

The Hannover Re share

Turbulent stock market environment

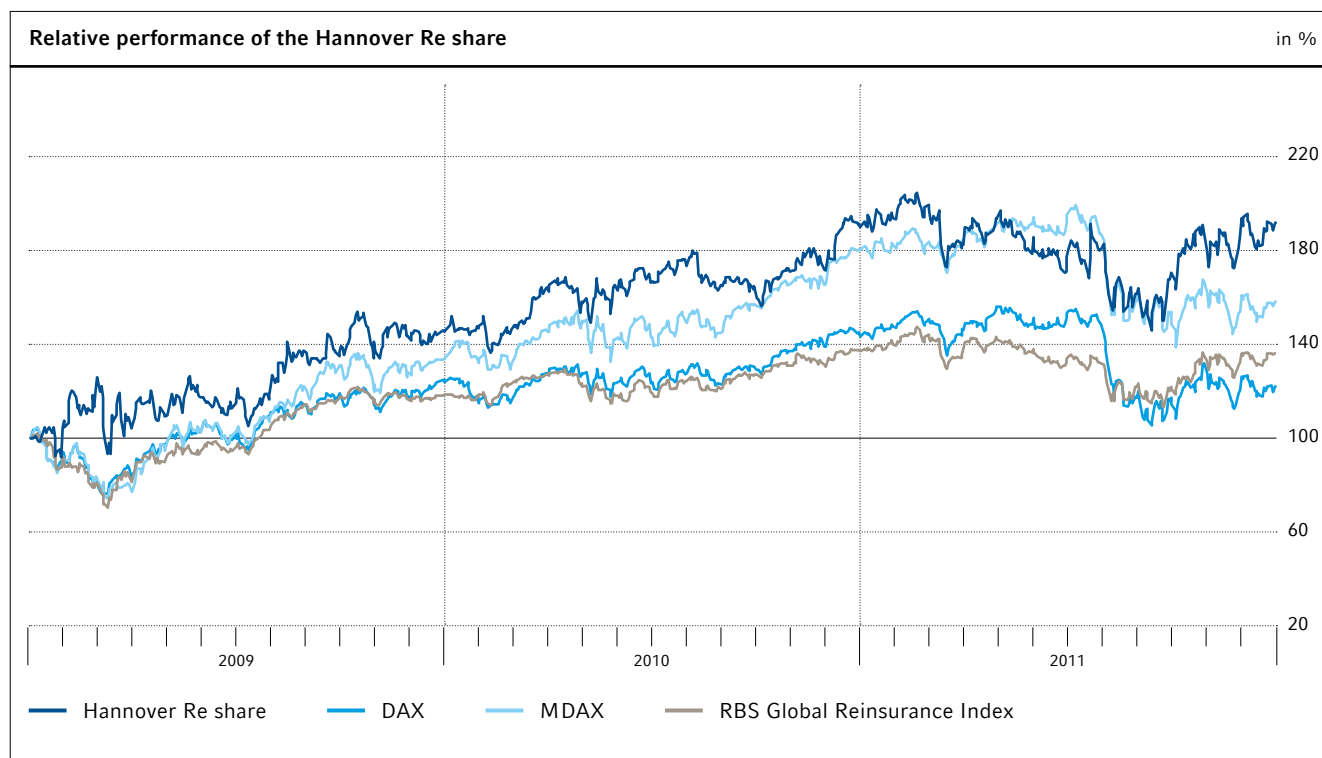
The stock market environment in 2011 was overshadowed in particular by the European sovereign debt crisis, which caused considerable volatility and uncertainty among market players. Concerns about the stability of the single currency and the ability of Greece, Portugal and Italy to refinance weighed especially heavily on financials and bank stocks, with in some cases substantial write-downs having to be taken on the affected government bonds. The development of the real economy was not, however, reflected on stock markets. Most strikingly, the German economy proved to be surprisingly resilient. In light of the expected corporate profits, analysts therefore anticipated an average increase to as much as 7,750 points on the German DAX share index at the beginning of the year.

It was indeed the case that the DAX began 2011 at 6,914 points and climbed to a three-and-a-half-year high of 7,600 in the subsequent months until May. Yet just a few months later, in September, this was followed by a plunge of more than 2,500 points to a low of 4,966. After a modest rally the DAX ended the year down by 14.7% at 5,898 points, coming in significantly below original expectations. The MDAX similarly posted an appreciable loss of 12.1% in the same period and closed the year at 8,898 points. Only the Japanese Nikkei index performed more poorly, declining by 17.3% year-on-year to a level of 8,455. The excep-

tion was the US Dow Jones index which, despite the prevailing economic difficulties in the United States, high unemployment and the loss of the “AAA” credit rating, moved 5.6% higher on the year to close at 12,218.

Volatile performance

The Hannover Re share began 2011 at a price of EUR 40.135. The prospect of pleasing renewals and the expectation of a successful 2011 financial year were reflected in a positive performance at the beginning of the year – irrespective of the heavy loss expenditure incurred from the flooding in Brisbane, Australia, and the earthquake in Christchurch, New Zealand. On 18 February the Hannover Re share climbed to its highest point of the year at EUR 43.29. However, the devastating earthquake off the coast of Japan and the tsunami with the subsequent nuclear disaster in the middle of March then took a toll on the share’s performance. As the year progressed the Hannover Re share was unable to divorce itself from the marked price trend on international stock markets caused by concerns about the ability of some European countries to refinance and the stability of the single currency. On 12 September the share price ultimately fell to its lowest level of the year at EUR 29.31. Reporting on the likelihood of a gratifying 2012 renewal season and confirmation of the guidance for 2011 – in conjunction with the absence of any significant hurricane damage – prompted a substantial price rally in the fourth quarter.



At the end of the financial year the Hannover Re share was listed 4.5% lower at EUR 38.325. It thus comfortably outperformed the German DAX (-14.7%) and MDAX (-12.1%), but lagged behind our international benchmark, the Royal Bank of Scotland (RBS) Global Reinsurance Index (-0.9%).

In a three-year comparison (see chart) the Hannover Re share including reinvested dividends delivered a performance of 92.2%. It thus again clearly surpassed the DAX (22.6%) and MDAX (58.8%) as well as the RBS Global Reinsurance Index (36.5%).

Based on the year-end closing price of EUR 38.325, the market capitalisation of the Hannover Re Group totalled EUR 4.6 billion at the end of the 2011 financial year. According to the rankings drawn up by Deutsche Börse AG, the company placed ninth in the MDAX at the end of December with a free float market capitalisation of EUR 2.3 billion. The Hannover Re Group thus continues to rank among the 40 largest listed companies in Germany. Measured by trading volume over the past twelve months, the share came in at number 13 in the MDAX with a volume of EUR 3.3 billion.

Attractive valuation over the course of the year

With a book value per share of EUR 41.22 the Hannover Re share showed a price-to-book (P/B) ratio of 0.9 as at year-end 2011; compared to the average MDAX P/B ratio of 1.7 as at year-end the share is thus very moderately valued. A comparison of the price-to-earnings (P/E) ratios reveals a similar picture.

The Executive Board and Supervisory Board intend to propose to the Annual General Meeting on 3 May 2012 that a dividend of EUR 2.10 per share be distributed. While the proposed dividend therefore does not match up to the previous year's amount of EUR 2.30 per share, the planned distribution of 41.8% nevertheless exceeds the payout ratio of 35% to 40% of Group net income after tax that has been targeted for a number of years now. Based on the year-end closing price of EUR 38.325, this produces a dividend yield of 5.5%.

Lively interest at the Annual General Meeting

The Annual General Meeting of Hannover Re was held on 3 May 2011 at the HCC – Hannover Congress Centrum. Altogether around 800 shareholders, shareholder and bank representatives as well as guests accepted the invitation of the Executive Board and Supervisory Board. This means that

a good 76% of the share capital was represented. In his address to the meeting Chief Executive Officer Ulrich Wallin took the opportunity to look back once more on the record 2010 financial year, in which the company again outperformed the previous year with net income after tax of EUR 748.9 million (EUR 733.7 million), in part due to positive non-recurring effects. In the votes that were taken the Annual General Meeting adopted by a large majority the resolutions proposed by the Executive Board and Supervisory Board. Among other things, the meeting elected Dr. Andrea Pollak to succeed Mr. Karl Heinz Midunsky on the company's Supervisory Board for the remaining term of office.

The results of the voting and the attendance were published on the company's website following the Annual General Meeting.

Investor Relations activities expanded

Responding not least to the considerable need to discuss the natural catastrophe events, we further stepped up our Investor Relations efforts in 2011. Altogether, we took part in 14 capital market conferences (previous year: 9) and met with interested investors at 21 roadshows (previous year: 22). Our travel activities in 2011 were again focused on the financial centres of Frankfurt, London and New York, which we visited at least once a quarter. Along with Paris, Copenhagen, Stockholm, Oslo, Geneva and Zurich, our itinerary also included Toronto and Boston. Newly added financial marketplaces – or venues that we had not visited in a long time – included Vienna, Luxembourg, Amsterdam, Edinburgh and Dublin. Institutional investors and analysts had another opportunity to engage in dialogue with the Executive Board at our analysts' conferences, which we again held on the same day in Frankfurt and London. Our 14th Investors' Day, held as scheduled in Hannover in 2011, was very well received. In total, 36 analysts and institutional investors enjoyed an intensive exchange of views with the Executive Board. The discussions focused on the new corporate strategy as well as growth and development prospects going forward in non-life and life/health reinsurance.

In the year under review we also optimised the rendering of online offerings provided on our Investor Relations website for mobile end devices such as smartphones and tablet PCs. Our Investor Relations website was again selected as the best in the MDAX and the industry by the company NetFederation. We received thoroughly positive feedback from IR Global Rankings, which crowned our HTML Annual Report the second-best in the world on account of its extensive functionality.

Other surveys also delivered a very positive assessment of Hannover Re's overall IR efforts. The company placed sixth within the MDAX category in the IR rankings published by the business magazine Capital, while it came in at number 7 in a survey conducted by Thomson Extel. In the European IR Perception Study carried out by Institutional Investor magazine we placed twelfth in the "insurers" category.

Stable shareholding structure

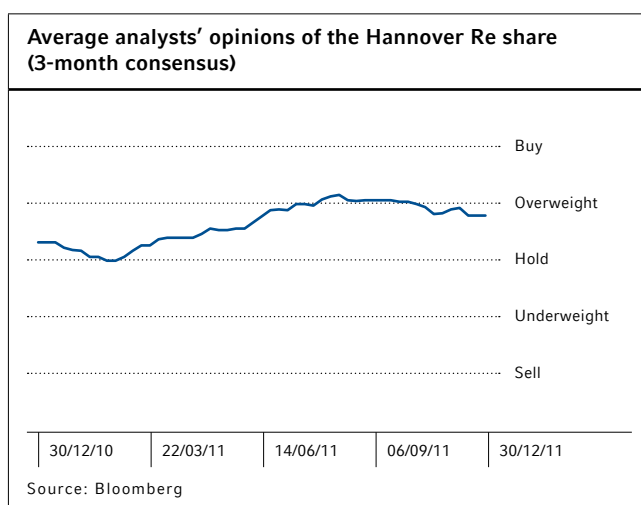
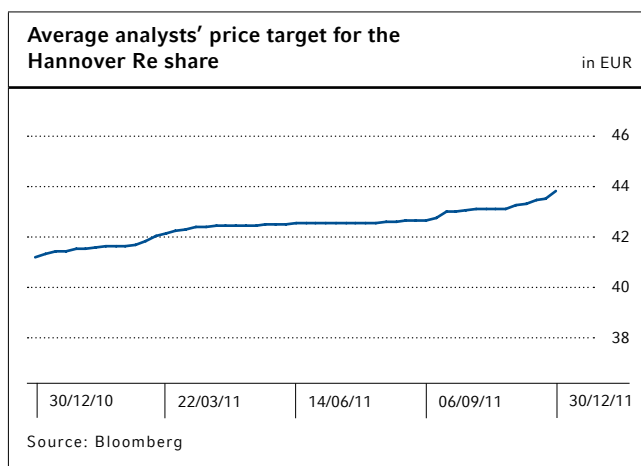
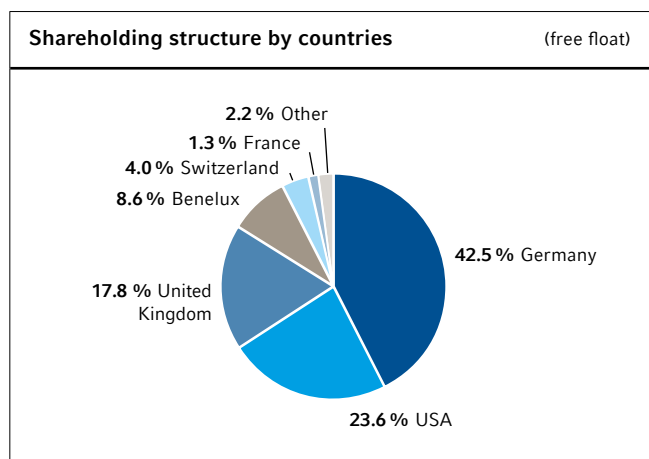
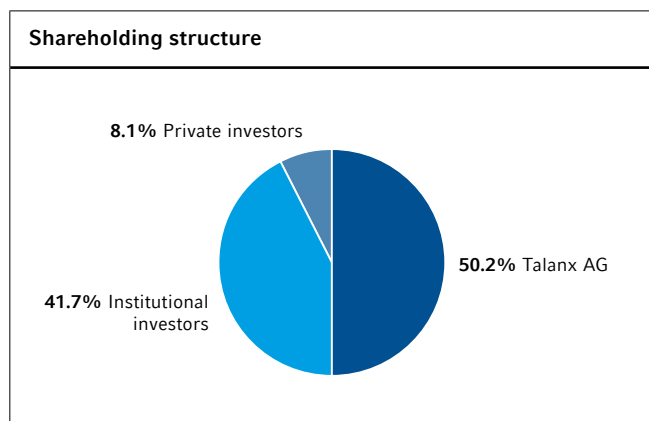
The shareholding structure of Hannover Re was stable in the year under review. The interest held by Talanx AG remained unchanged, while the stake held by private investors grew by 0.3 percentage points to 8.1%, causing the proportion in the hands of institutional investors to contract slightly to 41.7%.

Within our free float the proportionate holdings in Germany and the United States increased slightly in the year under review, rising by 1.9 percentage points in Germany to 42.5% and 1.1 percentage points in the US to 23.6%. A clear shift from Belgium to Luxembourg was observed within the Benelux countries. The percentage share attributable to these three countries nevertheless remained virtually unchanged at 8.6% (previous year: 8.7%). Proportionate holdings in the United

Kingdom and France, on the other hand, recorded declines to stand at 17.8% (-2.1 percentage points) and 1.3% (-1.4 percentage points) respectively.

Large quantity of analyst research

The substantial loss events of 2011 prompted an exceptionally large number of research reports. In the 2011 financial year more than 350 analyst recommendations were published for Hannover Re and the insurance industry, an increase of 50%. Based on the figures for the first nine months of 2011, 35 analysts handed down their opinion: sixteen analysts recommended the Hannover Re share as "buy" or "overweight"; altogether eighteen opinions were a "hold", making this the most common, while only one "underweight" or "sell" recommendation was issued. The analysts' average price target climbed steadily in the course of the year from EUR 41.43 at the start of the year to EUR 43.56 by year-end. Parallel to this trend, the average analysts' opinion also moved higher.



Basic information	
Securities identification number:	840221
International Securities Identification Number (ISIN):	DE 000 840 221 5
Ticker symbols	
Bloomberg:	HNR1
Thomson Reuters:	HNRGn
ADR:	HVRRY
Exchange listings	
Germany:	Xetra, Frankfurt, Munich, Stuttgart, Hamburg, Berlin, Düsseldorf, Hannover (official trading: Xetra, Frankfurt and Hannover)
USA:	American Depositary Receipts (Level 1 ADR program; 2 ADR = 1 share)
Market segment:	Prime Standard
Index inclusion:	MDAX
First listed:	30 November 1994
Number of issued shares (as at 31 December 2011):	120,597,134
Common shares (as at 31 December 2011):	120,597,134.00 EUR
Share class:	No-par-value registered shares

Key figures in EUR	2011	2010	2009	2008	2007
Number of shares in million	120.6	120.6	120.6	120.6	120.6
Annual low ¹	29.31	30.61	20.64	15.70	30.30
Annual high ¹	43.29	41.38	34.65	35.79	37.50
Year-opening price ¹	40.135	32.71	22.50	31.55	35.08
Year-ending price ¹	38.325	40.135	32.71	22.50	31.55
Market capitalisation at year-end in EUR million	4,621.9	4,840.2	3,944.7	2,713.4	3,804.8
Equity attributable to shareholders of Hannover Re in EUR million	4,970.6	4,509.0	3,714.4	2,830.1	3,349.1
Book value per share	41.22	37.39	30.80	23.47	27.77
Earnings per share (basic and diluted)	5.02	6.21	6.08	(1.05)	5.98
Dividend per share	2.10 ²	2.30	2.10	–	2.30 ³
Cash flow per share	20.92	13.94	14.53	12.10	7.56
Return on equity (after tax) ⁴	12.8%	18.2%	22.4%	(4.1%)	23.1%
Dividend yield (after tax) ⁵	5.5%	5.7%	6.4%	–	7.3%
Price-to-book (P/B) ratio ⁶	0.9	1.1	1.1	1.0	1.1
Price-to-earnings (P/E) ratio ⁷	7.6	6.5	5.4	–	5.3
Price-to-cash flow (P/CF) ratio ⁸	1.8	2.9	2.3	1.9	4.2

1 Xetra daily closing prices from Bloomberg

2 Proposed dividend

3 EUR 1.80 + EUR 0.50 bonus

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

5 Dividend per share/year-end closing price

6 Year-end closing price/book value per share

7 Year-end closing price/earnings per share

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