

The Hannover Re share

Volatile capital market environment

Capital markets in 2012 were again heavily under the shadow of the unfolding sovereign debt crisis in the European Monetary Union and found themselves at the mercy of political decisions to an extent seldom seen before. The German DAX share index started the year at 5,898 points and climbed to 7,100 points by the beginning of April. In the second quarter, however, speculation surrounding the outcome of Greek elections – with potentially critical implications for the Euro – and a swing to the left in France fanned new doubts about the single currency, as a consequence of which the DAX had slipped to below 6,000 points by June. It was only the announcement by the European Central Bank (ECB) to the effect that it would henceforth support countries in distress through unlimited bond purchases that brought quick relief to the financial markets. The DAX made good lost ground in the following months and closed the year with a gain of 29.1% at 7,612 points. The MDAX improved even more strongly over the same period, ending the year at 11,914 points – a twelve-month gain of 33.9%. The Japanese Nikkei index also closed the year in comfortably positive territory, rising by a somewhat more modest 22.9% to 10,395 points. Only the Dow Jones, dogged by the protracted depressed state of the US economy, had to settle for a significantly poorer performance. The Dow ended the year at 13,104 points, a gain of 7.3%.

Continuously strong performance

The Hannover Re share began 2012 at a price of EUR 38.325. After some volatile trading days early in January, the share touched its lowest point of the year on 9 January at EUR 37.355. In the days and weeks that followed, building on a broadly favourable round of renewals and a year of hitherto light losses, the price trended clearly higher. As early as 19 March the share broke through its historic all-time high of EUR 43.55. In the following months, which were overshadowed by concerns about the continued existence of the European Monetary Union, the share price tended to move sideways. It was only when the ECB announced that it would do everything necessary to stabilise the financial markets that they were able to breathe a huge sigh of relief. From July onwards the Hannover Re share enjoyed a consistently positive performance. Shortly before year-end, on 19 December, the share climbed to its highest point of the year at EUR 59.81 and at the same time set a new record high.

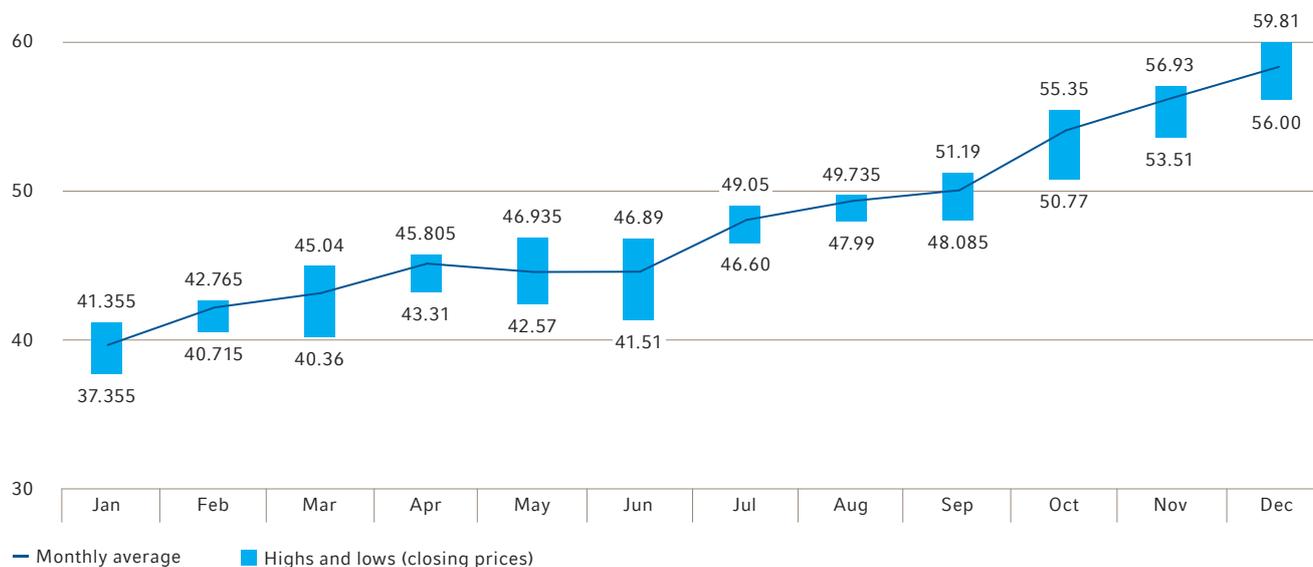
At the end of the financial year the Hannover Re share was listed 53.8% higher at EUR 58.96. It thus comfortably outperformed the DAX and MDAX benchmark indices as well as the Global Reinsurance Index, which posted a gain of 23.6%. In a three-year comparison (see chart below) the Hannover Re share delivered a performance (including reinvested dividends) of 113.2%, again clearly beating the DAX (27.8%), MDAX (58.7%) and Global Reinsurance Index (51.8%).

Relative performance of the Hannover Re share

in %



Highs and lows of the Hannover Re share in EUR



Based on the year-end closing price of EUR 58.96, the market capitalisation of the Hannover Re Group totalled EUR 7.1 billion at the end of the 2012 financial year, an increase of EUR 2.5 billion or 53.8% compared to the previous year's figure of EUR 4.6 billion. According to the rankings drawn up by Deutsche Börse AG, the company placed sixth in the MDAX at the end of December with a free float market capitalisation of EUR 3,468.7 million. Measured by trading volume over the past twelve months, the share came in at number 11 in the MDAX with a volume of EUR 2,673.7 million. The Hannover Re Group thus continues to rank among the 40 largest listed companies in Germany.

With a book value per share of EUR 50.22 the Hannover Re share showed a price-to-book (P/B) ratio of 1.2 at the end of the year under review; compared to the average MDAX P/B ratio of 1.8 as at year-end the share thus continues to be very moderately valued.

Proposed dividend on an attractive level

The Executive Board and Supervisory Board intend to propose to the Annual General Meeting on 7 May 2013 that a dividend of EUR 2.60 and a bonus of EUR 0.40 per share be distributed. For the second year in succession the proposed distribution of 42% therefore exceeds the strategically planned payout ratio of 35% to 40% of Group net income after tax. Based on the year-end closing price of EUR 58.96, this produces a dividend yield of 5.1%.

Annual General Meeting approves change of legal form

The Annual General Meeting of Hannover Re was held on 3 May 2012 at the HCC - Hannover Congress Centrum. Shareholders, shareholder and bank representatives as well as guests took up the invitation of the Executive Board and Supervisory Board in large numbers. Altogether, 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 2011 financial year, in which Hannover Re had still been able to generate a pleasing result despite heavy major losses from floods in Australia and Thailand, earthquakes in New Zealand and the devastating seaquake off the coast of Japan and subsequent tsunami.

For the first time Hannover Re offered its shareholders the opportunity to exercise their voting rights at the Annual General Meeting by postal vote – in addition to the normally available options of personal voting on site as well as voting through an authorised representative or through a proxy nominated by the company. 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 Annual General Meeting approved the resolution to convert Hannover Re into a European limited company (SE). By taking this decision Hannover Re is not only modernising its legal form, it is also giving clearer expression to the company's international dimension. At the same time, it will enjoy greater flexibility in being able to respond to future legal or regulatory requirements.

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

Strong capital market interest, in part because of Talanx IPO

Despite relatively light losses and a rather unspectacular year overall, Hannover Re attracted strong interest from the capital market in 2012. This was due not least to the initial public offering announced by the parent company Talanx AG at the beginning of the year, which, as the year progressed, prompted a considerable need on the part of investors for dialogue about the implications for Hannover Re. Responding to these calls, we took part in altogether 14 capital market conferences (previous year: 14) and met locally with interested investors at 15 roadshows (previous year: 21). Our travel activities in 2012 were again focused on the financial centres of Frankfurt, London and New York, which we visited at least once a quarter. Along with Paris, Munich, Copenhagen, Geneva, Zurich, Lugano and Milan, our itinerary also included Toronto and San Francisco. Our 15th Investors' Day, held on a rotating basis in London in 2012, was very well received. In total, some 60 analysts and institutional investors took the opportunity to engage in an intensive exchange of views with the Executive Board on current and future business prospects. The discussions focused on, among other things, management of our assets in the prevailing low interest rate environment as well as enterprise management based on the economic capital model and IVC (intrinsic value creation).

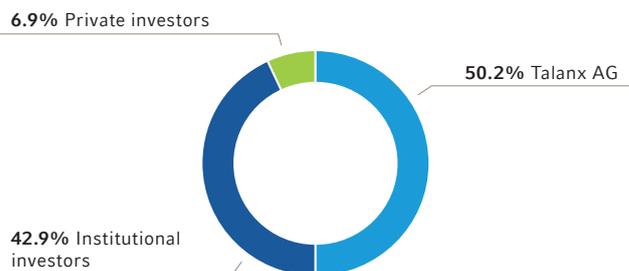
We devoted special attention to the topic of sustainability in the year under review: Hannover Re drew up its first sustainability report in accordance with the internationally recognised reporting standards of the Global Reporting Initiative (GRI). The report covered altogether 42 Profile Disclosures, 6 Management Approaches to 34 Aspects and 84 Performance Indicators as well as the requirements specific to the financial services sector. Right from the outset, Hannover Re thereby fulfilled the medium Transparency Level B defined by the GRI.

Not only that, in the year under review our Investor Relations website was chosen for the second consecutive time as the best in the MDAX and the industry by the company NetFederation. We received thoroughly positive feedback from IR Global Rankings, which rated our HTML Annual Report as the third-best in Europe (previous year: second-best) and number four (previous year: number two) worldwide on account of its extensive functionality.

Stable shareholding structure

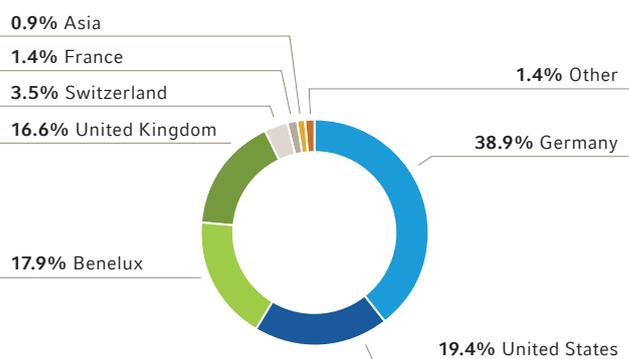
The shareholding structure of Hannover Re was stable in the year under review. The interest held by Talanx AG remained at 50.2% both before and after its successful IPO. The stake held by private investors shrank marginally by 1.2 percentage points to 6.9%, whereas the proportion in the hands of institutional investors increased to 42.9%.

Shareholding structure as at 31.12.2012



There were significant geographical shifts within our free float in the course of the year under review. The proportionate holdings in the Benelux countries grew from 8.6% to 17.9%, while the holdings in Germany and the United States contracted by 3.6% and 4.2% respectively, falling from 42.5% to 38.9% and from 23.6% to 19.4%. The proportionate holding in the United Kingdom similarly decreased by a modest 1.2 percentage points to 16.6%. Although the percentage shares attributable to the countries of Switzerland and France remained relatively constant at 3.5% and 1.4% respectively, the total shareholding in Asia for the first time added up to just about 1%.

Shareholding structure by countries/regions as at 31.12.2012¹



¹ shares outstanding less Talanx holding

Year of light losses prompted higher analyst expectations

Continuing restructuring efforts on the part of banks brought about further changes among our analysts in 2012. During the year altogether four banks and brokers, namely the Royal Bank of Canada, Redburn, WestLB and UniCredit, ceased their research activities in relation to the Hannover Re share. On the other hand, two brokers – Raymond James and Primavenue – began to cover our share. With this in mind, and against the backdrop of a year of relatively light losses, around 300 analyst recommendations – some 50 fewer than in the previous year – were published for Hannover Re and the insurance sector in the year under review. As at the end of the financial year 34 analysts had handed down opinions on Hannover Re: ten analysts recommended the Hannover Re share as “buy” or “overweight”; altogether seventeen opinions were a “hold”;

making this the most common, while “underweight” or “sell” recommendations were issued a total of seven times. The analysts’ average price target according to Bloomberg climbed

steadily in the course of the year from EUR 42.52 at the outset to EUR 56.01 by year-end.

Basic information

Securities identification number	840 221
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)
United States	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 2012)	120,597,134
Common shares (as at 31 December 2012)	120,597,134.00 EUR
Share class	No-par-value registered shares

Key figures

in EUR	2012	2011	2010	2009	2008
Number of shares in million	120.6	120.6	120.6	120.6	120.6
Annual low ¹	37.355	29.31	30.61	20.64	15.70
Annual high ¹	59.81	43.29	41.38	34.65	35.79
Year-opening price ¹	38.325	40.135	32.71	22.50	31.55
Year-ending price ¹	58.96	38.325	40.135	32.71	22.50
Market capitalisation at year-end in EUR million	7,110.4	4,621.9	4,840.2	3,944.7	2,713.4
Equity attributable to shareholders of Hannover Re in EUR million	6,055.8	4,970.6	4,509.0	3,714.4	2,830.1
Book value per share	50.22	41.22	37.39	30.80	23.47
Earnings per share (basic and diluted)	7.12	5.02	6.21	6.08	(1.05)
Dividend per share	2.60 ² +0.40 ³	2.10	2.30	2.10	–
Cash flow per share	21.87	20.92	13.94	14.53	12.10
Return on equity (after tax) ⁴	15.6%	12.8%	18.2%	22.4%	(4.1%)
Dividend yield (after tax) ⁵	5.1%	5.5%	5.7%	6.4%	–
Price-to-book (P/B) ratio ⁶	1.2	0.9	1.1	1.1	1.0
Price/earnings (P/E) ratio ⁷	8.3	7.6	6.5	5.4	–
Price-to-cash flow (P/CF) ratio ⁸	2.7	1.8	2.9	2.3	1.9

¹ Xetra daily closing prices from Bloomberg

² Proposed dividend

³ Proposed 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