars running comfortably into the triple-digit millions.

The current state of the US primary insurance market is highly advantageous owing to the effects of last year's hurricanes, and we therefore also renewed profitable programs in commodity business on an opportunistic basis.

The gross premium volume grew by 23.7% to EUR 520.5 million (EUR 420.8 million). At constant exchange rates growth would have amounted to 12.8%. The level of retained premium decreased by 3.6 percentage points to

49.7% (53.3%). Net premium contracted by 5.8% to EUR 213.2 million (EUR 226.4 million).

The results as at 31 March 2006 were highly satisfactory: they clearly show that we are well on the way to bringing the specialty insurance business group back onto the right track.

The combined ratio improved on the figure for the same period of the previous year to a very good 91.6% (96.0%). The operating profit (EBIT) consequently increased by a sizeable 83.2% to EUR 28.8 million (EUR 15.7 million). Group net income climbed 49.2% as at 31 March 2006 to EUR 18.7 million (EUR 12.5 million), generating earnings of EUR 0.16 (EUR 0.10) per share.

Key figures for specialty insurance

Figures in EUR million	2006		2005
	1.1.–31.3.	+/- previous year	1.1.–31.3.
Gross written premium	520.5	+23.7%	420.8
Net premium earned	213.2	(5.8%)	226.4
Underwriting result	17.9	+98.7%	9.0
Net investment income	21.1	+204.6%	6.9
Operating profit (EBIT)	28.8	+83.2%	15.7
Group net income	18.7	+49.2%	12.5
Earnings per share in EUR	0.16	+60.0%	0.10
Retention	49.7%		53.3%
Combined ratio	91.6%		96.0%

Net investment income

Spearheaded by European markets, the international stock indices maintained their good performance of the previous year in the first quarter. The situation on US and European bond markets, however, was notable for sharp yield increases in virtually all durations along the yield curve. Despite the largely neutral posture of our bond portfolio, our results came in on target as at 31 March 2006. In the area of fixed-income securities we continue to attach our primary emphasis to high quality.

The sustained strong inflow of cash in the first quarter more than offset the effects associated with the rise in yields on international bond markets and the repercussions of a considerably stronger dollar than at year-end 2005, with the result that our assets under own management grew to EUR 19.3 billion – a rise of 1.2% relative to the position as at the end of the previous year.

Ordinary income excluding interest on deposits jumped 38.1% to EUR 193.8 million, following EUR 140.3 million in the comparable reporting period. This was attributable principally to the sharp surge (19.4%) in self-managed assets in 2005. The rise in interest rates in our main currency areas eroded the unrealised gains in our portfolio of fixed-income securities. Profits on the disposal of investments totalled EUR 22.3 million (EUR 20.6 million), as against realised losses of EUR 13.1 million (EUR 7.3 million). The write-downs taken on securities were again merely minimal at EUR 3.6 million, compared to EUR 2.1 million in the same period of the previous year. Interest on deposits again came in lower, and net investment income consequently improved on the comparable reporting period by a mere 2.3% to EUR 245.2 million (EUR 239.8 million).

Outlook for the full 2006 financial year

In view of the attractive market opportunities that are opening up to us – especially in property and casualty as well as in life and health reinsurance – we are looking forward to a very good 2006 financial year.

Conditions in *property and casualty reinsurance* remain favourable, and the "hard" market has been sustained. This has been further reinforced by the outcome of the treaty renewals for Japan as at 1 April 2006. Prices for windstorm risks, in particular, again moved higher. This favourable trend was assisted in part by the recalibration of pricing models to factor in the insights gained from last year's hurricanes. In this key Asian market for our company we are looking at growth of between 10% and 15%.

For the upcoming renewal phases, too, (1 June/July, 1 October) it is our assumption that market conditions will show further significant improvement. Against the backdrop of considerably higher prices on the retrocession market we are increasingly looking to other ways of limiting our risk, such as structured covers or securitisations. Bearing in mind that we have also reduced our exposures for catastrophe risks, we have put our portfolio on a highly profitable footing.

Despite scaling back our peak risks – especially in the USA –, we expect premium income roughly on the level of the previous year. Provided the burden of major losses is within the bounds of the multi-year average of 8% of net premium, a very good profit contribution can be anticipated.

In *life and health reinsurance* growth impetus is expected from the European markets. Overall, we anticipate double-digit increases in both the premium volume and the result. As things currently stand, our goal of generating an EBIT margin of 5% can be attained in the year under review.

We anticipate growing demand for our products in *financial reinsurance*. Overall premium growth should be able to reach double-digits in percentage terms. The contribution to Group net income is again likely to be most attractive.

In the *specialty insurance* business group we shall again be keeping a particularly close eye on profitability in 2006; a positive result comfortably in excess of the cost of capital is expected.

The anticipated favourable underwriting cash flow will likely lead to further growth in the total asset volume. If interest rates rise slightly investment income should also increase again. Overall, net investment income is expected to come in higher.

In light of the expected development of our business groups and the economic environment, we are absolutely on course to post a very good result for the full 2006 financial year. Assuming that the burden of major losses is in line with the multi-year average and that there are no unexpectedly adverse movements on capital markets, an excellent result should be possible in the current year: we expect to generate a return on equity of at least 15% in the 2006 financial year. Our aim is to pay a dividend in the range of 35% to 40% of Group net income.

CONSOLIDATED BALANCE SHEET
as at 31 March 2006

Figures in EUR thousand	2006	2005
Assets	31.3.	31.12.
Fixed-income securities – held to maturity	429 397	458 717
Fixed-income securities – loans and receivables	783 735	745 982
Fixed-income securities – available for sale	14 576 746	14 383 176
Fixed-income securities – at fair value through profit or loss	88 982	88 111
Equity securities – available for sale	1 397 677	1 213 291
Equity securities – at fair value through profit or loss	9 934	–
Trading	23 850	22 834
Real estate	193 935	198 122
Investments in associated companies	171 223	170 414
Other invested assets	574 070	563 493
Short-term investments	742 211	769 758
Cash	319 685	465 161
Total investments and cash under own management	19 311 445	19 079 059
Funds held	8 291 358	8 169 282
Contract deposits	658 937	278 028
Total investments	28 261 740	27 526 369
Reinsurance recoverables on unpaid claims	4 534 666	4 739 026
Reinsurance recoverables on benefit reserve	169 506	94 089
Prepaid reinsurance premium	363 997	463 528
Reinsurance recoverables on other technical reserves	4 632	19 436
Deferred acquisition costs	2 341 467	2 228 501
Accounts receivable	4 052 209	3 367 105
Goodwill	197 139	193 098
Deferred tax assets	930 583	881 765
Other assets	281 004	269 000
Accrued interest and rent	7 354	7 290
	41 144 297	39 789 207

Figures in EUR thousand	2006	2005
Liabilities	**31.3.**	**31.12.**
Loss and loss adjustment expense reserve	19 946 923	20 210 041
Benefit reserves	5 799 055	5 779 169
Unearned premium reserve	2 337 839	1 977 570
Provisions for contingent commissions	236 036	190 551
Funds held	1 778 709	1 135 479
Contract deposits	2 595 728	2 442 952
Reinsurance payable	1 610 240	1 139 843
Provisions for pensions	58 930	57 626
Taxes	157 861	135 678
Provision for deferred taxes	1 673 009	1 670 876
Other liabilities	232 496	346 404
Long-term liabilities	1 512 084	1 545 531
Total liabilities	37 938 910	36 631 720
Shareholders' equity		
Common shares	120 597	120 597
Nominal value 120 597 Authorised capital 60 299		
Additional paid-in capital	724 562	724 562
Common shares and additional paid-in capital	845 159	845 159
Cumulative other comprehensive income		
Unrealised gains and losses on investments	170 816	225 391
Cumulative foreign currency translation adjustment	32 139	64 934
Other changes in cumulative other comprehensive income	(1 517)	(1 582)
Total other comprehensive income	201 438	288 743
Retained earnings	1 572 863	1 467 132
Shareholders' equity before minorities	2 619 460	2 601 034
Minority interests	585 927	556 453
Total shareholders' equity	3 205 387	3 157 487
	41 144 297	39 789 207

CONSOLIDATED STATEMENT OF INCOME
for the period 1 January to 31 March 2006

Figures in EUR thousand	2006	2005
	1.1.–31.3.	1.1.–31.3.
Gross written premium	2 849 166	2 617 265
Ceded written premium	362 429	410 919
Change in gross unearned premium	(400 345)	(384 626)
Change in ceded unearned premium	(88 296)	(40 985)
Net premium earned	1 998 096	1 780 735
Ordinary investment income	193 759	140 321
Profit/loss from investments in associated companies	322	(255)
Income/expense on funds withheld and contract deposits	52 197	97 917
Realised gains on investments	22 313	20 643
Realised losses on investments	13 133	7 260
Unrealised gains and losses on investments	7 733	4 694
Total depreciation, impairments and appreciation of investments	5 081	3 711
Other investment expenses	12 869	12 527
Net investment income	245 241	239 822
Other technical income	199	3 721
Total revenues	2 243 536	2 024 278
Claims and claims expenses	1 327 026	1 234 139
Change in benefit reserves	65 349	54 813
Commission and brokerage, change in deferred acquisition costs	529 763	454 157
Other acquisition costs	7 574	7 484
Other technical expenses	13 746	16 864
Administrative expenses	60 944	57 780
Total technical expenses	2 004 402	1 825 237
Other income and expenses	(24 840)	(44 451)
Operating profit/loss (EBIT)	214 294	154 590
Interest on hybrid capital	20 540	16 227
Net income before taxes	193 754	138 363
Taxes	63 397	27 570
Net income	130 357	110 793
thereof		
Minority interest in profit and loss	24 626	12 507
Group net income	105 731	98 286
Earnings per share		
Earnings per share in EUR	0.88	0.81

CONSOLIDATED STATEMENT
of changes in shareholders' equity 2006

Figures in EUR thousand	Common shares	Additional paid-in capital	Other reserves (cumulative other comprehensive income)			Retained earnings	Minority interests	Shareholders' equity
			Currency translation	Unrealised gains/losses	Other			
Balance as at 1.1.2005	120 597	724 562	(41 409)	190 389	(1 597)	1 532 611	531 328	3 056 481
Capital increases/ additions	–	–	–	–	–	–	1 714	1 714
Capital repayments	–	–	–	–	–	–	(1 479)	(1 479)
Changes without effect on income	–	–	43 225	(31 888)	(2 090)	–	4 637	13 884
Dividends paid	–	–	–	–	–	–	(19 466)	(19 466)
Net income	–	–	–	–	–	98 286	12 507	110 793
Balance as at 31.3.2005	120 597	724 562	1 816	158 501	(3 687)	1 630 897	529 241	3 161 927
	–	–	–	–	–	–	–	–
Balance as at 1.1.2006	120 597	724 562	64 934	225 391	(1 582)	1 467 132	556 453	3 157 487
Capital increases/ additions	–	–	–	–	–	–	14 130	14 130
Capital repayments	–	–	–	–	–	–	(1 307)	(1 307)
Changes without effect on income	–	–	(32 795)	(54 575)	65	–	1 510	(85 795)
Dividends paid	–	–	–	–	–	–	(9 485)	(9 485)
Net income	–	–	–	–	–	105 731	24 626	130 537
Balance as at 31.3.2006	120 597	724 562	32 139	170 816	(1 517)	1 572 863	585 927	3 205 387

CONSOLIDATED CASH FLOW STATEMENT
as at 31 March 2006

Figures in EUR thousand	2006	2005
	1.1.–31.3.	1.1.–31.3.
I. Cash flow from operating activities		
Net income	130 357	110 793
Appreciation/depreciation	8 661	6 294
Net realised gains and losses on investments	(9 180)	(13 383)
Amortisation of investments	318	2 290
Changes in funds held	436 164	(11 936)
Net changes in contract deposits	(215 502)	(7 705)
Changes in prepaid reinsurance premium (net)	488 641	424 483
Changes in tax assets/provisions for taxes	45 251	2 045
Changes in benefit reserves (net)	7 069	1 889
Changes in claims reserves (net)	192 869	(44 984)
Changes in deferred acquisition costs	(135 708)	(103 993)
Changes in other technical provisions	63 604	22 106
Changes in clearing balances	(254 790)	(67 227)
Changes in other assets and liabilities (net)	(92 442)	107 535
Cash flow from operating activities	665 312	428 207
II. Cash flow from investing activities		
Fixed-income securities – held to maturity		
Maturities	42 235	10 226
Purchases	(16 875)	(18 751)
Fixed-income securities – loans and receivables		
Maturities, sales	–	290 578
Purchases	(41 839)	(276 142)
Fixed-income securities – available for sale		
Maturities, sales	1 978 037	1 423 004
Purchases	(2 644 156)	(1 695 622)
Fixed-income securities – at fair value through profit or loss		
Maturities, sales	2 368	2 992
Purchases	(2 643)	(3 778)
Equity securities – available for sale		
Sales	63 074	12 307
Purchases	(141 817)	(14 058)
Other trading securities		
Sales	–	2 855
Purchases	(10 000)	–

Figures in EUR thousand	2006	2005
	1.1.–31.3.	1.1.–31.3.
Other invested assets		
Sales	17 877	14 565
Purchases	(31 979)	(23 026)
Affiliated companies and participating interests		
Sales	2 801	415
Purchases	(11 008)	(20)
Real estate		
Sales	771	–
Purchases	(144)	(51)
Short-term investments		
Changes	18 129	(114 413)
Other changes (net)	(2 151)	(9 213)
Cash flow from investing activities	(777 320)	(398 132)
III. Cash flow from financing activities		
Contribution from capital measures	12 823	284
Dividends paid	(9 485)	(19 466)
Proceeds from long-term debts	1 571	–
Repayment of long-term debts	(31 707)	(275)
Cash flow from financing activities	(26 798)	(19 457)
IV. Exchange rate differences on cash	(6 670)	11 258
Change in cash and cash equivalents (I.+II.+III.+IV.)	(145 476)	21 876
Cash and cash equivalents at the beginning of the period	465 161	481 051
Change in cash and cash equivalents according to cash flow statement	(145 476)	21 876
Cash and cash equivalents at the end of the period	319 685	502 927
Income taxes	(8 882)	(18 095)
Interest paid	(77 715)	(97 273)

SEGMENTAL REPORT
as at 31 March 2006

Hannover Re's segmental report is based on IAS 14 "Segment Reporting" and on the principles set out in German Accounting Standard No. 3 "Segment Reporting" (DRS 3) of the German Standards Council, supplemented by the requirements of DRS 3-20 "Segment Reporting of Insurance Enterprises".

The segments are shown after consolidation of internal transactions within the individual segment, but before consolidation across the segments. This is reported separately in the "Consolidation" column.

Segmentation of assets

Figures in EUR thousand	Property/casualty reinsurance		Life/health reinsurance	
	2006	2005	2006	2005
	31.3.	31.12.	31.3.	31.12.
Assets				
Held to maturity	292 902	324 208	25 946	22 349
Loans and receivables	510 639	476 725	44 463	40 219
Available for sale	10 399 837	10 065 983	1 764 605	1 713 446
At fair value through profit or loss	52 280	52 564	35 519	34 338
Trading	15 186	15 345	8 169	6 974
Other invested assets	882 256	881 565	56 950	49 695
Short-term investments	294 405	336 110	279 356	166 824
Cash	181 769	277 828	42 852	47 342
Total investments and cash under own management	12 629 274	12 430 328	2 257 860	2 081 187
Funds held by ceding companies	213 781	206 646	6 626 207	6 497 292
Contract deposits	–	–	658 051	278 028
Total investments	12 843 055	12 636 974	9 542 118	8 856 507
Reinsurance recoverables on unpaid claims	2 170 411	2 178 090	106 556	107 100
Reinsurance recoverables on benefit reserves	–	–	169 506	94 089
Prepaid reinsurance premium	130 250	131 957	3 714	950
Reinsurance recoverables on other reserves	(785)	(1 087)	5 417	5 353
Deferred acquisition costs	280 991	262 885	1 899 682	1 860 294
Accounts receivable	1 893 753	1 370 080	546 224	732 734
Other assets in the segment	2 280 297	2 234 829	183 578	167 942
Total	19 597 972	18 813 728	12 456 795	11 824 969

Financial reinsurance		Specialty insurance		Consolidation		Total	
2006	2005	2006	2005	2006	2005	2006	2005
31.3.	31.12.	31.3.	31.12.	31.3.	31.12.	31.3.	31.12.
79 361	81 375	–	–	31 188	30 785	429 397	458 717
96 995	96 376	–	–	131 638	132 662	783 735	745 982
1 153 020	1 136 026	1 949 851	1 912 719	707 110	768 293	15 974 423	15 596 467
11 117	1 209	–	–	–	–	98 916	88 111
495	515	–	–	–	–	23 850	22 834
19	63	3	706	–	–	939 228	932 029
73 927	161 173	94 423	105 509	100	142	742 211	769 758
9 161	12 655	77 427	118 256	8 476	9 080	319 685	465 161
1 424 095	1 489 392	2 121 704	2 137 190	878 512	940 962	19 311 445	19 079 059
1 529 846	1 455 396	11 051	12 086	(89 527)	(2 138)	8 291 358	8 169 282
886	–	–	–	–	–	658 937	278 028
2 954 827	2 944 788	2 132 755	2 149 276	788 985	938 824	28 261 740	27 526 369
141 364	141 950	2 538 982	2 738 741	(422 647)	(426 855)	4 534 666	4 739 026
–	–	–	–	–	–	169 506	94 089
1 882	383	368 139	390 253	(139 988)	(60 015)	363 997	463 528
–	–	–	15 170	–	–	4 632	19 436
49 811	6 358	110 983	98 964	–	–	2 341 467	2 228 501
368 488	305 422	1 332 485	1 006 901	(88 741)	(48 032)	4 052 209	3 367 105
37 950	50 527	173 551	165 874	(1 259 296)	(1 268 019)	1 416 080	1 351 153
3 554 322	3 449 428	6 656 895	6 565 179	(1 121 687)	(864 097)	41 144 297	39 789 207

SEGMENTAL REPORT
as at 31 March 2006

segmentation of technical and other liabilities

Figures in EUR thousand	Property/casualty reinsurance		Life/health reinsurance	
	2006	2005	2006	2005
	31.3.	31.12.	31.3.	31.12.
Liabilities				
Loss and loss adjustment expense reserves	12 543 128	12 513 061	1 282 797	1 284 403
Benefit reserves	–	–	5 799 055	5 779 169
Unearned premium reserves	1 400 050	1 181 376	28 908	21 057
Provision for contingent commissions	125 001	119 164	41 442	36 439
Funds held under reinsurance contracts	499 745	472 497	843 710	297 910
Contract deposits	–	–	2 442 576	2 287 462
Reinsurance payable	778 353	415 907	181 173	261 138
Long-term liabilities	73 725	107 432	–	–
Other liabilities in the segment	1 457 998	1 492 279	1 144 059	1 150 229
Total	16 878 000	16 301 716	11 763 720	11 117 807

Financial reinsurance		Specialty insurance		Consolidation		Total	
2006	2005	2006	2005	2006	2005	2006	2005
31.3.	31.12.	31.3.	31.12.	31.3.	31.12.	31.3.	31.12.
2 732 324	2 789 737	3 808 460	4 051 892	(419 786)	(429 052)	19 946 923	20 210 041
–	–	–	–	–	–	5 799 055	5 779 169
261 329	68 613	786 176	769 691	(138 624)	(63 167)	2 337 839	1 977 570
54 703	34 948	14 890	–	–	–	236 036	190 551
31 747	25 707	493 098	339 365	(89 591)	–	1 778 709	1 135 479
153 152	155 490	–	–	–	–	2 595 728	2 442 952
99 808	108 495	628 543	400 915	(77 637)	(46 612)	1 610 240	1 139 843
–	–	66 940	67 602	1 371 419	1 370 497	1 512 084	1 545 531
166 658	220 240	808 885	887 386	(1 455 304)	(1 539 550)	2 122 296	2 210 584
3 499 721	3 403 230	6 606 992	6 516 851	(809 523)	(707 884)	37 938 910	36 631 720

SEGMENTAL REPORT
as at 31 March 2006

Segmental statement of income

Figures in EUR thousand	Property/casualty reinsurance		Life/health reinsurance	
	2006	2005	2006	2005
	1.1.–31.3.	1.1.–31.3.	1.1.–31.3.	1.1.–31.3.
Gross written premium	1 418 737	1 335 337	605 685	541 408
thereof				
From insurance business with other segments	22 953	30 311	(2 310)	2 573
From insurance business with external third parties	1 395 784	1 305 026	607 995	538 835
Net premium earned	1 014 705	851 437	525 754	508 356
Net investment income	113 226	85 057	63 254	59 725
Claims and claims expenses	744 780	628 718	337 856	315 978
Change in benefit reserves	–	–	65 349	54 813
Commission and brokerage, change in deferred acquisition costs and other technical income/expenses	230 092	170 101	141 423	156 208
Administrative expenses	25 069	25 565	15 205	14 048
Other income and expenses	(6 080)	(33 748)	(3 231)	(1 412)
Operating profit/loss (EBIT)	121 910	78 362	25 944	25 622
Interest on hybrid capital	–	–	–	–
Net income before taxes	121 910	78 362	25 944	25 622
Taxes	42 437	14 657	8 425	6 894
Net income	79 473	63 705	17 519	18 728
thereof				
Minority interest in profit and loss	18 733	9 174	3 510	1 251
Group net income	60 740	54 531	14 009	17 477

Financial reinsurance		Specialty insurance		Consolidation		Total	
2006	2005	2006	2005	2006	2005	2006	2005
1.1.–31.3.	1.1.–31.3.	1.1.–31.3.	1.1.–31.3.	1.1.–31.3.	1.1.–31.3.	1.1.–31.3.	1.1.–31.3.
450 132	353 835	520 485	420 769	(145 873)	(34 084)	2 849 166	2 617 265
–	–	–	–	–	–	–	–
125 230	1 200	–	–	(145 873)	(34 084)	–	–
324 902	352 635	520 485	420 769	–	–	2 849 166	2 617 265
237 471	196 653	213 194	226 361	6 972	(2 072)	1 998 096	1 780 735
32 103	70 070	21 089	6 924	15 569	18 046	245 241	239 822
126 226	138 673	115 992	149 175	2 172	1 595	1 327 026	1 234 139
–	–	–	–	–	–	65 349	54 813
111 982	99 052	59 778	50 411	7 609	(988)	550 884	474 784
1 678	1 407	19 518	17 765	(526)	(1 005)	60 944	57 780
(2 210)	(1 948)	(10 149)	(187)	(3 170)	(7 156)	(24 840)	(44 451)
27 478	25 643	28 846	15 747	10 116	9 216	214 294	154 590
–	–	1 305	–	19 235	16 227	20 540	16 227
27 478	25 643	27 541	15 747	(9 119)	(7 011)	193 754	138 363
6 022	5 702	8 846	3 215	(2 333)	(2 898)	63 397	27 570
21 456	19 941	18 695	12 532	(6 786)	(4 113)	130 357	110 793
2 383	2 082	–	–	–	–	24 626	12 507
19 073	17 859	18 695	12 532	(6 786)	(4 113)	105 731	98 286

Our secondary segmental reporting for the investments and gross written premium is based upon regional origin.

Investments [1]

Figures in EUR thousand	2006	2005
	31.3.	31.12.
Total investments excluding cash		
Germany	5 236 649	5 138 837
United Kingdom	1 033 129	1 003 165
France	938 089	989 583
Other	2 336 948	2 093 018
Europe	9 544 815	9 224 603
USA	7 663 311	7 677 451
Other	591 936	571 724
North America	8 255 247	8 249 175
Asia	224 962	239 891
Australia	467 864	410 876
Australasia	692 826	650 767
Africa	280 454	245 946
Other	218 418	243 407
Total	18 991 760	18 613 898

Gross written premium [1]

Figures in EUR thousand	2006	2005
	1.1.–31.3.	1.1.–31.3.
Gross written premium		
Germany	503 896	544 457
United Kingdom	348 144	321 104
France	138 174	50 528
Other	289 611	362 108
Europe	1 279 825	1 278 197
USA	1 123 929	984 844
Other	104 480	91 279
North America	1 228 409	1 076 123
Asia	67 833	79 467
Australia	71 001	90 940
Australasia	138 834	170 407
Africa	102 870	52 999
Other	99 228	39 539
Total	2 849 166	2 617 265

[1] *After elimination of internal transactions within the Group across segments*

1. General reporting principles

The parent company Hannover Rückversicherung AG ("Hannover Re") and its subsidiaries (collectively referred to as the "Hannover Re Group") belong to Talanx AG, which in turn is wholly owned by HDI Haftpflichtverband der Deutschen Industrie V.a.G. (HDI). Hannover Re is obliged to prepare a consolidated financial statement and group management report in accordance with § 290 German Commercial Code (HGB). Furthermore, HDI is required by §§ 341 i et seq. German Commercial Code (HGB) to prepare consolidated annual accounts that include the annual financial statements of Hannover Re and its subsidiaries. Under § 291 Para. 3 No. 1 German Commercial Code (HGB), the consolidated annual accounts of the parent company do not release Hannover Re from its obligation to compile a consolidated financial statement.

The consolidated financial statement of Hannover Re was drawn up in full compliance with the International Financial Reporting Standards (IFRS) that are to be used within the European Union. This also applies to all figures provided in this report for previous periods. Since 2002 the standards adopted by the International Accounting Standards Board (IASB) have been referred to as IFRS; the standards dating from earlier years still bear the name "International Accounting Standards (IAS)". Standards are cited in our Notes accordingly; unless the Notes make explicit reference to a particular standard, both terms are used synonymously.

All standards adopted by the IASB as at 31 March 2006 with binding effect for the 2006 financial year have been observed in the consolidated financial statement.

The quarterly results of reinsurance enterprises, including those of Hannover Re, are for various reasons not a reliable indicator of the results for the financial year as a whole. Losses from natural disasters and other catastrophic losses impact the result of the reporting period in which they occur. Furthermore, belatedly reported claims for major loss events can also lead to substantial fluctuations in individual quarterly results. Gains and losses on the disposal of investments are accounted for in the quarter in which the investments are sold.

2. Accounting principles including major accounting policies

The quarterly accounts of the consolidated companies included in the consolidated financial statement were drawn up as at 31 March 2006.

In IFRS 4 "Insurance Contracts" the IASB published standards governing the accounting of insurance contracts that are also applicable to reinsurance contracts. It has divided the "Insurance Contracts" project into two phases. IFRS 4 represents the outcome of Phase I and is a transitional arrangement until the IASB defines the measurement of insurance contracts after completion of Phase II. Hannover Re has applied this standard. In conformity with these basic rules of IFRS 4 and the IFRS Framework, Hannover Re is availing itself of the option of retaining the previously used accounting policies for underwriting items (US GAAP).

We would also refer to the relevant information in the consolidated financial statement as at 31 December 2005.

3. Consolidated companies and consolidation principles

Consolidated companies

Effective 1 January 2006 Kaith Re Ltd., a Bermuda-based special purpose entity for the securitisation of reinsurance risks, was registered under the Segregated Accounts Act 2000, and since that date Hannover Re has held the majority interest in the company. The special purpose entity was also consolidated for the first time as at that date.

Hannover Euro Private Equity Partners IV GmbH & Co. KG was consolidated for the first time in the first quarter of 2006. Hannover Re and E+S Rück each hold shares of 36.8% in the company's capital. The company commenced business operations on 1 January 2006. Its purpose is to build, hold and manage an investment portfolio.

Capital consolidation

The capital consolidation complies with the standards of IAS 27 "Consolidated and Separate Financial Statements". Subsidiaries are consolidated as soon as Hannover Re acquires a majority voting interest or de facto controlling influence. The capital consolidation is based on the revaluation method. Under the "purchase accounting" method the purchase costs of the parent company are netted with the proportionate shareholders' equity of the subsidiary at the time when it is first included in the consolidated financial statement after the revaluation of all assets and liabilities. After recognition of all acquired intangible assets that in accordance with IFRS 3 "Business Combinations" are to be accounted for separately from goodwill, the difference between the revalued shareholders' equity of the subsidiary and the purchase price is recognised as goodwill. Under IFRS 3 scheduled amortisation is not taken on goodwill. Instead, unscheduled amortisation is taken where necessary on the basis of regular impairment tests. Immaterial and negative goodwill are recognised in the statement of income in the year of their occurrence.

Companies over which Hannover Re is able to exercise a controlling influence ("associated companies") are normally consolidated "at equity" with the proportion of the shareholders' equity attributable to the Group. A controlling influence is presumed to exist if a company belonging to the Hannover Re Group directly or indirectly holds at least 20% – but no more than 50% – of the voting rights. Income from investments in associated companies is recognised separately in the consolidated statement of income.

Where minority interests in shareholders' equity exist, such interests are reported separately within Group shareholders' equity in accordance with IAS 1 "Presentation of Financial Statements".

The minority interest in the result is a component of net income and is shown separately as a "thereof" note following net income. As at 31 March 2006 it amounted to EUR 24.6 million (EUR 12.5 million).

Debt consolidation

Receivables and liabilities between the companies included in the consolidated financial statement were offset against each other.

Consolidation of special purpose entities

The effects of business transactions within the Group were eliminated.

4. Notes on the individual items of the balance sheet and statement of income

4.1 Investments including income and expenses

Investments are classified and measured in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". Hannover Re classifies investments according to the following categories: held-to-maturity, loans and receivables, financial assets at fair value through profit or loss, held-for-trading and available-for-sale. The allocation and measurement of investments are determined by the investment intent.

Fixed-income securities classified as held to maturity as well as loans and receivables originated by the entity that are not listed on an active market or sold at short notice are measured at purchase cost – i. e. fair value including directly allocable transaction costs – plus amortised cost. The amortised cost derives from the difference between the nominal value and purchase cost and they are spread over the time to maturity of the fixed-income securities.

Fixed-income securities classified as available for sale are measured at fair value. The difference between the fair value and amortised cost is recognised outside the statement of income until realisation.

Financial assets at fair value through profit or loss and securities held for trading are measured at fair value. The difference between the fair value and amortised cost is recognised in the statement of income.

Securities whose fair value falls significantly or permanently below purchase cost are written down to current value and recognised in the statement of income.

The investments also include investments in associated companies, real estate used by third parties, short-term investments, cash and funds held. The other investments primarily consist of shares in private-equity limited partnerships.

For further details we would refer to the relevant information in the consolidated financial statement as at 31 December 2005.

Maturities of the fixed-income and variable-yield securities

Figures in EUR thousand	2006		2005	
	Cost or amortised cost	Fair value	Cost or amortised cost	Fair value
	31.3.	31.3.	31.12.	31.12.
Held to maturity				
due in one year	43 248	42 336	57 293	57 769
due after one through two years	34 687	35 507	49 301	51 086
due after two through three years	26 732	26 449	23 118	23 176
due after three through four years	10 132	10 375	–	–
due after four through five years	–	–	10 538	10 986
due after five through ten years	314 598	333 896	316 565	342 977
due after ten years	–	1 891	1 902	1 902
Total	429 397	450 454	458 717	487 896
Loans and receivables				
due in one year	36 117	36 790	37 417	37 579
due after one through two years	18 653	20 399	19 015	19 709
due after two through three years	24 176	25 033	24 609	26 934
due after three through four years	159 423	155 565	63 631	62 955
due after four through five years	28 734	27 277	127 626	126 003
due after five through ten years	483 201	466 332	436 778	435 410
due after ten years	33 431	28 750	36 906	36 766
Total	783 735	760 146	745 982	745 356
Available for sale				
due in one year	1 416 747	1 410 121	1 543 185	1 529 823
due after one through two years	1 619 855	1 582 741	1 419 412	1 397 314
due after two through three years	2 018 706	2 005 000	2 037 995	2 028 214
due after three through four years	1 487 080	1 455 570	1 638 228	1 617 552
due after four through five years	1 802 636	1 785 562	1 557 596	1 568 347
due after five through ten years	5 433 628	5 299 804	5 175 331	5 208 951
due after ten years	1 006 209	1 037 948	983 662	1 032 975
Total	14 784 861	14 576 746	14 355 409	14 383 176
Financial assets at fair value through profit or loss				
due in one year	54 511	54 511	51 319	51 319
due after one through two years	1 266	1 530	4 310	4 489
due after two through three years	982	1 108	828	939
due after three through four years	–	–	–	–
due after four through five years	–	–	–	–
due after five through ten years	–	–	–	–
due after ten years	31 839	31 833	31 722	31 364
Total	88 598	88 982	88 179	88 111

The stated maturities may in individual cases diverge from the contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

Floating-rate bonds (also known as "floaters") are shown under the maturities due in one year and constitute our interest-related, within-the-year reinvestment risk.

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as held to maturity as well as their fair value

31.3.2006

Figures in EUR thousand	Cost or amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Investments held to maturity					
Fixed-income securities					
Foreign government debt securities	–	–	–	–	–
Debt securities issued by semi-governmental entities	117 513	8 293	–	2 426	128 232
Corporate securities	273 128	12 919	810	8 375	293 612
Asset-backed securities	27 442	655	–	513	28 610
Total	418 083	21 867	810	11 314	450 454

31.12.2005

Figures in EUR thousand	Cost or amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Investments held to maturity					
Fixed-income securities					
Foreign government debt securities	20 948	117	–	–	21 065
Debt securities issued by semi-governmental entities	117 078	12 092	–	3 585	132 755
Corporate securities	263 719	16 125	153	8 574	288 265
Asset-backed securities	42 786	998	–	2 027	45 811
Total	444 531	29 332	153	14 186	487 896

Amortised cost, unrealised gains and losses and accrued interest
on loans and receivables as well as their fair value

31.3.2006

Figures in EUR thousand	Cost or amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Loans and receivables					
Debt securities issued by semi-governmental entities	226 215	512	7 700	5 662	224 689
Corporate securities	304 204	2 082	8 367	5 319	303 238
Asset-backed securities	238 040	1 406	11 522	4 295	232 219
Total	768 459	4 000	27 589	15 276	760 146

31.12.2005

Figures in EUR thousand	Cost or amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Loans and receivables					
Debt securities issued by semi-governmental entities	226 610	749	2 124	6 206	231 441
Corporate securities	304 674	2 546	2 131	8 540	313 629
Asset-backed securities	197 423	1 528	1 194	2 529	200 286
Total	728 707	4 823	5 449	17 275	745 356

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investment classified as available for sale as well as their fair value

31.3.2006					
Figures in EUR thousand	Cost or amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Available for sale					
Fixed-income securities					
Government debt securities of EU member states	1 040 238	4 979	15 876	16 323	1 045 664
US treasury notes	3 005 342	393	81 831	26 710	2 950 614
Other foreign government debt securities	329 787	2 282	2 929	2 189	331 329
Debt securities of semi-governmental entities	3 708 576	26 872	82 131	45 140	3 698 457
Corporate securities	4 227 522	39 690	81 431	62 323	4 248 104
Asset-backed securities	1 586 017	8 826	34 975	18 554	1 578 422
Investment funds	705 321	17 155	9 139	10 819	724 156
	14 602 803	100 197	308 312	182 058	14 576 746
Equity securities					
Shares	216 904	57 857	1 106	–	273 655
Investment funds	876 903	247 119	–	–	1 124 022
	1 093 807	304 976	1 106	–	1 397 677
Short-term investments	741 595	–	–	616	742 211
Total	16 438 205	405 173	309 418	182 674	16 716 634

31.12.2005

Figures in EUR thousand	Cost or amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Available for sale					
Fixed-income securities					
Government debt securities of EU member states	1 147 438	9 131	4 086	19 358	1 171 841
US treasury notes	3 087 349	8 171	35 992	32 381	3 091 909
Other foreign government debt securities	323 305	3 554	1 425	3 735	329 169
Debt securities of semi-governmental entities	3 471 957	37 331	39 336	40 520	3 510 472
Corporate securities	3 959 214	64 958	40 542	67 096	4 050 726
Asset-backed securities	1 495 295	16 600	13 658	19 014	1 517 251
Investment funds	678 483	23 061	–	10 264	711 808
	14 163 041	162 806	135 039	192 368	14 383 176
Equity securities					
Shares	192 338	46 572	999	–	237 911
Investment funds	820 565	154 815	–	–	975 380
	1 012 903	201 387	999	–	1 213 291
Short-term investments	769 160	–	–	598	769 758
Total	15 945 104	364 193	136 038	192 966	16 366 225

Fair value of financial assets at fair value through profit or loss before and after accrued interest as well as accrued interest on such financial assets

31.3.2006			
Figures in EUR thousand	**Fair value before accrued interest**	**Accrued interest**	**Fair value**
Financial assets at fair value through profit or loss			
Debt securities of semi-governmental entities	9 161	23	9 184
Corporate securities	75 031	578	75 609
Asset-backed securities	4 170	19	4 189
	88 362	620	88 982
Equity securities			
Investment funds	9 934	–	9 934
Total	98 296	620	98 916

31.12.2005			
Figures in EUR thousand	**Fair value before accrued interest**	**Accrued interest**	**Fair value**
Financial assets at fair value through profit or loss			
Debt securities of semi-governmental entities	8 799	183	8 982
Corporate securities	74 473	497	74 970
Asset-backed securities	4 140	19	4 159
	87 412	699	88 111
Equity securities			
Investment funds	–	–	–
Total	87 412	699	88 111

Fair value of the trading portfolio

As at 31 March 2006 Hannover Re's trading portfolio was comprised exclusively of technical derivatives in an amount of EUR 23.9 million (31 December 2005: EUR 22.8 million) that were separated from the underlying transaction and measured at fair value.

Investment income

Figures in EUR thousand	2006	2005
	31.3.	31.3.
Real estate	5 617	4 804
Dividends	3 457	1 865
Interest income on investments	178 912	131 739
Other income	5 773	1 913
Ordinary investment income	193 759	140 321
Profit or loss on shares in associated companies	322	(255)
Interest income on funds withheld and contract deposits	60 522	99 359
Interest expense on funds withheld and contract deposits	8 325	1 442
Realised gains on investments	22 313	20 643
Realised losses on investments	13 133	7 260
Unrealised gains and losses	7 733	4 694
Impairments/depreciation on real estate	1 473	1 608
Impairments on equity securities	863	1 665
Impairments on fixed-income securities	–	342
Impairments on participating interests and other financial assets	2 745	96
Other investment expenses	12 869	12 527
Total investment income	245 241	239 822

Interest income on investments

Figures in EUR thousand	2006	2005
	31.3.	31.3.
Fixed-income securities – held to maturity	6 290	7 359
Fixed-income securities – loans and receivables	8 773	5 777
Fixed-income securities – available for sale	153 237	112 103
Financial assets – at fair value through profit or loss	969	921
Other	9 643	5 579
Total	178 912	131 739

4.2 Staff

The average number of staff at the companies included in the consolidated financial statement of the Hannover Re Group was 1,999 (31 December 2005: 1,972). Of this number, 861 were employed in Germany in the year under review and 1,138 were employed at the consolidated Group companies abroad.

4.3 Shareholders' equity and minority interests

Shareholders' equity is shown as a separate component of the financial statement in accordance with IAS 1 "Presentation of Financial Statements" and subject to IAS 32 "Financial Instruments: Disclosure and Presentation" in conjunction with IAS 39 "Financial Instruments: Recognition and Measurement". The change in shareholders' equity comprises not only the net income deriving from the statement of income but also the changes in the value of asset and liability items not recognised in the statement of income.

The shareholders' equity (share capital of the parent company) amounts to EUR 120,597,134.00. It is divided into 120,597,134 voting and dividend-bearing registered no-par-value shares with a nominal value of EUR 1.00. The shares are paid in in full.

Minority interests are established in accordance with the shares held by companies outside the Group in the shareholders' equity of the subsidiaries.

Authorised capital of up to EUR 60,299 thousand is available with a time limit of 31 May 2009.

New individual registered shares may be issued on one or more occasions for contributions in cash or kind. Of the total amount, up to EUR 1,000 thousand may be used to issue employee shares.

In addition, conditional capital of up to EUR 48,500 thousand is available. It can be used to grant shares to holders of convertible bonds and bonds with warrants and has a time limit of 13 November 2007.

4.4 Treasury shares

IAS 1 requires separate disclosure of treasury shares in shareholders' equity. By a resolution of the Annual General Meeting of Hannover Rückversicherung AG adopted on 14 June 2005, the company was authorised until 30 November 2006 to acquire treasury shares of up to 10% of the share capital existing on the date of the resolution. The company did not hold treasury shares at any time during the reporting period.

4.5 Earnings per share

Basic and diluted earnings per share for the quarter

	2006	2005
	1.1.–31.3.	1.1.–31.3.
Group net income (in EUR thousand)	105 731	98 286
Weighted average of issued shares (number)	120 597 134	120 597 134
Earnings per share in EUR	0.88	0.81
Earnings per share in EUR (diluted)	–	–

5. Other notes

Contingent liabilities

Hannover Re has secured by subordinated guarantee a subordinated debt in the amount of USD 400.0 million issued in the 1999 financial year by Hannover Finance, Inc., Wilmington/USA. In February 2004 and May 2005 Hannover Re bought back portions of the subordinated debt in amounts of USD 370.0 million and USD 10.0 million respectively, leaving an amount of USD 20.0 million still secured by the guarantee.

Hannover Re has placed three subordinated debts on the European capital markets through its subsidiary Hannover Finance (Luxembourg) S.A. Hannover Re has secured by subordinated guarantee both the debt issued in 2001, the volume of which now stands at EUR 138.1 million, and the debts from financial years 2004 and 2005 in amounts of EUR 750.0 million and EUR 500.0 million respectively. For further details we would refer to the relevant information in the consolidated financial statement as at 31 December 2005.

The guarantees given by Hannover Re for the subordinated debts attach if the issuer in question fails to render payments due under the bonds. The guarantees cover the relevant bond volumes as well as interest due until the repayment dates. Given the fact that interest on the bonds is partly dependent on the capital market rates applicable at the interest payment dates (floating rates), the maximum undiscounted amounts that can be called cannot be estimated with sufficient accuracy. Hannover Re does not have any rights of recourse outside the Group with respect to the guarantee payments.

In July 2004 Hannover Re and the other shareholders sold the participation that they held through Willy Vogel Beteiligungsgesellschaft mbH in Willy Vogel AG. In order to secure the guarantees assumed under the purchase agreement, Hannover Re and the other shareholders jointly gave the purchaser a directly enforceable guarantee for a period until 2009 limited to a total amount of EUR 7.1 million. Furthermore, in the event of a call being made on the guarantee Hannover Re and the other shareholders agreed that settlement would be based upon the ratio of participatory interests.

As security for technical liabilities to our US clients, we have established a master trust in the USA. As at the balance sheet date this master trust amounted to EUR 2,525.2 million (31 December 2005: EUR 2,668.5 million). The securities held in the master trust are shown as available-for-sale investments.

As security for our technical liabilities, various financial institutions have furnished sureties for our company in the form of letters of credit. The total amount of the letters of credit as at the balance sheet date was EUR 2,297.7 million (31 December 2005: EUR 3,154.2 million).

Outstanding capital commitments with respect to special investments exist in the amount of EUR 111.2 million (31 December 2005: EUR 118.3 million) for E+S Rück AG and EUR 218.9 million (31 December 2005: EUR 233.4 million) for Hannover Re. These involve primarily private equity funds and venture capital firms.

Within the scope of a novation agreement regarding a life insurance contract we assumed contingent reinsurance commitments with respect to due date and amount. The financing phase was terminated effective 31 December 2004 as per the agreement. The level of Hannover Re's liability as at the date of novation (31 December 2011) in relation to future balance sheet dates may change due to fluctuations in the EURIBOR and discrepancies between the actual settlements and the projections. As at the balance sheet date the estimated amount of the reinsurance commitments remained unchanged at EUR 27.7 million.

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