

3/2007

Munich Re Group Quarterly Report



Münchener Rück
Munich Re Group

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Dr. Peter Röder (from 1 October 2007)
Dr. Jörg Schneider
Dr. Wolfgang Strassl**Munich Re Group**

Key figures (IFRS)

		Q1–3 2007	Q1–3 2006*	Change %	Q3 2007	Q3 2006*	Change %
Gross premiums written	€m	28,076	28,080	–0.0	9,148	9,017	1.5
Investment result	€m	7,636	7,060	8.2	1,990	2,257	–11.8
Operating result	€m	3,980	4,627	–14.0	1,132	1,307	–13.4
Taxes on income	€m	394	1,539	–74.4	–173	510	–
Consolidated result	€m	3,348	2,850	17.5	1,216	723	68.2
Thereof attributable to minority interests	€m	54	61	–11.5	20	16	25.0
Earnings per share	€	15.15	12.24	23.8	5.63	3.11	81.0

Combined ratio

– Reinsurance property-casualty	%	98.0	91.2		97.1	90.4
– Primary insurance property-casualty	%	92.9	91.0		92.1	89.1

* Adjusted owing to IAS 8.

		30.9.2007	31.12.2006	Change %
Investments	€m	179,356	176,872	1.4
Equity	€m	24,857	26,320*	–5.6
Net technical provisions	€m	155,739	153,872*	1.2
Staff		38,006	37,210	2.1
Share price	€	134.77	130.42	3.3
Munich Re's market capitalisation**	€bn	29.4	29.9	–1.9

* Adjusted owing to IAS 8.

** Includes own shares earmarked for retirement.

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To our shareholders



Dr. Nikolaus von Bomhard
Chairman of Munich Re's
Board of Management

Dear Shareholders,

With another very good result in the third quarter of 2007, the Munich Re Group has successfully completed an important stage on the way to reporting a new record profit for the year. The annual closing date for our insurance business is, of course, 31 December, but at present things look very promising for the 2007 figures. In the third quarter, we posted a result of €1,216m (723m), thereby taking our profit for the first three quarters of the current financial year to €3.3bn (2.9bn). The quarterly result benefited from the fact that we were able to recognise additional one-off income of around €400m as a consequence of the 2008 German business tax reform. Losses from natural catastrophes in the year to date have, as a whole, remained within the range of our expectations, being above budget in Europe and Asia and below budget in the hurricane-exposed regions of the USA.

Our combined ratio for the first nine months of this year in both reinsurance and primary insurance still bears the marks of the losses from European Winter Storm Kyrill. The combined ratio for this period in property-casualty reinsurance amounts to 98.0% (91.2%), whilst in primary insurance it totals 92.9% (91.0%). Despite the relative deterioration compared with last year, these are satisfactory levels, especially given the marked recovery the ratios showed in the second and third quarters. The figures for the third quarter were 97.1% in reinsurance and 92.1% in primary insurance. If no exceptional catastrophe losses occur before the end of the year, we can therefore expect a good result in respect of our combined ratios as well – an endorsement of our consistent cycle management and our selective and quality-oriented underwriting policy, which we are pursuing further in our Changing Gear programme for profitable growth.

Ladies and gentlemen, the topics of sustainability and climate change have received extensive coverage in the media this year, reflecting the importance of these issues for the future of us all. What position do we as the Munich Re Group adopt here, what action are we taking, and what motives do we have for these activities?

The business model of insurance and the concept of sustainability have many parallels. A prospective, prudent and responsible approach is a defining trait for insurers. After all, in order to deal professionally with risk as the object of our business, we have to assess the financial consequences of uncertain future events. Insurance is thus a forward-looking commitment aimed at mitigating the material impact of future losses for those affected. As insurers, we have to identify today the risks we will have to deal with tomorrow. That is key to turning risk into value.

Climate change and its consequences are a strategic issue for us; they directly affect our business. On the one hand, they open up a new business segment with major growth opportunities, for which we are developing innovative insurance products. One example is the Kyoto Multi Risk Policy, in which we combine traditional insurance products with a new element – protection against the uncertainty of carbon credit delivery. On the other hand, the growing number of severe natural catastrophes is making itself felt from region to

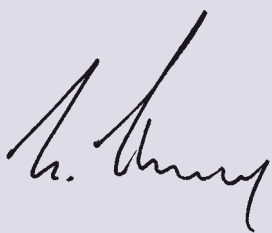
region in ever greater loss burdens. That is why, in the business field of reinsurance, our internationally renowned Geo Risks Research Unit has been devoting itself to the study of natural hazards for more than three decades. A focal point of the unit's work is climate change and its impact on the frequencies and intensities of extreme weather events. We aim to use the findings to ensure that risks continue to remain calculable and insurable.

We see it as our responsibility to make our knowledge available to the public and also to give politicians the relevant input for debate. In so doing, we draw attention to the ecological and social consequences of environmental changes, as well as the economic impact. Furthering the cause of sustainability and environmental protection is of importance to us not only as a "Group within society" but also with regard to the capital market. For the fact is that the concept of sustainability plays an increasingly central role for our investors as well. The inclusion of our shares in sustainability indices is consequently a must. By signing the UN Principles for Responsible Investment, we have made it clear that sustainability is also a leading selection criterion for our own investments. Beyond this, we are involved in numerous other organisations concerned with climate protection.

However, our commitment to prudent environmental protection is only credible if we practise this ourselves as a Group. We therefore also fulfil our responsibility with regard to active climate protection. In June 2006, the Munich Re Group adopted a sustainability strategy with related guiding principles, in which we undertake to carefully manage the earth's resources. This includes the resolute implementation of an effective environmental management system. We have committed ourselves to the goal of completely neutralising our reinsurance group's business-related CO₂ emissions – i.e. making our operations carbon-neutral – by 2012. Our Munich location is geared to the highest European standard for environmental management systems through validation under the Eco-Management and Audit Scheme (EMAS). Besides this, the companies of our primary insurance group, ERGO, are constantly strengthening their environmental commitment. One of the ERGO companies, Victoria, was the first European insurer to receive EMAS validation back in 1998.

My intention with these remarks on the subject of sustainability is to highlight an aspect of our activities that on the surface may appear to have little to do with our core business. In fact, our success in the long term will be determined substantially by how we position ourselves in this area and what action we take.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. Thurny', is positioned below the text 'Yours sincerely,'.

Key parameters

- Global growth still robust
- US economy suffering from effects of subprime mortgage crisis
- Turbulences on the international capital markets

In the period under review, the global economy remained robust. Decreases in value on the US property market and the fear of mortgage loan defaults had a stronger impact than originally expected. Signs of a confidence and liquidity crisis, with appreciable effects on the financial markets, hindered economic growth in the USA in the third quarter. In China, by contrast, the high growth dynamics were maintained.

According to initial estimates, in the third quarter of 2007 the US economy recorded a seasonally adjusted and annualised real growth rate of 3.9% over the previous quarter. The property-market crisis and the turbulences it triggered on the financial markets affected both private consumption and corporate investment.

Although the economy in the eurozone kept up its momentum, early indicators such as the Purchasing Managers' Index for the manufacturing sector declined appreciably.

In Germany, the much-heeded ifo business climate index was considerably down on the figure for June. While the current situation was assessed as comparatively good, economic expectations were only guardedly optimistic.

In Japan, too, the latest economic data point to a gradual economic slowdown. Compared with the very weak second quarter, however, growth in the third quarter is likely to have been higher.

Growing by 11.5% in real terms year on year, China again provided strong impulses for the global economy. The other emerging markets of Asia, eastern Europe and Latin America also benefited from the still-healthy global economy and were barely impacted by the distortions affecting the developed industrial nations' financial markets.

In the foreign-exchange markets, the euro initially fell by US\$ 0.02 to about US\$ 1.34 in mid-August, but subsequently rose to just over US\$ 1.41 at the end of the quarter. Against the background of the emerging crisis in confidence, the central banks provided the financial markets with substantial liquid funds to avert a serious liquidity shortage. Moreover, the Federal Reserve lowered its key interest rate by 50 basis points to 4.75% in the period under review. In this environment of mounting tension and economic concerns, short-term interest rates and spreads rose appreciably worldwide, while long-term interest rates in the USA and the eurozone declined. The main international share price indices largely displayed a downward trend. The EURO STOXX 50 decreased marginally in the third quarter, with the US Dow Jones showing a slight improvement.

For 2007 as a whole, real economic growth in the USA is expected to be considerably lower than the past year's figure of 2.9%. In the eurozone, we anticipate robust growth for the full year, with the likelihood of a deceleration in 2008. The same applies to Germany.

The global economy continues to be threatened by significant risks, ranging from geopolitical uncertainty (political situation in the Middle East, further substantial increase in oil prices) to a further marked depreciation of the US dollar owing to the high US current account deficit, or the outbreak of a global pandemic.

Business experience from 1 January to 30 September 2007

Reinsurance

- Very good consolidated result of €2.8bn in the first three quarters
- Higher cost burden of €999m from major losses for January to September; combined ratio of 98.0%
- Successful treaty renewals at 1 July 2007 with risk-adequate prices

Key reinsurance figures

		Q1–3 2007	Q1–3 2006	Q3 2007	Q3 2006
Gross premiums written	€bn	16.5	16.8	5.5	5.5
Loss ratio property-casualty	%	69.8	64.3	69.7	62.9
Expense ratio property-casualty	%	28.2	26.9	27.4	27.5
Combined ratio property-casualty	%	98.0	91.2	97.1	90.4
Thereof natural catastrophes	Percentage points	7.3	0.7*	5.6	0.6*
Investment result	€m	3,511	3,435	863	1,063
Operating result	€m	3,215	3,694	798	1,107
Consolidated result	€m	2,779	2,361	857	605
Thereof attributable to minority interests	€m	–	–	–	–
* Adjusted owing to a change in method					
				30.9.2007	31.12.2006
Investments			€bn	85.2	85.0
Net technical provisions			€bn	59.2	59.6

The Munich Re Group's reinsurance business performed positively as a whole in the third quarter. Although the operating result for the period July to September shows a year-on-year decrease of €309m to €798m (1,107m), we posted a satisfying operating result of €3,215m (3,694m) for the first nine months, despite a considerable number of sizeable loss events. This success was founded on overall risk-adequate pricing in our underwriting business and a very positive investment result.

The Bundesrat approved the German Business Tax Reform Act 2008 on 6 July 2007. This results in a change in valuation of deferred taxes for the German Group companies at 30 September 2007 due to the lower tax rate applicable from 1 January 2008 in Germany. In the reinsurance segment, this leads to tax income of €314m, so that on balance for the third quarter we posted tax income of €141m. The **consolidated result** in reinsurance rose to €857m (605m) in the third quarter on account of the pleasing underwriting result, the very positive investment result and the lower tax rates. For the first nine months, this figure was €2,779m (2,361m).

Our cycle management and underwriting discipline have helped to keep our combined ratios in non-life reinsurance low, despite natural catastrophes. The **treaty renewals** in property-casualty reinsurance at the turn of the year, in early April and as at 1 July were successful. Since competitive pressure is still intense, rates have declined slightly on average, but remain at a risk-adequate level. In line with the maxim of "profitability before premium volume", we acquired new business with good earnings potential and were even able to increase premium volume in business renewed.

In order to generate further profitable growth, we are pursuing a number of promising initiatives in our **Changing Gear** programme. These have included setting up a new unit offering innovative products for special enterprise risks. In this area, we will cover companies that make long-term investments or have very long product-development processes against risks from such events as political changes or failure of suppliers. In addition, we have opened a branch in Kuala Lumpur devoted entirely to writing Retakaful business, initially focusing on Malaysia but with a view to expanding further afield in future. An alternative to the traditional types of reinsurance, Retakaful follows the

principles of Islamic theology and is a concept for which we expect particularly dynamic growth. In the third quarter, we increased our stake in the US company Cairnstone Inc. from 25% to 100% for a purchase price of €18.3m. Cairnstone, which offers employers in the USA stop-loss covers for the healthcare expenditure they finance for their employees, managed a business volume of over US\$ 80m in 2006. By taking over this segment-leading company, we are extending our commitment in the American healthcare market and strengthening our competitive position.

In the third quarter, **gross premiums written** by our reinsurance group amounted to €5.48bn (5.50bn) – a decrease of 0.5% compared with the third quarter of 2006. In the first nine months, gross premiums written totalled €16.5bn (16.8bn). The strength of the euro in relation to many other currencies had a negative impact on our premium income from foreign-currency business when denominated in euros. If exchange rates had remained the same, our premium volume would have increased by 2.8% in the third quarter, and by 1.6% in the course of the year.

In comparison with the same period of the previous year, gross premiums written in the **life and health** segment fell by 4.1% to €1.87bn (1.95bn) in the third quarter. Our premium income in the first nine months totalled €5.5bn (5.8bn), down 5.5% against last year. Key factors in this were currency-exchange effects and the scheduled reduction of individual large-volume reinsurance treaties. Adjusted to eliminate the effects of changes in exchange rates, premium income decreased 2.2% between January and September.

Our premium income in **property-casualty reinsurance** was up 1.4% to €3.61bn (3.56bn) in the third quarter, but premiums fell 0.4% to €10.95bn (10.99bn) in the first nine months of the business year, chiefly due to currency effects. Adjusted to eliminate these effects, premium income rose by 3.7% in comparison to the first three quarters of the previous year.

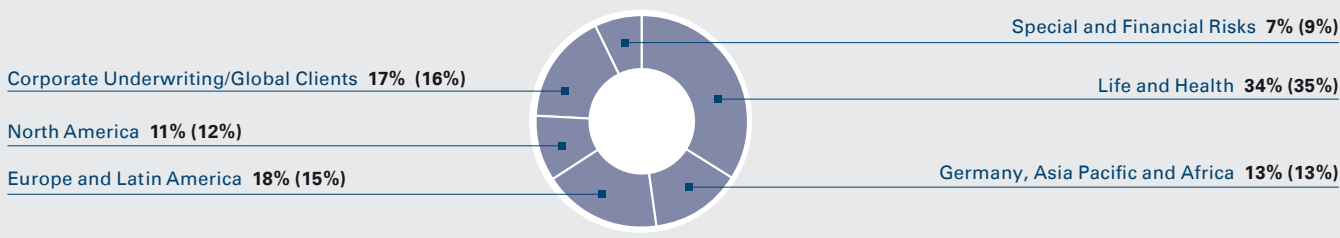
The **combined ratio** stood at 97.1% (90.4%) for the third quarter and at 98.0% (91.2%) for the period from January to September.

Large losses of over €5m each amounted to some €320m (146m) in the third quarter. At around €60m, Hurricane Dean was the largest loss occurrence. We established provisions of around €50m for the floods in June and July in the UK. A satellite claim in our space business cost us a good €30m.

In the first three quarters, claims costs for major losses were approximately 75% higher year on year at around €1.0bn (564m), Winter Storm Kyrill alone having led to losses of around €390m in the first quarter.

Our reinsurers' **investment result** came to €863m (1,063m) in the third quarter and €3.5bn (3.4bn) in the period from January to September. The major positive influences on the result for the first three quarters were regular income from interest-bearing investments at €1.6bn (1.5bn) and the result of €1.3bn (1.2bn) from the sale of stocks. Increased dividend income and gains of approximately €220m on the disposal of a German real-estate package (see page 9) also contributed to the very strong investment result in reinsurance.

Gross premiums by division Q1–3 2007



Primary insurance

- **Very good consolidated result of €752m in the first three quarters**
- **Healthy combined ratio of 92.9%**
- **Gross premiums written up 3.5% to €12.8bn (12.4bn), buoyed by İsviçre Group**

Key primary insurance figures

		Q1–3 2007	Q1–3 2006*	Q3 2007	Q3 2006*
Gross premiums written	€bn	12.8	12.4	4.0	3.9
Loss ratio property-casualty	%	59.5	55.3	59.8	53.5
Expense ratio property-casualty	%	32.8	34.2	31.2	34.0
Combined ratio property-casualty	%	92.3	89.5	91.0	87.5
Combined ratio legal expenses insurance	%	95.3	96.5	96.8	95.2
Combined ratio property-casualty including legal expenses insurance	%	92.9	91.0	92.1	89.1
Investment result	€m	4,512	3,909	1,176	1,265
Operating result	€m	923	986	313	193
Consolidated result	€m	752	562	342	116
Thereof attributable to minority interests	€m	57	59	24	15

		30.9.2007	31.12.2006
Investments	€bn	108.8	107.4
Net technical provisions	€bn	96.6	94.3*

* Adjusted owing to IAS 8.

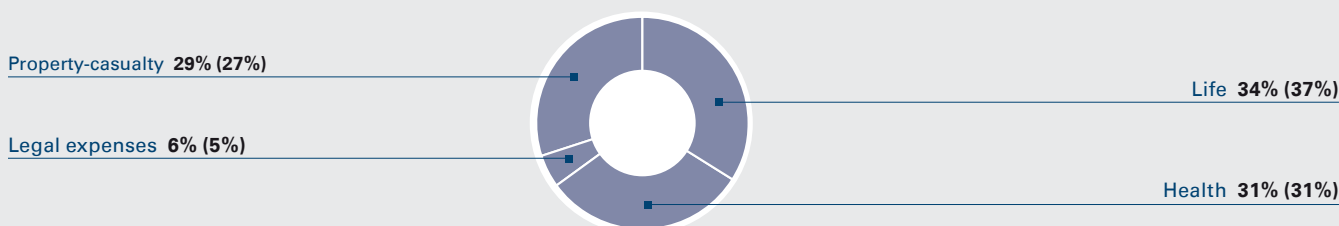
The Munich Re Group's primary insurers, essentially comprising the ERGO Insurance Group, Europäische Reiseversicherung and the Watkins Syndicate, posted an operating result of €313m (193m) in the third quarter of 2007, a satisfying increase of 62.2%. For January to September, their operating result showed a reduction of 6.4%, but was still good at €923m (986m).

The **consolidated result** in primary insurance for the first nine months of 2007 came to €752m (562m), of which €342m (116m) was for the third quarter. The main factor behind the 33.8%

increase in profits after nine months was one-off tax income of €118m, which was posted in the third quarter owing to the passing of the German Business Tax Reform Act 2008.

In the third quarter of 2007, **gross premiums written** by our primary insurance group totalled €4.0bn (3.9bn), an increase of 4.1%. Growth in the first nine months amounted to 3.5%, and was especially prominent in our international business, above all in property-casualty insurance and in the health segment. Since the start of the year, gross premiums written show a rise to €12.8bn (12.4bn).

Gross premiums by class of insurance Q1–3 2007



Our **life insurers** wrote gross premiums of €1.4bn (1.5bn) in the third quarter of 2007, a reduction of 6.2% compared with the third quarter of 2006. In the course of the year, premium volume fell by 5.1% to €4.4bn (4.6bn). This decline primarily reflects the high number of planned policy terminations in German business, where premium volume showed a decrease to €3.7bn (3.9bn) since the beginning of the year. German new business in the third quarter was up on the previous year, rising by 6.2%. From January to September, however, it experienced a slight decline of 1.5%. This was chiefly due to a "basis" effect: the third subsidisation stage for Riester policies had given a major boost to new business in early 2006. Without this "basis" effect, there would have been a 4.3% increase. Single-premium business continued to improve in the first three quarters. The expansion in new business was mainly due to unit-linked life insurance and classic annuity products. Outside Germany, the development of business in Belgium and Poland was particularly pleasing.

In **health insurance**, we recorded a significant rise in premium income of 4.8% to €1.32bn in the third quarter of 2007, compared with €1.26bn in the same quarter last year. Since the start of the year, premium showed growth of 4.7% to €4.0bn (3.8bn), a key factor being the good business development abroad, where the improvement – at 12.4% – was considerably higher than in Germany (3.5%). Premium increases in Belgium and Spain were particularly strong. In Germany, gross premiums written in supplementary health business made good headway (+6.4%), and we recorded an increase rate of 2.8% in comprehensive health insurance. The disproportionate growth in supplementary health insurance was attributable to the excellent new-business figures from last year's second and third quarters, which fully impact premiums this year. The total number of all policyholders was up 7.6% on the previous year, rising noticeably (by 9.5%) in supplementary health insurance but remaining virtually unchanged (–0.5%) in comprehensive health insurance.

In **property-casualty insurance**, we generated gross premium income of €1.3bn (1.1bn) in the third quarter of 2007, a robust increase of 17.2% against the third quarter of 2006. Premium income since the beginning of the year climbed 12.4% to €4.4bn (4.0bn), thanks largely to ERGO's foreign business. As a result of changes in the consoli-

dated group, gross premiums written expanded by a significant 58.8%, and still showed an improvement of 14.0% when adjusted for the acquisition of the Turkish İsviçre Group in 2006. This positive development is largely linked to the very satisfactory growth in Poland and the Baltic States. At €2.12bn (2.11bn), ERGO's German business remained at around the same level as in the previous year. This was mainly because of the trend in motor insurance, where premium income declined by 5.5%, above all owing to our profit-oriented underwriting policy and the reassignment of an increased number of policyholders to higher no-claims bonus classes. The performance of ERGO's target lines remained positive: from January to September, personal accident insurance grew by 1.0%, and commercial property and liability business by as much as 18.8% and 6.0% respectively.

ERGO's **legal expenses insurance** showed premium income of €219m (209m) in the third quarter of 2007, representing growth of 4.8% compared with last year. From January to September, gross premiums written climbed to €687m (652m). Both domestic (+1.8%) and foreign business contributed to this growth, the latter again playing a key role with marked expansion of 9.3% to €350m (321m).

At 92.9%, the **combined ratio** for property-casualty business (including legal expenses insurance) for the first nine months of 2007 was higher than for the same period last year (91.0%). Winter Storm Kyrill had given rise to high claims costs at the start of the year. The combined ratio for the third quarter of 2007 in isolation was 92.1% (89.1%).

The **investment result** in primary insurance for January to September came to €4.5bn (3.9bn). Of this, €1.2bn (1.3bn) was attributable to the third quarter.

Partly owing to real-estate sales (see page 9), our primary insurers contributed approximately €340m to the investment result in the current financial year, with gains on disposals from the restructuring of the equity portfolio amounting to €1.2bn (1.1bn).

Development on the bond markets had a positive effect on the derivative financial instruments used in hedging against the reinvestment risk in the event of falling interest rates. In consequence, the balance of write-ups and write-downs of derivatives in life insurance improved by €117m year on year.

Asset management

- Excellent investment result of €7.6bn
- Large gains on the sale of real estate and shares
- US subprime mortgage crisis leads to corrections on the capital markets

Investment result

	Q1–3 2007 €m	Q1–3 2006 €m	Change %	Q3 2007 €m	Q3 2006 €m	Change %
Regular income	6,240	5,956	4.8	1,955	1,829	6.9
Write-ups/write-downs	-766	-717	-6.8	-326	83	-
Net realised capital gains	2,579	2,221	16.1	566	443	27.8
Other income/expenses	-417	-400	-4.3	-205	-98	-109.2
Total	7,636	7,060	8.2	1,990	2,257	-11.8

Investment result by type of investment

	Q1–3 2007 €m	Q1–3 2006 €m	Change %	Q3 2007 €m	Q3 2006 €m	Change %
Real estate	747	275	171.6	64	81	-21.0
Investments in affiliated companies	-17	35	-	-4	1	-
Investments in associates	270	76	255.3	210	39	438.5
Mortgage loans and other loans	1,016	862	17.9	357	298	19.8
Other securities	5,542	5,649	-1.9	1,413	1,746	-19.1
Deposits retained on assumed reinsurance and other investments	304	456	-33.3	77	155	-50.3
Investments for the benefit of life insurance policyholders who bear the investment risk	51	39	30.8	-25	56	-
Expenses for the management of investments and other expenses	277	332	-16.6	102	119	-14.3
Total	7,636	7,060	8.2	1,990	2,257	-11.8

For the period January to September, the Munich Re Group posted an **investment result** of €7,636m (7,060m), or 8.2% more than in the same period last year. The third-quarter result amounted to €1,990m (2,257m).

Compared with the previous year, **regular income from investments** in the first three quarters increased by 4.8% to €6,240m (5,956m), mainly owing to the higher average returns achieved in our bond portfolios. The chief beneficiaries of this trend were our primary insurers, which have approximately 80% of their assets invested in fixed-interest securities.

Net gains from the sale of investments totalled €2,579m (2,221m) in the period under review, primarily due to the active management of our real-estate and equities portfolios. Since the beginning of the year, we have achieved gains on disposal of around €600m from the sale of a real-estate package comprising residential and commercial properties throughout Germany. The sale was initiated in 2006 and is being completed in the course of this year. Approximately €550m of these gains are included in the investment result. The remainder is apportionable to owner-occupied property.

Further diversification of our equities portfolio and profit-taking to capitalise on rising share prices enabled us to post gains of €2,498m (2,353m) on the disposal of shares in the first nine months.

Corrections on the stock markets after the mid-year reporting date led to **impairment losses** in our equities portfolio, which impacted the investment result by €224m (16m) in the third quarter.

To hedge our portfolio against price, interest-rate and exchange-rate fluctuations, we use derivative financial instruments, such as options, futures, swaps and forward trading. The balance of disposals, write-ups and write-downs of these items totalled –€539m (–€564m) in the period January to September.

The environment continues to be difficult for financial instruments exposed to the US subprime mortgage markets. In relation to the Munich Re

Group's total investment volume, only a small amount is invested in such items – some €374m, or 0.2% of our overall investment portfolio. This includes our holdings of credit derivatives affected in this context, revaluation of which gave rise to losses of around €120m in the first nine months. In addition, there were losses on disposal and impairment losses of around €30m on the above-mentioned financial instruments exposed to the US subprime mortgage markets. The burdens are thus within the range of our expectations announced after the second quarter. We have based the impairment losses on the available indicators for market prices, even though the almost complete loss of demand meant that such an approach resulted in significantly lower values than a purely model-oriented valuation.

Investment mix

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		30.9. 2007	31.12. 2006	30.9. 2007	31.12. 2006
	30.9. 2007	31.12. 2006	30.9. 2007	31.12. 2006	30.9. 2007	31.12. 2006	30.9. 2007	31.12. 2006				
All figures in €m*												
Land and buildings, including buildings on third-party land	459	585	659	766	2,735	3,188	93	114	65	67	4,011	4,720
Investments in affiliated companies	39	24	50	28	53	43	108	75	9	8	259	178
Investments in associates	61	65	148	175	408	537	295	286	55	62	967	1,125
Loans	132	103	168	117	32,906	27,791	1,583	1,508	7	9	34,796	29,528
Other securities held to maturity	–	–	–	–	206	242	8	10	–	–	214	252
Other securities available for sale	11,047	10,932	49,077	48,339	55,218	57,383	6,115	6,227	167	34	121,624	122,915
– Fixed-interest	9,089	8,798	38,815	37,414	44,164	46,292	4,485	4,350	160	27	96,713	96,881
– Non-fixed-interest	1,958	2,134	10,262	10,925	11,054	11,091	1,630	1,877	7	7	24,911	26,034
Other securities held for trading	137	117	553	595	418	344	363	287	–	–	1,471	1,343
– Fixed-interest	8	10	372	455	82	97	339	274	–	–	801	836
– Non-fixed-interest	–	–	8	6	–	–	10	7	–	–	18	13
– Derivatives	129	107	173	134	336	247	14	6	–	–	652	494
Deposits retained on assumed reinsurance business	8,864	9,772	1,722	1,904	273	250	5	5	–	–	10,864	11,931
Other investments	422	230	787	612	981	1,775	450	251	447	192	3,087	3,060
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–	2,063	1,820	–	–	–	–	2,063	1,820
Total	21,161	21,828	53,164	52,536	95,261	93,373	9,020	8,763	750	372	179,356	176,872

* After elimination of intra-Group transactions across segments.

The **carrying amount of the Munich Re Group's investments** developed positively overall, rising since the beginning of the year by 1.4% to €179.4bn (176.9bn).

Cash inflows are invested mainly in long-term bonds in primary insurance, whereas in reinsurance they are mostly invested in securities with medium-term maturities.

In our **investment strategy**, with its holistic approach based on asset-liability management, the structure of our liabilities plays a key role. In other words, we take into account the characteristics of the payment obligations from insurance business, including their dependence on economic factors such as interest rates, currency and inflation, and we acquire investments that are similar in structure and maturity, thus cushioning our result against capital market fluctuations.

In addition, we also consider environmental and sustainability aspects in our investment process: on the one hand, we have laid down sustainability criteria for our investment decisions and, on the other, we invest in such items as renewable energies and afforestation.

As at 30 September 2007, our portfolio of fixed-interest securities and loans amounted to €132.6bn (127.5bn), making up around 74% of our total investments at carrying amounts.

The volume of equities, including investments in affiliated non-consolidated companies and associates, was lower at the end of the quarter than at the start of the year, totalling €24.5bn (25.8bn). The proportion of our investments in equities on a

book-value basis amounted to 13.7% at 30 September 2007, compared with 14.6% at the end of 2006, whilst at market values – taking into account equity derivatives used in hedging – the proportion fell from 14.1% to 11.3%.

The carrying amount of land and buildings in our investment portfolio showed a decrease of €0.7bn to €4.0bn (4.7bn) since the beginning of the year, mainly due to book-value reductions from the sale of the real-estate package.

Net unrealised gains based on the market valuation of our securities available for sale totalled €6.6bn (9.3bn) at the end of the quarter (see table "Other securities – Available for sale" on page 34 of the notes to the consolidated financial statements). Net unrealised losses on our fixed-interest securities available for sale recognised at market value were down by €1.2bn in the third quarter to –0.4bn, as interest-rate levels fell due to the financial market crisis and investments in low-risk securities such as government bonds increased in value and losses were realised. The global rise in interest rates had led to net unrealised losses in the second quarter of 2007.

The favourable performance of the stock markets up to the middle of the year was followed by a price correction at the start of the second half-year, triggered by the crisis in the US mortgage market. In combination with sales from our equities portfolio, this meant that in the first nine months net unrealised gains on non-fixed-interest securities available for sale decreased by €1.5bn to €7.0bn (8.5bn).

Valuation reserves not recognised in the balance sheet

All figures in €m	Valuation reserves	Fair value	Carrying amount	Valuation reserves	Fair value	Carrying amount
	30.9.2007	30.9.2007	30.9.2007	31.12.2006	31.12.2006	31.12.2006
Land and buildings*	1,360	7,735	6,375	1,822	9,077	7,255
Associates	296	1,254	958	302	1,408	1,106
Loans	-1,331	33,465	34,796	-216	29,312	29,528
Other securities	1	215	214	5	257	252
Total	326	42,669	42,343	1,913	40,054	38,141

*Including owner-occupied property.

Our **off-balance-sheet valuation reserves** mainly derive from loans recognised in the balance sheet at amortised cost, owner-occupied and investment property, and investments in associates. Since the beginning of the year, these off-balance-sheet reserves showed a decline of €1.6bn to €0.3bn (1.9bn), some €0.2bn (0.3bn) of which was attributable to owner-occupied real estate.

The sale of the package of German real estate reduced our unrealised valuation reserves by around

€600m, with owner-occupied real estate accounting for approximately €50m.

In connection with our loan portfolio, 99% of which is held by our primary insurers, there are also hidden negative valuation differences. These increased by €1,115m in the course of the year owing to the rise in long-term capital market interest rates, although there was an appreciable recovery in the third quarter as a result of marginally falling yields.

Total assets under management

		30.9.2007	31.12.2006
Group's own investments	€bn	172.0	172.4
Third-party investments	€bn	9.5	11.2
		Q1-3 2007	Q1-3 2006
Group asset management result	€m	49	30
		Q3 2007	Q3 2006
		2	3

MEAG MUNICH ERGO AssetManagement GmbH is the asset manager of Munich Re and the ERGO Insurance Group. Its investments under management for the Munich Re Group total €172.0bn (172.4bn).

In addition to its function as asset manager for the Group, MEAG also offers its competence to private and institutional clients. Private-client business was slightly down on the previous quarter. Given the uncertainties surrounding the impact of the US mortgage market crisis, investors' attention has focused on security-oriented investments such as money-market funds with stable prices and the recently introduced capital protected funds. Assets invested for private clients in retail funds amounted to €2.5bn (2.7bn) at the end of the quarter.

Two new segregated real estate funds governed by Luxembourg law – MEAG European Retail Fund and MEAG European Logistics Fund – were successfully launched on the market. MEAG's assets under management for institutional clients reduced to €7.0bn (8.5bn), owing to profit-taking in the real-estate sector.

Around one year ago, MEAG acquired a stake of 19% in PAMC, the asset manager of the PICC (People's Insurance Company of China, the largest Chinese property insurer). This participation has developed well: PAMC's assets under management rose by 40% to €6.3bn (4.5bn) in the first nine months, and should continue to grow strongly.

Prospects

- Reinsurance markets still attractive
- Expectations for the annual result 2007 (subject to normal major-loss incidence and capital market developments):
 - Moderate reductions in reinsurance premium income owing to currency influences
 - Rising premium in primary insurance, especially in property-casualty business
 - Sights set on outstanding consolidated result of €3.5–3.8bn
 - Clear surpassing of 15% return target (RORAC)
 - Continuation of active capital management

There are various reasons why the quarterly results of insurance companies, including Munich Re, are not a suitable indicator for the results of the financial year as a whole. Losses from natural catastrophes and other major losses have a disproportionate impact on the result of the reporting period in which they randomly and unforeseeably occur. Late-reported claims for major loss events can also lead to substantial fluctuations in individual quarterly results. And finally, gains and losses on the disposal of investments do not follow a regular pattern. Consequently, our quarterly figures do not provide more than pointers to the result for the year that may be expected.

Reinsurance

Reinsurance continues to hold considerable promise for the future, with a wide variety of earnings opportunities. The global reinsurance market will carry on growing in the next ten years. We intend to participate in this development and be the most profitable of the big five reinsurers.

To this end, we have combined strategic business initiatives and organisational and structural projects in a growth initiative with the motto “**Changing Gear**”. At the heart of this initiative is our determination to provide our clients more rapidly with innovative and even better tailored products. Beyond this, we intend to simplify our internal processes, reduce any unnecessary bureaucracy and improve our services.

As part of our growth initiative, we aim to significantly increase the volume of profitable business in the USA in the medium term. With effect from 1 January 2008, we will introduce a set-up at Munich Re America structured according to client groups that allows us to develop reinsurance solutions specifically geared to client requirements. In addition, we intend to expand our broker business and build a dominant position in niche primary insurance segments. With these measures, we are laying the foundations for a medium-term increase in our profitability in the USA. Implementation will be effected in

accordance with our fundamentally profit-oriented underwriting policy and will be strictly cycle-dependent. In mid-October 2007, we concluded an agreement with US primary insurer **Midland**, subject to which we will acquire 100% of Midland’s shares for a purchase price of around US\$ 1.3bn (€0.9bn). The acquisition requires the acceptance of Midland’s shareholders and the approval of various authorities, so the transaction is not expected to be completed until next year. Midland is a provider of specialty insurance in such niche segments as the insurance of manufactured housing and motorhomes. With premium income of US\$ 832m (€679m) in 2006 and low combined ratios (2006: 93.0%; 2005: 93.8%; 2004: 96.3%), Midland is one of the leading US specialty insurers. The company is excellently positioned owing to its various distribution channels and presence in 50 states and will offer us sustained opportunities for selling our special products for commercial risks.

At the end of October, we also acquired the British company **MSP Underwriting Ltd.** and thus a stake of 47.3% in Lloyd’s Syndicate 318. MSP Underwriting focuses on short-tail international property business. The acquisition gives us further access to business written via Lloyd’s, in lines not already covered by the Watkins Syndicate in the Munich Re Group.

In **life reinsurance**, premium income will decline somewhat in 2007, since the euro has gained considerable ground against most currencies, and we are reducing several large-volume reinsurance treaties as planned. For the coming years, however, we anticipate that fundamental growth impulses will derive from the restructuring of European insurance supervision (Solvency II) and the continuing privatisation trend in old-age and disability provision in developed countries.

The field of **health** business presents a host of avenues for growth with various business models. We offer our clients more than the insurance industry's usual value chain, because we integrate primary insurance and reinsurance more strongly and provide extensive services. We intend to further intensify the close cooperation between Munich Re and DKV in selected foreign markets.

Cycle management, underwriting discipline, client focus and leading know-how continue to provide the foundations for our good results in **property-casualty reinsurance**. In recent renewals, rates declined slightly owing to continuing competitive pressure but we nevertheless firmly adhered to risk-adequate prices and conditions. We will consistently refrain from participating in business that does not meet our stringent profitability requirements and will further expand special segments with strong margins. In the renewal negotiations for 2008, which will take place at the end of the year and involve roughly two-thirds of our treaty business, we will firmly pursue our long-term-oriented business strategy. Only in this way can we ensure our sustained viability and achieve our ambitious result targets.

Reinsurance business has performed very well so far this year, even though our burden from major losses totalling €999m (564m) was far higher than in 2006, owing to major natural catastrophe losses such as Winter Storm Kyrill, Hurricane Dean and the floods in the United Kingdom.

For the year as a whole, we project a burden of 7% from natural catastrophes. We are nevertheless confident of being able to achieve a combined ratio of under 97% if in the remaining two months of the year we are not confronted with above-average losses from single major events.

It is likely that our **gross premiums** for 2007 will decrease to approximately €21.0–21.5bn, in part owing to the strong euro. Following the outstanding performance of the first three quarters and taking into account one-off income from the German Business Tax Reform Act 2008 totalling around €300m, we could marginally surpass our **annual profit** target of €3.0–3.2bn in reinsurance, given a low claims burden from major losses and an at least satisfactory performance of the capital markets for the remainder of the year.

Primary insurance

In **life insurance**, we anticipate increased new business in Germany, mainly owing to higher income from single premiums. The previous year's figure had been positively influenced by the commencement of the third subsidisation stage for Riester policies at the beginning of 2006. In 2007, unit-

linked life insurance will experience very satisfactory growth, as will company pension business. Given the high number of life insurance policies concluded in the 1990s that are still scheduled to terminate, we reckon with a marginal decline in total premium income.

In **health** business, we will be able to achieve further sales in supplementary health insurance and generate growth in German business with comprehensive health insurance. Overall, premium income growth for 2007 should exceed the 3% growth rate expected for the German market as a whole.

We expect a strong expansion of premium volume in **property-casualty** business, particularly owing to good foreign business. In domestic business, we are proceeding on the assumption that gross premiums written will remain at the previous year's level. As far as the result is concerned, we are optimistic that we will again be able to achieve a combined ratio of below 95% in property-casualty business, including legal expenses insurance, despite the high claims expenditure for Winter Storm Kyrill at the beginning of the year.

On 30 October 2007, a non-life insurance joint venture in India was agreed on between ERGO and the Housing Development Finance Corporation (HDFC Ltd.). ERGO International AG will acquire a 26% share in HDFC General Insurance Ltd., Mumbai, the remainder being held by HDFC Ltd. The new company will be renamed **HDFC ERGO General Insurance Ltd.** The joint venture underlines ERGO's international expansion strategy and offers direct entry into the Indian non-life insurance market with its very promising growth prospects.

All in all, **gross premiums written** in primary insurance for the year 2007 should total between €17.0bn and €17.5bn, enabling us to generate a satisfactory growth rate. On the basis of our performance in the first nine months of the year, we are confident of being able to maintain our successful course and also to deliver a positive **result** in the fourth quarter of 2007. Given the good development of our insurance business, combined with the one-off tax benefits and the good investment result figure thus far, we project that we will be able to fulfil our profit expectations, which we raised to around €900m in the previous quarter.

Munich Re Group

In the third quarter, we continued to pursue our **active capital management** by buying back more shares. By the end of October, we had repurchased 10.2 million Munich Re shares worth €1.4bn. These share buy-backs are scheduled to attain a volume of at least €2bn by the Annual General Meeting on 17 April 2008. Further shares with a volume of €3bn are set to follow by 2010. Reducing the number of shares issued and improving our profit will enable us to boost our earnings per share – proceeding from a normalised basis in 2007 – by an average of 10% annually by 2010.

In addition, we intend to pay our shareholders an annual dividend of at least €1bn for the financial years 2007 to 2009.

The basis for these high payouts of at least €8bn to our shareholders is to be our good business results. We expect that the Munich Re Group's **consolidated premium income** for 2007 will total between €36.5bn and €37.5bn. The expectation for our investments in 2007 is a return of 5% on their average market value.

For our **consolidated result**, we are adhering to our long-term objective of earning a return on risk-adjusted capital (RORAC) of at least 15%. In view of the very good performance of our business in the past nine months and taking into account one-off income of around €400m from the German Business Tax Reform Act/Annual Tax Act 2008, we aim to achieve a consolidated annual profit of between €3.5bn and €3.8bn. This profit figure is equivalent to a RORAC of 18–20%. Given the outstanding business performance of the first nine months, we could marginally exceed our Group profit target range for the year provided that, for the remaining period, the burden from major losses is low and the capital markets continue to develop at least satisfactorily.

The statements relating to opportunities and risks as presented in the Munich Re Group's Annual Report 2006 apply unchanged.

Consolidated financial statements

Consolidated balance sheet as at 30 September 2007

Assets			31.12.2006*		Change	
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		3,161		3,229	-68	-2.1
II. Other intangible assets		1,018		1,055	-37	-3.5
			4,179	4,284	-105	-2.5
B. Investments						
I. Land and buildings, including buildings on third-party land		4,011		4,720	-709	-15.0
Thereof:						
– Investment property held for sale		775		1,164	-389	-33.4
II. Investments in affiliated companies and associates		1,226		1,303	-77	-5.9
III. Loans		34,796		29,528	5,268	17.8
IV. Other securities						
1. Held to maturity		214		252	-38	-15.1
2. Available for sale		121,624		122,915	-1,291	-1.1
3. Held for trading		1,471		1,343	128	9.5
		123,309		124,510	-1,201	-1.0
V. Deposits retained on assumed reinsurance		10,864		11,931	-1,067	-8.9
VI. Other investments		3,087		3,060	27	0.9
			177,293	175,052	2,241	1.3
C. Investments for the benefit of life insurance policyholders who bear the investment risk			2,063	1,820	243	13.4
D. Ceded share of technical provisions			5,795	6,593	-798	-12.1
E. Receivables			8,850	8,825	25	0.3
F. Cash at bank, cheques and cash in hand			2,549	2,172	377	17.4
G. Deferred acquisition costs						
– Gross		8,444		8,298	146	1.8
– Ceded share		82		108	-26	-24.1
– Net			8,362	8,190	172	2.1
H. Deferred tax assets			4,869	5,368	-499	-9.3
Thereof:						
– Deferred tax assets relating to disposal groups			12	16	-4	-25.0
I. Other assets			3,285	3,541	-256	-7.2
Thereof:						
– Owner-occupied property held for sale			84	66	18	27.3
Total assets			217,245	215,845	1,400	0.6

* Adjusted owing to IAS 8 (procedure for first-time consolidation, provisions for deferred premium refunds on retained profits of subsidiaries, correction of deferred taxes and goodwill). For details, please see notes to the consolidated financial statements.

Equity and liabilities	31.12.2006*			Change	
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,388		7,388	–	–
II. Retained earnings	9,552		9,400	152	1.6
III. Other reserves	4,123		5,629	–1,506	–26.8
IV. Consolidated result attributable to Munich Re equity holders	3,294		3,425	–131	–3.8
V. Minority interests	500		478	22	4.6
		24,857	26,320	–1,463	–5.6
B. Subordinated liabilities		4,905	3,419	1,486	43.5
C. Gross technical provisions					
I. Unearned premiums	6,240		5,870	370	6.3
II. Provision for future policy benefits	95,586		94,660	926	1.0
III. Provision for outstanding claims	46,628		47,076	–448	–1.0
IV. Other technical provisions	10,895		10,929	–34	–0.3
Thereof:					
– Provision for deferred premium refunds relating to disposal groups	–113		–169	56	33.1
		159,349	158,535	814	0.5
D. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders		2,185	1,930	255	13.2
E. Other accrued liabilities		5,005	4,865	140	2.9
F. Liabilities					
I. Bonds and notes issued	351		378	–27	–7.1
II. Deposits retained on ceded business	2,213		2,241	–28	–1.2
III. Other liabilities	11,237		10,015	1,222	12.2
Thereof:					
– Amounts due to banks relating to disposal groups	250		231	19	8.2
		13,801	12,634	1,167	9.2
G. Deferred tax liabilities		7,143	8,142	–999	–12.3
Thereof:					
– Deferred tax liabilities relating to disposal groups		65	65	–	–
Total equity and liabilities		217,245	215,845	1,400	0.6

* Adjusted owing to IAS 8.

Consolidated income statement for the period 1 January to 30 September 2007

Items	Q1-3 2007	Q1-3 2007	Q1-3 2007	Q1-3 2006*	Change	
	€m	€m	€m	€m	€m	%
Gross premiums written	28,076			28,080	-4	-0.0
1. Earned premiums						
– Gross	27,557			27,853	-296	-1.1
– Ceded share	1,134			1,352	-218	-16.1
– Net		26,423		26,501	-78	-0.3
2. Investment result						
– Investment income	11,295			9,590	1,705	17.8
– Investment expenses	3,659			2,530	1,129	44.6
– Total		7,636		7,060	576	8.2
Thereof:						
– Income from associates		270		76	194	255.3
3. Other income		1,572		1,253	319	25.5
Total income (1-3)			35,631	34,814	817	2.3
4. Net expenses for claims and benefits						
– Gross	23,845			23,049	796	3.5
– Ceded share	574			788	-214	-27.2
– Net		23,271		22,261	1,010	4.5
5. Operating expenses						
– Gross	6,823			6,722	101	1.5
– Ceded share	327			327	-	-
– Net		6,496		6,395	101	1.6
6. Other expenses		1,884		1,531	353	23.1
Total expenses (4-6)			31,651	30,187	1,464	4.8
7. Result before impairment losses of goodwill			3,980	4,627	-647	-14.0
8. Impairment losses of goodwill			-	-	-	-
9. Operating result			3,980	4,627	-647	-14.0
10. Finance costs			238	238	-	-
11. Taxes on income			394	1,539	-1,145	-74.4
12. Consolidated result			3,348	2,850	498	17.5
Thereof:						
– Attributable to Munich Re equity holders			3,294	2,789	505	18.1
– Attributable to minority interests			54	61	-7	-11.5
			€	€	€	%
Earnings per share			15.15	12.24	2.91	23.8

* Adjusted owing to IAS 8.

Consolidated income statement for the period 1 July to 30 September 2007

Items	Q3 2007	Q3 2007	Q3 2007	Q3 2006*	Change	
	€m	€m	€m	€m		
Gross premiums written	9,148			9,017	131	1.5
1. Earned premiums						
– Gross	9,151			9,250	–99	–1.1
– Ceded share	383			438	–55	–12.6
– Net		8,768		8,812	–44	–0.5
2. Investment result						
– Investment income	3,625			2,887	738	25.6
– Investment expenses	1,635			630	1,005	159.5
– Total		1,990		2,257	–267	–11.8
Thereof:						
– Income from associates		210		39	171	438.5
3. Other income		553		337	216	64.1
Total income (1–3)			11,311	11,406	–95	–0.8
4. Net expenses for claims and benefits						
– Gross	7,462			7,723	–261	–3.4
– Ceded share	180			255	–75	–29.4
– Net		7,282		7,468	–186	–2.5
5. Operating expenses						
– Gross	2,263			2,261	2	0.1
– Ceded share	107			84	23	27.4
– Net		2,156		2,177	–21	–1.0
6. Other expenses		741		454	287	63.2
Total expenses (4–6)			10,179	10,099	80	0.8
7. Result before impairment losses of goodwill			1,132	1,307	–175	–13.4
8. Impairment losses of goodwill			–	–	–	–
9. Operating result			1,132	1,307	–175	–13.4
10. Finance costs			89	74	15	20.3
11. Taxes on income			–173	510	–683	–
12. Consolidated result			1,216	723	493	68.2
Thereof:						
– Attributable to Munich Re equity holders			1,196	707	489	69.2
– Attributable to minority interests			20	16	4	25.0
			€	€	€	%
Earnings per share			5.63	3.11	2.52	81.0

*Adjusted owing to IAS 8.

Consolidated income statement (quarterly breakdown)

Items	Q3 2007 €m	Q2 2007 €m	Q1 2007* €m	Q4 2006* €m	Q3 2006* €m	Q2 2006* €m	Q1 2006* €m
Gross premiums written	9,148	8,908	10,020	9,356	9,017	9,027	10,036
1. Earned premiums							
– Gross	9,151	9,263	9,143	9,760	9,250	9,280	9,323
– Ceded share	383	402	349	547	438	469	445
– Net	8,768	8,861	8,794	9,213	8,812	8,811	8,878
2. Investment result							
– Investment income	3,625	3,685	3,985	2,792	2,887	3,674	3,029
– Investment expenses	1,635	1,200	824	880	630	1,000	900
– Total	1,990	2,485	3,161	1,912	2,257	2,674	2,129
Thereof:							
– Income from associates	210	39	21	–32	39	24	13
3. Other income	553	607	412	531	337	485	431
Total income (1–3)	11,311	11,953	12,367	11,656	11,406	11,970	11,438
4. Net expenses for claims and benefits							
– Gross	7,462	7,736	8,647	7,766	7,723	7,618	7,708
– Ceded share	180	168	226	247	255	219	314
– Net	7,282	7,568	8,421	7,519	7,468	7,399	7,394
5. Operating expenses							
– Gross	2,263	2,365	2,195	2,611	2,261	2,240	2,221
– Ceded share	107	142	78	172	84	115	128
– Net	2,156	2,223	2,117	2,439	2,177	2,125	2,093
6. Other expenses	741	627	516	844	454	604	473
Total expenses (4–6)	10,179	10,418	11,054	10,802	10,099	10,128	9,960
7. Result before impairment losses of goodwill	1,132	1,535	1,313	854	1,307	1,842	1,478
8. Impairment losses of goodwill	–	–	–	4	–	–	–
9. Operating result	1,132	1,535	1,313	850	1,307	1,842	1,478
10. Finance costs	89	79	70	72	74	78	86
11. Taxes on income	–173	298	269	109	510	623	406
12. Consolidated result	1,216	1,158	974	669	723	1,141	986
Thereof:							
– Attributable to Munich Re equity holders	1,196	1,140	958	636	707	1,116	966
– Attributable to minority interests	20	18	16	33	16	25	20
	€	€	€	€	€	€	€
Earnings per share	5.63	5.22	4.32	2.80	3.11	4.90	4.23

* Adjusted owing to IAS 8.

Statement of recognised income and expense for the period 1 January to 30 September 2007

	Q1-3 2007 €m	Q1-3 2006* €m
Consolidated result	3,348	2,850
Currency translation	-294	-388
Unrealised gains and losses on investments	-1,210	-404
Change resulting from valuation at equity	-10	13
Change resulting from cash flow hedges	-15	-4
Actuarial gains and losses on defined benefit plans	12	26
Change in consolidated group	12	-42
Other changes	15	-39
Income and expense recognised directly in equity	-1,490	-838
Total recognised income and expense	1,858	2,012
Thereof:		
- Attributable to Munich Re equity holders	1,818	2,025
- Attributable to minority interests	40	-13
- Adjustments pursuant to IAS 8	-7	-3

* Adjusted owing to IAS 8.

Group statement of changes in equity

	Equity attributable to Munich Re equity holders							Minority interests	Total equity	
	Issued capital	Capital reserve	Retained earnings		Other reserves					Consolidated result
			Retained earnings before deduction of own shares	Own shares held	Unrealised gains and losses	Reserve from currency translation	Valuation result from cash flow hedges			
All figures in €m										
Status at 31.12.2005*	588	6,800	7,955	-201	6,056	-34	6	2,679	449	24,298
Allocation to retained earnings	-	-	1,972	-	-	-	-	-1,972	-	-
Total recognised income and expense*	-	-	4	-	-377	-387	-4	2,789	-13	2,012
Thereof:										
- Adjustments pursuant to IAS 8	-	-	-	-	7	2	-	-10	-2	-3
Dividend	-	-	-	-	-	-	-	-707	-20	-727
Share buy-backs	-	-	-	-34	-	-	-	-	-	-34
Status at 30.9.2006*	588	6,800	9,931	-235	5,679	-421	2	2,789	416	25,549
Status at 31.12.2006*	588	6,800	9,860	-460	6,241	-626	14	3,425	478	26,320
Allocation to retained earnings	-	-	2,437	-	-	-	-	-2,437	-	-
Total recognised income and expense	-	-	30	-	-1,195	-297	-14	3,294	40	1,858
Thereof:										
- Adjustments pursuant to IAS 8	-	-	-	-	-	1	-	-7	-1	-7
Dividend	-	-	-	-	-	-	-	-988	-18	-1,006
Share buy-backs	-	-	-	-2,315	-	-	-	-	-	-2,315
Retirement of own shares	-	-	-1,500	1,500	-	-	-	-	-	-
Status at 30.9.2007	588	6,800	10,827	-1,275	5,046	-923	-	3,294	500	24,857

* Adjusted owing to IAS 8.

Consolidated cash flow statement for the period 1 January to 30 September 2007

	Q1-3 2007	Q1-3 2006*
	€m	€m
Consolidated result	3,348	2,850
Net change in technical provisions	3,475	2,825
Change in deferred acquisition costs	-210	-100
Change in deposits retained and accounts receivable and payable	1,625	-239
Change in other receivables and liabilities	846	1,758
Gains and losses on the disposal of investments	-2,579	-2,221
Change in securities held for trading	-716	-546
Change in other balance sheet items	214	722
Other income/expenses without impact on cash flow	899	898
I. Cash flows from operating activities	6,902	5,947
Inflows from the sale of consolidated companies	70	10
Outflows for the acquisition of consolidated companies	42**	-
Change from the acquisition, sale and maturities of other investments	-4,669	-3,697
Change from the acquisition and sale of investments for unit-linked life insurance	-192	-171
Other	105	37
II. Cash flows from investing activities	-4,728	-3,821
Inflows from increases in capital	-	-
Outflows for share buy-backs	2,315	34
Dividend payments	1,006	727
Change from other financing activities	1,537	-1,461
III. Cash flows from financing activities	-1,784	-2,222
Cash flows for the financial year (I + II + III)	390	-96
Effect of exchange rate changes on cash	-13	-10
Cash at the beginning of the financial year	2,172	2,337
Cash at the end of the financial year	2,549	2,231

* Adjusted owing to IAS 8.

** The estimate of the cash acquired with the Bell & Clements Group in the second quarter has been adjusted pursuant to IFRS 3.62.

Segment reporting

Segment assets	Reinsurance			
	Life and health		Property-casualty	
	30.9.2007 €m	31.12.2006* €m	30.9.2007 €m	31.12.2006* €m
A. Intangible assets	287	275	1,149	1,202
B. Investments				
I. Land and buildings, including buildings on third-party land	459	585	659	766
Thereof:				
– Investment property held for sale	12	102	16	128
II. Investments in affiliated companies and associates	2,453	2,553	3,386	3,281
III. Loans	136	181	174	215
IV. Other securities				
1. Held to maturity	–	–	–	–
2. Available for sale	11,047	10,932	49,077	48,339
3. Held for trading	137	117	553	595
	11,184	11,049	49,630	48,934
V. Deposits retained on assumed reinsurance	13,711	14,579	1,727	1,837
VI. Other investments	625	301	1,062	702
	28,568	29,248	56,638	55,735
C. Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–
D. Ceded share of technical provisions	739	844	3,219	3,871
E. Other segment assets	5,939	6,365	8,309	8,421
Thereof:				
– Other segment assets relating to disposal groups	–	4	–	8
Total segment assets	35,533	36,732	69,315	69,229

* Adjusted owing to IAS 8.

		Primary insurance		Asset management		Consolidation		Total	
Life and health		Property-casualty							
30.9.2007	31.12.2006	30.9.2007	31.12.2006*	30.9.2007	31.12.2006	30.9.2007	31.12.2006	30.9.2007	31.12.2006*
€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
1,694	1,730	1,037	1,082	17	10	-5	-15	4,179	4,284
2,736	3,189	93	114	65	67	-1	-1	4,011	4,720
722	908	2	26	23	-	-	-	775	1,164
529	1,063	3,200	3,290	100	106	-8,442	-8,990	1,226	1,303
34,427	29,362	1,628	1,585	7	104	-1,576	-1,919	34,796	29,528
206	242	8	10	-	-	-	-	214	252
55,218	57,383	6,115	6,254	167	34	-	-27	121,624	122,915
418	344	363	287	-	-	-	-	1,471	1,343
55,842	57,969	6,486	6,551	167	34	-	-27	123,309	124,510
276	253	19	18	-	-	-4,869	-4,756	10,864	11,931
985	1,892	502	257	448	293	-535	-385	3,087	3,060
94,795	93,728	11,928	11,815	787	604	-15,423	-16,078	177,293	175,052
2,063	1,820	-	-	-	-	-	-	2,063	1,820
6,556	6,357	1,612	1,528	-	-	-6,331	-6,007	5,795	6,593
11,537	11,286	3,964	3,847	102	144	-1,936	-1,967	27,915	28,096
96	70	-	-	-	-	-	-	96	82
116,645	114,921	18,541	18,272	906	758	-23,695	-24,067	217,245	215,845

Segment reporting

Segment liabilities	Reinsurance			
	Life and health		Property-casualty	
	30.9.2007 €m	31.12.2006* €m	30.9.2007 €m	31.12.2006* €m
A. Subordinated liabilities	1,921	1,349	2,599	1,682
B. Gross technical provisions				
I. Unearned premiums	180	195	4,484	4,362
II. Provision for future policy benefits	15,925	16,706	647	738
III. Provision for outstanding claims	4,858	4,489	35,686	36,482
IV. Other technical provisions	1,095	1,114	246	232
Thereof:				
– Provision for deferred premium refunds relating to disposal groups	–	–	–	–
	22,058	22,504	41,063	41,814
C. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders	–	–	–	–
D. Other accrued liabilities	704	685	1,420	1,382
E. Other segment liabilities	4,420	4,638	7,284	6,714
Thereof:				
– Other segment liabilities relating to disposal groups	2	15	2	19
Total segment liabilities	29,103	29,176	52,366	51,592

*Adjusted owing to IAS 8.

		Primary insurance		Asset management		Consolidation		Total		
Life and health		Property-casualty								
30.9.2007	31.12.2006*	30.9.2007	31.12.2006*	30.9.2007	31.12.2006	30.9.2007	31.12.2006	30.9.2007	31.12.2006*	
€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	
1	2	394	398	-	-	-10	-12	4,905	3,419	
125	92	1,803	1,468	-	-	-352	-247	6,240	5,870	
83,426	81,561	301	267	-	-	-4,713	-4,612	95,586	94,660	
2,160	2,245	4,900	4,737	-	-	-976	-877	46,628	47,076	
9,757	9,799	123	113	-	-	-326	-329	10,895	10,929	
-113	-169	-	-	-	-	-	-	-113	-169	
95,468	93,697	7,127	6,585	-	-	-6,367	-6,065	159,349	158,535	
2,185	1,930	-	-	-	-	-	-	2,185	1,930	
1,160	1,153	1,739	1,675	57	47	-75	-77	5,005	4,865	
13,671	13,702	3,828	4,044	647	524	-8,906	-8,846	20,944	20,776	
292	258	-	4	19	-	-	-	315	296	
112,485	110,484	13,088	12,702	704	571	-15,358	-15,000	192,388	189,525	
								Equity	24,857	26,320
								Total equity and liabilities	217,245	215,845

Segment reporting

Segment income statement

1.1.–30.9.2007

	Reinsurance			
	Life and health		Property-casualty	
	Q1–3 2007	Q1–3 2006	Q1–3 2007	Q1–3 2006
	€m	€m	€m	€m
Gross premiums written	5,524	5,844	10,945	10,993
Thereof:				
– From insurance transactions with other segments	525	551	673	578
– From insurance transactions with external third parties	4,999	5,293	10,272	10,415
1. Earned premiums				
– Gross	5,528	5,852	10,680	10,993
– Ceded	201	307	579	738
– Net	5,327	5,545	10,101	10,255
2. Investment result				
– Investment income	1,619	1,448	4,096	2,983
– Investment expenses	431	208	1,773	788
– Total	1,188	1,240	2,323	2,195
Thereof:				
– Income from associates	3	6	18	30
3. Other income	231	216	486	397
Total income (1–3)	6,746	7,001	12,910	12,847
4. Expenses for claims and benefits				
– Gross	4,245	4,574	7,375	7,026
– Ceded share	98	216	302	393
– Net	4,147	4,358	7,073	6,633
5. Operating expenses				
– Gross	1,501	1,674	3,079	2,960
– Ceded share	48	80	230	198
– Net	1,453	1,594	2,849	2,762
6. Other expenses	298	266	621	541
Total expenses (4–6)	5,898	6,218	10,543	9,936
7. Result before impairment losses of goodwill	848	783	2,367	2,911
8. Impairment losses of goodwill	–	–	–	–
9. Operating result	848	783	2,367	2,911
10. Finance costs	80	72	137	120
11. Taxes on income	52	282	167	859
12. Consolidated result	716	429	2,063	1,932
Thereof:				
– Attributable to Munich Re equity holders	716	429	2,063	1,932
– Attributable to minority interests	–	–	–	–

* Adjusted owing to IAS 8.

		Primary insurance				Asset management		Consolidation		Total	
		Life and health		Property-casualty							
Q1-3 2007	Q1-3 2006*	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006*
€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
8,391	8,449	4,429	3,940	-	-	-1,213	-1,146	28,076	28,080		
1	1	14	16	-	-	-1,213	-1,146	-	-		
8,390	8,448	4,415	3,924	-	-	-	-	28,076	28,080		
8,360	8,418	4,087	3,678	-	-	-1,098	-1,088	27,557	27,853		
639	663	813	732	-	-	-1,098	-1,088	1,134	1,352		
7,721	7,755	3,274	2,946	-	-	-	-	26,423	26,501		
5,408	4,917	602	557	81	48	-511	-363	11,295	9,590		
1,384	1,478	114	87	4	7	-47	-38	3,659	2,530		
4,024	3,439	488	470	77	41	-464	-325	7,636	7,060		
241	12	-5	24	13	4	-	-	270	76		
898	624	436	538	249	236	-728	-758	1,572	1,253		
12,643	11,818	4,198	3,954	326	277	-1,192	-1,083	35,631	34,814		
10,628	10,154	2,449	2,105	-	-	-852	-810	23,845	23,049		
415	416	464	410	-	-	-705	-647	574	788		
10,213	9,738	1,985	1,695	-	-	-147	-163	23,271	22,261		
1,247	1,175	1,327	1,229	-	-	-331	-316	6,823	6,722		
174	171	215	193	-	-	-340	-315	327	327		
1,073	1,004	1,112	1,036	-	-	9	-1	6,496	6,395		
928	673	607	640	249	227	-819	-816	1,884	1,531		
12,214	11,415	3,704	3,371	249	227	-957	-980	31,651	30,187		
429	403	494	583	77	50	-235	-103	3,980	4,627		
-	-	-	-	-	-	-	-	-	-		
429	403	494	583	77	50	-235	-103	3,980	4,627		
1	1	18	44	3	3	-1	-2	238	238		
151	238	1	141	25	17	-2	2	394	1,539		
277	164	475	398	49	30	-232	-103	3,348	2,850		
249	138	446	365	49	30	-229	-105	3,294	2,789		
28	26	29	33	-	-	-3	2	54	61		

Segment reporting

Segment income statement

1.7.–30.9.2007

	Reinsurance			
	Life and health		Property-casualty	
	Q3 2007 €m	Q3 2006 €m	Q3 2007 €m	Q3 2006 €m
Gross premiums written	1,866	1,945	3,610	3,559
Thereof:				
– From insurance transactions with other segments	170	185	160	146
– From insurance transactions with external third parties	1,696	1,760	3,450	3,413
1. Earned premiums				
– Gross	1,876	1,919	3,486	3,658
– Ceded	67	77	208	262
– Net	1,809	1,842	3,278	3,396
2. Investment result				
– Investment income	541	460	1,347	893
– Investment expenses	180	59	845	231
– Total	361	401	502	662
Thereof:				
– Income from associates	2	3	7	9
3. Other income	67	59	150	96
Total income (1–3)	2,237	2,302	3,930	4,154
4. Expenses for claims and benefits				
– Gross	1,343	1,540	2,379	2,305
– Ceded share	26	59	88	158
– Net	1,317	1,481	2,291	2,147
5. Operating expenses				
– Gross	575	563	963	991
– Ceded share	19	12	64	59
– Net	556	551	899	932
6. Other expenses	95	83	211	155
Total expenses (4–6)	1,968	2,115	3,401	3,234
7. Result before impairment losses of goodwill	269	187	529	920
8. Impairment losses of goodwill	–	–	–	–
9. Operating result	269	187	529	920
10. Finance costs	31	24	51	39
11. Taxes on income	–77	61	–64	378
12. Consolidated result	315	102	542	503
Thereof:				
– Attributable to Munich Re equity holders	315	102	542	503
– Attributable to minority interests	–	–	–	–

* Adjusted owing to IAS 8.

		Primary insurance				Asset management		Consolidation		Total	
		Life and health		Property-casualty							
Q3 2007	Q3 2006*	Q3 2007	Q3 2006	Q3 2007	Q3 2006	Q3 2007	Q3 2006	Q3 2007	Q3 2006	Q3 2007	Q3 2006*
€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
2,726	2,758	1,281	1,093	-	-	-335	-338	9,148	9,017		
-	-	5	7	-	-	-335	-338	-	-		
2,726	2,758	1,276	1,086	-	-	-	-	9,148	9,017		
2,740	2,769	1,429	1,262	-	-	-380	-358	9,151	9,250		
200	218	288	239	-	-	-380	-358	383	438		
2,540	2,551	1,141	1,023	-	-	-	-	8,768	8,812		
1,662	1,490	132	121	24	16	-81	-93	3,625	2,887		
562	310	56	36	1	3	-9	-9	1,635	630		
1,100	1,180	76	85	23	13	-72	-84	1,990	2,257		
209	17	-8	10	-	-	-	-	210	39		
346	201	147	164	66	69	-223	-252	553	337		
3,986	3,932	1,364	1,272	89	82	-295	-336	11,311	11,406		
3,155	3,465	869	689	-	-	-284	-276	7,462	7,723		
126	142	170	118	-	-	-230	-222	180	255		
3,029	3,323	699	571	-	-	-54	-54	7,282	7,468		
382	383	462	423	-	-	-119	-99	2,263	2,261		
60	49	89	64	-	-	-125	-100	107	84		
322	334	373	359	-	-	6	1	2,156	2,177		
410	208	204	216	80	73	-259	-281	741	454		
3,761	3,865	1,276	1,146	80	73	-307	-334	10,179	10,099		
225	67	88	126	9	9	12	-2	1,132	1,307		
-	-	-	-	-	-	-	-	-	-		
225	67	88	126	9	9	12	-2	1,132	1,307		
-	-	6	11	1	1	-	-1	89	74		
47	47	-82	19	6	5	-3	-	-173	510		
178	20	164	96	2	3	15	-1	1,216	723		
162	13	156	88	3	3	18	-2	1,196	707		
16	7	8	8	-1	-	-3	1	20	16		

Segment reporting

Investments*	Reinsurance		Primary insurance		Asset management		Total	
	30.9.2007 €m	31.12.2006 €m	30.9.2007 €m	31.12.2006 €m	30.9.2007 €m	31.12.2006 €m	30.9.2007 €m	31.12.2006 €m
Europe	43,898	45,043	99,707	98,656	683	311	144,288	144,010
North America	25,773	24,824	2,721	1,936	33	22	28,527	26,782
Asia and Australasia	3,149	2,899	1,707	1,334	33	38	4,889	4,271
Africa, Near and Middle East	739	750	38	77	1	–	778	827
Latin America	766	848	108	133	–	1	874	982
Total	74,325	74,364	104,281	102,136	750	372	179,356	176,872

* After elimination of intra-Group transactions across segments.

Gross premiums written*	Reinsurance		Primary insurance		Total	
	Q1–3 2007 €m	Q1–3 2006 €m	Q1–3 2007 €m	Q1–3 2006 €m	Q1–3 2007 €m	Q1–3 2006 €m
Europe	7,556	7,852	12,564	12,127	20,120	19,979
North America	4,861	5,230	157	121	5,018	5,351
Asia and Australasia	1,486	1,469	53	84	1,539	1,553
Africa, Near and Middle East	573	515	19	28	592	543
Latin America	795	642	12	12	807	654
Total	15,271	15,708	12,805	12,372	28,076	28,080

* After elimination of intra-Group transactions across segments.

Gross premiums written*	Reinsurance		Primary insurance		Total	
	Q3 2007 €m	Q3 2006 €m	Q3 2007 €m	Q3 2006 €m	Q3 2007 €m	Q3 2006 €m
Europe	2,434	2,578	3,907	3,811	6,341	6,389
North America	1,738	1,698	74	6	1,812	1,704
Asia and Australasia	501	535	8	23	509	558
Africa, Near and Middle East	199	133	4	1	203	134
Latin America	274	229	9	3	283	232
Total	5,146	5,173	4,002	3,844	9,148	9,017

* After elimination of intra-Group transactions across segments.

Notes

Recognition and measurement

This quarterly report as at 30 September 2007 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. We have complied with all new and amended IFRSs whose application is compulsory for the first time for periods beginning on 1 January 2007. Otherwise, the same principles of recognition, measurement and consolidation have been applied as in our consolidated financial statements as at 31 December 2006. In accordance with IAS 34.41, greater use is made of estimation methods and planning data in preparing our quarterly figures than in our annual financial reporting.

Taxes on income in the Munich Re Group's quarterly financial statements are calculated in the same way as for the consolidated financial statements as at 31 December 2006, i.e. a direct tax calculation is made per quarterly result of the individual consolidated companies.

The following effects from the first-time application of new or amended IFRSs will be of significance for the consolidated financial statements as at 31 December 2007:

IFRS 7, Financial Instruments: Disclosures, is applicable for accounting periods beginning on or after 1 January 2007. In addition to extended disclosure obligations in respect of recognition and measurement of financial instruments, the new standard requires more extensive information on the type and extent of risks from financial instruments; the requirements of IFRS 4 regarding risks from insurance contracts have been adjusted in the same way. Parallel to this, IAS 1 (rev. 2005), Presentation of Financial Statements, calls for the disclosure of aims, methods and processes used in capital management.

As from the third quarter of 2007, the system for breaking down deposits retained on assumed reinsurance business between the reinsurance segments has been modified – thanks to enhanced IT functionalities – to achieve a more direct allocation. This also results in a shift in "other securities". The change has no effect on equity. We have adjusted previous-year figures retrospectively in accordance with IAS 8, without impact on profit or loss.

Changes in the consolidated group

On 21 September 2007, the Munich Re Group acquired all outstanding shares in Cairnstone, Inc. via its subsidiary Munich Reinsurance America, Inc. With this transaction, our stake in one of the leading providers of stop-loss covers for US employers that finance their employees' healthcare expenditure was increased from 25% to 100%. The purchase price for the share increase was €18.3m and includes incidental acquisition expenses, other costs such as consulting services, and taxes incurred. In addition to goodwill totalling €12.0m, we also acquired other intan-

gible assets of €5.6m. This capitalisation is based mainly on the tapping of additional future business potential, the use of the company's distribution network as well as its sales, marketing and insurance know-how, and the planned expansion of business relations with existing clients.

Foreign currency translation

Munich Re's presentation currency is the euro (€). The following table shows the exchange rates of the most important currencies for our business:

Currency translation rates	Balance sheet			Income statement			Income statement	
	30.9.2007	31.12.2006	Q3 2007	Q2 2007	Q1 2007	Q3 2006	Q2 2006	Q1 2006
Rate for €1:								
Australian dollar	1.60705	1.67300	1.62295	1.62254	1.66693	1.68366	1.68371	1.62793
Canadian dollar	1.41320	1.53450	1.43712	1.48145	1.53558	1.42841	1.41098	1.38917
Pound sterling	0.69805	0.67375	0.67997	0.67890	0.67059	0.67980	0.68804	0.68640
Rand	9.80820	9.29750	9.75928	9.56422	9.48893	9.10997	8.12931	7.40214
Swiss franc	1.66135	1.60965	1.64788	1.64734	1.61619	1.57688	1.56350	1.55929
US dollar	1.42215	1.31865	1.37407	1.34828	1.31062	1.27441	1.25700	1.20220
Yen	163.5690	157.1240	161.9790	162.7890	156.4280	148.0810	143.7610	140.5450

Intangible assets

All figures in €m	30.9.2007	31.12.2006
I. Goodwill	3,161	3,229*
II. Other intangible assets	1,018	1,055
Thereof:		
– Software	289	353
– Purchased insurance portfolios	577	562
– Other	152	140
Total	4,179	4,284

* Adjusted owing to IAS 8.

Other securities – Available for sale

All figures in €m	Carrying amounts		Unrealised gains/losses		Amortised cost	
	30.9.2007	31.12.2006	30.9.2007	31.12.2006	30.9.2007	31.12.2006
Fixed-interest securities	96,713	96,881	-423	792	97,136	96,089
Non-fixed-interest securities						
– Shares	22,284	23,268	6,602	7,992	15,682	15,276
– Investment funds	2,007	2,205	378	455	1,629	1,750
– Other	620	561	44	48	576	513
Total	121,624	122,915	6,601	9,287	115,023	113,628

Number of shares in circulation and number of own shares held

	30.9.2007	31.12.2006
Number of shares		
Number of shares in circulation	211,302,421	225,616,173
Number of own shares held	6,586,249	3,964,060
Total	217,888,670	229,580,233

The number of own shares held contains 4,550,718 shares acquired in the share buy-back programme decided on by the Board of Management on 4 May 2007. These shares had not yet been retired at the balance sheet date.

Minority interests

These are mainly minority interests in the ERGO Insurance Group.

All figures in €m	30.9.2007	31.12.2006*
Unrealised gains and losses	42	69
Consolidated result	55	79
Other equity	403	330
Total	500	478

* Adjusted owing to IAS 8.

Subordinated liabilities

All figures in €m	30.9.2007	31.12.2006
Munich Re Finance B.V., Amsterdam 6.75%, €3,000m, Bonds 2003/2023 S&P rating: A	2,979	2,977
Munich Re Finance B.V., Amsterdam 7.625%, £300m, Bonds 2003/2028 S&P rating: A	427	442
Munich Reinsurance Company, Munich 5.767%, €1,500m, Bonds 2007/perpetual S&P rating: A	1,499	–
Total	4,905	3,419

To optimise our capital structure and with it our cost of capital, we placed a subordinated bond with a total volume of €1.5bn in June of this year. It is a perpetual bond and callable by Munich Re from ten years after the date of issue. Up to then, it will have a fixed coupon rate of 5.767% and thereafter a floating rate.

The fair value of the subordinated bond is hedged by means of an interest-rate swap. The changes in value of the subordinated liability and of the interest-rate swap are shown in the finance costs with impact on profit or loss in each case.

Bonds and notes issued

All figures in €m	30.9.2007	31.12.2006
Munich Re America Corporation, Princeton 7.45%, US\$ 500m, Senior Notes 1996/2026 S&P rating: A–	351	378
Total	351	378

Premiums

	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1-3 2007	Q1-3 2006
	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006		
All figures in €m*										
Gross premiums written	4,999	5,293	10,272	10,415	8,390	8,448	4,415	3,924	28,076	28,080
Change in unearned premiums										
– Gross	-1	-6	146	-59	31	31	343	261	519	227
Gross earned premiums	5,000	5,299	10,126	10,474	8,359	8,417	4,072	3,663	27,557	27,853
Ceded premiums written	199	304	505	763	104	99	243	242	1,051	1,408
Change in unearned premiums										
– Ceded share	-1	-2	-74	25	-	-	-8	33	-83	56
Earned premiums										
– Ceded	200	306	579	738	104	99	251	209	1,134	1,352
Net earned premiums	4,800	4,993	9,547	9,736	8,255	8,318	3,821	3,454	26,423	26,501

*After elimination of intra-Group transactions across segments.

	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q3 2007	Q3 2006
	Q3 2007	Q3 2006	Q3 2007	Q3 2006	Q3 2007	Q3 2006	Q3 2007	Q3 2006		
All figures in €m*										
Gross premiums written	1,696	1,760	3,450	3,413	2,726	2,758	1,276	1,086	9,148	9,017
Change in unearned premiums										
– Gross	-10	27	167	-77	-13	-12	-147	-171	-3	-233
Gross earned premiums	1,706	1,733	3,283	3,490	2,739	2,770	1,423	1,257	9,151	9,250
Ceded premiums written	66	85	234	310	28	29	51	17	379	441
Change in unearned premiums										
– Ceded share	-	9	26	48	-	-	-30	-54	-4	3
Earned premiums										
– Ceded	66	76	208	262	28	29	81	71	383	438
Net earned premiums	1,640	1,657	3,075	3,228	2,711	2,741	1,342	1,186	8,768	8,812

*After elimination of intra-Group transactions across segments.

Investment result by type of investment and segment

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006
	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006				
All figures in €m ¹												
Land and buildings, including buildings on third-party land	55	13	227	59	435	192	27	11	3	-	747	275
Investments in affiliated companies	-2	1	-10	6	5	13	-11	15	1	-	-17	35
Investments in associates	3	6	18	31	241	12	-4	23	12	4	270	76
Loans	3	2	8	4	961	815	44	41	-	-	1,016	862
Other securities held to maturity	-	-	-	-	9	12	-	1	-	-	9	13
Other securities available for sale												
– Fixed-interest	477	421	843	954	1,223	1,484	135	127	4	1	2,682	2,987
– Non-fixed-interest	333	279	1,383	1,204	1,318	1,387	169	214	-	-1	3,203	3,083
Other securities held for trading												
– Fixed-interest	-	-	11	22	-1	-	7	7	-	-	17	29
– Non-fixed-interest	-	-	-	-	-	8	1	1	-	-	1	9
– Derivatives	-53	-27	-237	-114	-80	-337	-	6	-	-	-370	-472
Deposits retained on assumed and ceded reinsurance, and other investments ²	246	362	19	93	-21	-32	12	3	48	30	304	456
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-	51	39	-	-	-	-	51	39
Expenses for the management of investments, other expenses	22	24	93	106	146	183	16	19	-	-	277	332
Total	1,040	1,033	2,169	2,153	3,995	3,410	364	430	68	34	7,636	7,060

¹ After elimination of intra-Group transactions across segments.

² The expenses previously recognised here for deposits on ceded business are now recognised under expenses for claims and benefits.

Investment result by type of investment and segment

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q3 2007	Q3 2006	Q3 2007	Q3 2006
	Q3 2007	Q3 2006	Q3 2007	Q3 2006	Q3 2007	Q3 2006	Q3 2007	Q3 2006				
All figures in €m ¹												
Land and buildings, including buildings on third-party land	4	5	16	17	42	55	1	4	1	-	64	81
Investments in affiliated companies	-	1	-1	6	-4	-2	-	-4	1	-	-4	1
Investments in associates	2	3	7	10	209	17	-7	9	-1	-	210	39
Loans	1	1	3	2	338	282	15	13	-	-	357	298
Other securities held to maturity	-	-	-	-	3	2	-	1	-	-	3	3
Other securities available for sale												
– Fixed-interest	153	101	256	362	314	514	43	36	2	1	768	1,014
– Non-fixed-interest	89	59	382	263	187	254	16	19	-	-1	674	594
Other securities held for trading												
– Fixed-interest	-	-	8	20	-1	-	-2	2	-	-	5	22
– Non-fixed-interest	-	-	-	-	-	7	1	1	-	-	1	8
– Derivatives	-19	9	-98	37	78	58	1	1	-	-	-38	105
Deposits retained on assumed and ceded reinsurance, and other investments ²	65	125	-2	31	-13	-12	9	1	18	10	77	155
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-	-25	56	-	-	-	-	-25	56
Expenses for the management of investments, other expenses	8	8	36	36	51	67	7	8	-	-	102	119
Total	287	296	535	712	1,077	1,164	70	75	21	10	1,990	2,257

¹ After elimination of intra-Group transactions across segments.

² The expenses previously recognised here for deposits on ceded business are now recognised under expenses for claims and benefits.

Investment income by segment

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006
	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006				
All figures in €m*												
Regular income	920	888	1,653	1,546	3,300	3,196	296	288	71	38	6,240	5,956
Income from write-ups	134	33	566	148	93	173	5	4	-	-	798	358
Gains on the disposal of investments	410	290	1,715	1,266	1,884	1,436	175	221	1	3	4,185	3,216
Other income	-	-	-	-	72	60	-	-	-	-	72	60
Total	1,464	1,211	3,934	2,960	5,349	4,865	476	513	72	41	11,295	9,590

* After elimination of intra-Group transactions across segments.

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q3 2007	Q3 2006	Q3 2007	Q3 2006
	Q3 2007	Q3 2006	Q3 2007	Q3 2006	Q3 2007	Q3 2006	Q3 2007	Q3 2006				
All figures in €m*												
Regular income	280	253	508	526	1,059	958	86	81	22	11	1,955	1,829
Income from write-ups	57	23	252	105	63	141	3	1	-	-	375	270
Gains on the disposal of investments	140	72	607	317	530	333	37	28	-	1	1,314	751
Other income	-	-	-	-	-19	37	-	-	-	-	-19	37
Total	477	348	1,367	948	1,633	1,469	126	110	22	12	3,625	2,887

* After elimination of intra-Group transactions across segments.

Investment expenses by segment

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006
	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006				
All figures in €m*												
Write-downs of investments	199	64	874	292	463	701	27	17	1	1	1,564	1,075
Losses on the disposal of investments	182	87	713	393	643	473	68	42	-	-	1,606	995
Management expenses, interest charges and other expenses	43	27	178	122	248	281	17	24	3	6	489	460
Total	424	178	1,765	807	1,354	1,455	112	83	4	7	3,659	2,530

* After elimination of intra-Group transactions across segments.

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q3 2007	Q3 2006	Q3 2007	Q3 2006
	Q3 2007	Q3 2006	Q3 2007	Q3 2006	Q3 2007	Q3 2006	Q3 2007	Q3 2006				
All figures in €m*												
Write-downs of investments	95	18	439	77	151	86	16	6	-	-	701	187
Losses on the disposal of investments	77	24	317	115	320	151	34	18	-	-	748	308
Management expenses, interest charges and other expenses	18	10	76	44	85	68	6	11	1	2	186	135
Total	190	52	832	236	556	305	56	35	1	2	1,635	630

* After elimination of intra-Group transactions across segments.

Expenses for claims and benefits

	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1-3 2007	Q1-3 2006 ³
	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006 ³	Q1-3 2007	Q1-3 2006		
All figures in €m ¹										
Gross										
Claims and benefits paid	3,105	3,642	6,535	5,881	7,324	6,944	2,239	2,023	19,203	18,490
Change in technical provisions										
– Provision for future policy benefits	373	207	17	22	1,450	1,507	30	32	1,870	1,768
– Provision for outstanding claims	249	206	466	787	–100	8	149	28	764	1,029
– Provision for premium refunds	–	–1	–5	–	1,834	1,549	20	14	1,849	1,562
Other underwriting result	–	–4	7	50	144	151	8	3	159	200
Gross expenses for claims and benefits	3,727	4,050	7,020	6,740	10,652	10,159	2,446	2,100	23,845	23,049
Ceded share										
Claims and benefits paid	285	147	766	492	54	48	201	155	1,306	842
Change in technical provisions										
– Provision for future policy benefits	–15	50	–	–	64	60	–	–	49	110
– Provision for outstanding claims	–154	27	–455	–81	–3	–8	–98	–34	–710	–96
– Provision for premium refunds	–	–	–	–	–	–	1	–	1	–
Other underwriting result ²	–18	–8	–8	–18	–47	–41	1	–1	–72	–68
Ceded share of expenses for claims and benefits	98	216	303	393	68	59	105	120	574	788
Net										
Claims and benefits paid	2,820	3,495	5,769	5,389	7,270	6,896	2,038	1,868	17,897	17,648
Change in technical provisions										
– Provision for future policy benefits	388	157	17	22	1,386	1,447	30	32	1,821	1,658
– Provision for outstanding claims	403	179	921	868	–97	16	247	62	1,474	1,125
– Provision for premium refunds	–	–1	–5	–	1,834	1,549	19	14	1,848	1,562
Other underwriting result	18	4	15	68	191	192	7	4	231	268
Net expenses for claims and benefits	3,629	3,834	6,717	6,347	10,584	10,100	2,341	1,980	23,271	22,261

¹ After elimination of intra-Group transactions across segments.

² This includes expenses for deposits retained on ceded business that were previously included in the investment result.

³ Adjusted owing to IAS 8.

Expenses for claims and benefits

	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q3 2007	Q3 2006 ³
	Q3 2007	Q3 2006	Q3 2007	Q3 2006	Q3 2007	Q3 2006 ³	Q3 2007	Q3 2006		
All figures in €m ¹										
Gross										
Claims and benefits paid	985	817	2,078	2,147	2,371	2,293	773	665	6,207	5,922
Change in technical provisions										
– Provision for future policy benefits	90	73	8	12	261	479	9	12	368	576
– Provision for outstanding claims	105	473	165	29	–4	10	72	2	338	514
– Provision for premium refunds	–	–1	2	2	493	615	11	5	506	621
Other underwriting result	1	3	5	14	35	70	2	3	43	90
Gross expenses for claims and benefits	1,181	1,365	2,258	2,204	3,156	3,467	867	687	7,462	7,723
Ceded share										
Claims and benefits paid	29	–39	190	186	14	12	67	77	300	236
Change in technical provisions										
– Provision for future policy benefits	–7	42	–	–	24	24	–	–	17	66
– Provision for outstanding claims	12	57	–99	–22	–3	–	–23	–62	–113	–27
– Provision for premium refunds	–	–	–	–	–	–	–	–	–	–
Other underwriting result ²	–7	–1	–2	–6	–16	–14	1	1	–24	–20
Ceded share of expenses for claims and benefits	27	59	89	158	19	22	45	16	180	255
Net										
Claims and benefits paid	956	856	1,888	1,961	2,357	2,281	706	588	5,907	5,686
Change in technical provisions										
– Provision for future policy benefits	97	31	8	12	237	455	9	12	351	510
– Provision for outstanding claims	93	416	264	51	–1	10	95	64	451	541
– Provision for premium refunds	–	–1	2	2	493	615	11	5	506	621
Other underwriting result	8	4	7	20	51	84	1	2	67	110
Net expenses for claims and benefits	1,154	1,306	2,169	2,046	3,137	3,445	822	671	7,282	7,468

¹ After elimination of intra-Group transactions across segments.

² This includes expenses for deposits retained on ceded business that were previously included in the investment result.

³ Adjusted owing to IAS 8.

Operating expenses

	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1-3 2007	Q1-3 2006
	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006	Q1-3 2007	Q1-3 2006		
All figures in €m*										
Acquisition costs	-6	-13	-25	52	933	834	817	734	1,719	1,607
Management expenses	178	185	614	579	314	312	501	487	1,607	1,563
Amortisation of PVFP	-1	1	1	-	-7	14	-	-	-7	15
Reinsurance commission and profit commission	1,176	1,358	2,305	2,156	16	16	7	7	3,504	3,537
Gross operating expenses	1,347	1,531	2,895	2,787	1,256	1,176	1,325	1,228	6,823	6,722
Ceded share of acquisition costs	9	-16	16	-7	-2	31	4	-3	27	5
Commission received on ceded business	39	97	214	205	14	-10	33	30	300	322
Operating expenses – Ceded share	48	81	230	198	12	21	37	27	327	327
Net operating expenses	1,299	1,450	2,665	2,589	1,244	1,155	1,288	1,201	6,496	6,395

* After elimination of intra-Group transactions across segments.

	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q3 2007	Q3 2006
	Q3 2007	Q3 2006	Q3 2007	Q3 2006	Q3 2007	Q3 2006	Q3 2007	Q3 2006		
All figures in €m*										
Acquisition costs	20	4	-15	57	301	272	294	259	600	592
Management expenses	57	60	200	215	98	101	165	163	520	539
Amortisation of PVFP	-1	-	1	-	-18	5	-	-	-18	5
Reinsurance commission and profit commission	444	450	708	667	6	5	3	3	1,161	1,125
Gross operating expenses	520	514	894	939	387	383	462	425	2,263	2,261
Ceded share of acquisition costs	7	-1	-2	-9	-	3	5	2	10	-5
Commission received on ceded business	12	14	66	67	3	-5	16	13	97	89
Operating expenses – Ceded share	19	13	64	58	3	-2	21	15	107	84
Net operating expenses	501	501	830	881	384	385	441	410	2,156	2,177

* After elimination of intra-Group transactions across segments.

The main changes in premiums in the consolidated balance sheet and the consolidated income statement in relation to the comparative figures shown, as well as their development in the period under review, are explained in more detail in the management report on page 4.

Non-current assets and disposal groups held for sale

Ownership of the following items first classified as "held for sale" at 31 December 2006 was transferred in the period January to September 2007: German owner-occupied property with a carrying value of €720m and German investment property with a carrying value of €66m. These items are therefore no longer recognised at the reporting date.

The major part of the investment property first classified as "held for sale" in the first quarter of 2007 is still recognised at the reporting date – with a carrying amount of €6m – since ownership is not scheduled to be transferred until the fourth quarter of 2007. Subsequent valuation of these assets classified as "held for sale" did not give rise to any recognised income or expense at the balance sheet date.

The carrying amount of the investment property held by the closed-end property fund OIK Mediclin, which was also classified as "held for sale" at the end of 2006, remains virtually unchanged at 30 September 2007. After the reporting date, the Munich Re Group dropped its plan to sell its majority stake in the closed-end property fund OIK Mediclin. This change in plan was occasioned by the significant alteration in the investment behaviour of potentially interested parties since the onset of the sub-prime mortgage crisis in the USA, which no longer makes a sale appear attractive under current conditions. The 21 hospital properties that were first recognised as "held for sale" at the end of 2006 will therefore remain in the Munich Re Group's possession.

The property portfolio of HGE Haus- und Grundbesitzgesellschaft Elsterwerda mbH, a company belonging to Ideenkapital, was classified in disposal groups in

the second quarter of 2007; the carrying amount of this property remains unchanged at 30 September. A sale is still expected to be completed in the financial year 2007.

In the third quarter of 2007, the Munich Re Group adopted a plan to sell its 50% stake in real-estate fund EUREKA Office Fund. As the sale took place in the third quarter, the stake is no longer recognised at the reporting date. Established in 2001, the assets of the EUREKA Office Fund were most recently invested in two top properties in the Central Business District of Singapore.

At the end of September – upon conclusion of a bidding process – the Munich Re Group contractually committed to sell a mainly commercial real-estate portfolio of investment and owner-occupied commercial property in Germany with a total book value of €326m. The assets concerned, and the share of the provision for deferred premium refunds and the deferred taxes apportionable to them, have been classified in disposal groups as "held for sale". The items involved are properties located mainly in large cities but also in medium-sized centres. It is expected that ownership of the items will mostly be transferred before the end of the financial year 2007.

Besides this, further investment property with a book value of €65m was classified in disposal groups as "held for sale" in the third quarter of 2007. The items in question are hotels located in large cities and medium-sized centres. Ownership will probably be transferred in the financial year 2008.

Related parties

Transactions between Munich Re and subsidiaries that are to be deemed related parties have been eliminated in consolidation and are not disclosed in the notes. Business relations with unconsolidated subsidiaries are of subordinate importance as a whole; this also applies to business relations with associates.

There were no notifiable transactions between Board members and the Munich Re Group.

Number of staff

The number of staff employed by the Group as at 30 September 2007 totalled 25,429 (25,524) in Germany and 12,557 (11,686) in other countries.

	30.9.2007	31.12.2006
Reinsurance companies	7,135	6,928
Primary insurance companies	30,078	29,509
Asset management	793	773
Total	38,006	37,210

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2006, there have been no material changes in financial commitments of significance for the assessment of the Group's financial position. No contingent liabilities have been entered into for the benefit of Board members.

Earnings per share

The earnings per share figure is calculated by dividing the consolidated result for the reporting period by the weighted average number of shares.

		Q1-3 2007	Q1-3 2006*	Q3 2007	Q3 2006*
Consolidated result attributable to Munich Re equity holders	€m	3,294	2,789	1,196	707
Weighted average number of shares		217,464,503	227,798,199	212,696,273	227,500,163
Earnings per share	€	15.15	12.24	5.63	3.11

* Adjusted owing to IAS 8.

Events after the balance sheet date

Under the share buy-back programme decided on by the Munich Re Board of Management in the second quarter of 2007, a further 2.0 million Munich Re shares with a volume of €265m had been repurchased by the end of October 2007.

In mid-October 2007, we concluded an agreement with US primary insurer Midland, under which we will acquire 100% of this company's shares for a purchase price of around €0.9bn. With premium income of €679m and a combined ratio of 93.0% in 2006, Midland is a leading US specialty insurer in such niche segments as the insurance of manufactured housing and motorhomes.

At the end of October, we acquired the British company MSP Underwriting Ltd. and thus a stake of 47.3% in Lloyd's Syndicate 318. MSP Underwriting focuses on international property business.

In addition, on 30 October we acquired a share of 26% in the Indian company HDFC General Insurance Ltd., Mumbai, via ERGO International AG. The renamed HDFC ERGO General Insurance Ltd. will operate in non-life insurance in India.

In October, we transferred earthquake risks in Japan to the capital market for the East Japan Railway Company. The catastrophe bond with a volume of US\$ 260m was placed with international institutional investors.

The fires in southern California have given rise to heavy losses which, on the basis of initial estimates, will affect the Munich Re Group with a claims burden in the double-digit million euro range.

Drawn up in Munich, 2 November 2007

The Board of Management

Review report

To Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München

We have reviewed the condensed interim consolidated financial statements – comprising the balance sheet, the income statement, the condensed cash flow statement, the condensed statement of changes in equity as well as the selected explanatory notes – and the interim management report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, for the period from 1 January 2007 to 30 September 2007, which are parts of the quarterly financial report in accordance with Section 37x in conjunction with Section 37w of the WpHG (German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with IFRS for Interim Financial Reporting, as adopted by the EU, and of the interim management report, which has been prepared according to the applicable regulations for interim management reports of the WpHG, are the responsibility of the Company's management.

Our responsibility is to issue a report on these condensed interim consolidated financial statements and the interim management report based on our review.

We have performed our review of the condensed interim consolidated financial statements and the interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and conduct the review so that we can, through critical evaluation,

preclude, with a certain level of assurance, that the interim consolidated financial statements have not been prepared, in material aspects, in accordance with IFRS for Interim Financial Reporting, as adopted by the EU, and that the interim management report has not been prepared according to the applicable regulations of the WpHG. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared in all material respects in accordance with IFRS for Interim Financial Reporting, as adopted by the EU, and that the interim management report has not been prepared according to the applicable regulations for interim management reports of the WpHG.

Munich, 5 November 2007

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

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Wirtschaftsprüfer
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Important dates

25 February 2008	Balance sheet press conference for 2007 financial statements (preliminary figures)
11 March 2008	Balance sheet meeting of the Supervisory Board
12 March 2008	Annual report for the financial year 2007
17 April 2008	Annual General Meeting
8 May 2008	Interim report as at 31 March 2008
6 August 2008	Interim report as at 30 June 2008
7 November 2008	Interim report as at 30 September 2008

The official German original of this quarterly report is also available from the Company. In addition, you will find copies of our annual reports and interim reports, along with further current information about Munich Re and its shares, on our internet website (<http://www.munichre.com>).

Service for investors and analysts

If you have general questions on Munich Re shares, please use our shareholder hotline:
Tel.: (0 1802) 22 62 10 (6 cents per call from the Deutsche Telekom network)
E-mail: shareholder@munichre.com

If you are an institutional investor or analyst, please contact our investor relations team:

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