



2019

PERFORMANCE AND RESULTS

Quarterly Statement as at 31 March 2019

talanx.

Insurance. Investments.

THE TALANX GROUP AT A GLANCE

GROUP KEY FIGURES

	UNIT	Q1 2019	Q1 2018	+/-% Q1 2019 vs Q1 2018
Gross written premiums	EUR MILLION	11,716	10,560	+10.9
by region				
Germany	%	28	30	-2.0 pt.
United Kingdom	%	6	7	-1.0 pt.
Central and Eastern Europe (CEE), including Turkey	%	7	8	-1.0 pt.
Rest of Europe	%	16	16	— pt.
USA	%	21	17	+4.0 pt.
Rest of North America	%	2	2	— pt.
Latin America	%	7	7	— pt.
Asia and Australia	%	12	11	+1.0 pt.
Africa	%	1	2	-1.0 pt.
Gross written premiums by type and class of insurance				
Property/casualty primary insurance	EUR MILLION	4,065	3,768	+7.9
Primary life insurance	EUR MILLION	1,690	1,611	+4.9
Property/Casualty Reinsurance	EUR MILLION	4,017	3,452	+16.4
Life/Health Reinsurance	EUR MILLION	1,944	1,729	+12.4
Net premiums earned	EUR MILLION	7,842	6,989	+12.2
Underwriting result	EUR MILLION	-357	-430	+17.0
Net investment income	EUR MILLION	988	1,063	-7.1
Net return on investment ⁴⁾	%	3.2	3.7	-0.5 pt.
Operating profit/loss (EBIT)	EUR MILLION	616	592	+4.1
Net income (after financing costs and taxes)	EUR MILLION	411	388	+5.9
of which attributable to shareholders of Talanx AG	EUR MILLION	235	218	+7.8
Return on equity ^{2), 3)}	%	10.3	10.0 ⁶⁾	+0.3 pt.
Earnings per share				
Basic earnings per share	EUR	0.93	0.86	+8.1
Diluted earnings per share	EUR	0.93	0.86	+8.1
Combined ratio of property/casualty primary insurance and Reinsurance ⁴⁾	%	96.8	97.0	-0.2 pt.
Combined ratio of property/casualty primary insurers ⁵⁾	%	98.4	98.3 ⁶⁾	+0.1 pt.
Combined ratio of Property/Casualty Reinsurance	%	95.7	95.9	-0.2 pt.
EBIT margin primary insurance and Reinsurance				
EBIT margin primary insurance ⁵⁾	%	5.2	5.3	-0.1 pt.
EBIT margin Property/Casualty Reinsurance	%	11.6	14.2	-2.6 pt.
EBIT margin Life/Health Reinsurance	%	6.7	5.9	+0.8 pt.
		31.3.2019	31.12.2018	+/- %
Policyholders' surplus	EUR MILLION	18,360	16,999	+8.0
Equity attributable to shareholders of Talanx AG	EUR MILLION	9,562	8,713	+9.7
Attributable to non-controlling interests	EUR MILLION	6,060	5,548	+9.2
Hybrid capital	EUR MILLION	2,738	2,738	—
Assets under own management	EUR MILLION	116,574	111,868	+4.2
Total investments	EUR MILLION	127,979	122,831	+4.2
Total assets	EUR MILLION	172,001	162,879	+5.6
Carrying amount per share at end of period	EUR	37.82	34.47	+9.7
Share price at end of period	EUR	34.36	29.80	+15.3
Market capitalisation of Talanx AG at end of period	EUR MILLION	8,686	7,533	+15.3
Employees	FULL-TIME EQUIVALENTS	20,813	20,780	+0.2

¹⁾ Ratio of annualised net investment income excluding interest income on funds withheld and contract deposits and profit on investment contracts to average assets under own management (31.3.2019 and 31.12.2018).

²⁾ Ratio of annualised net income for the period excluding non-controlling interests to average equity excluding non-controlling interests.

³⁾ Ratio of annualised net income for the quarter excluding non-controlling interests to average equity excluding non-controlling interests at the beginning and the end of the quarter.

⁴⁾ Combined ratio taking into account interest income on funds withheld and contract deposits before elimination of intragroup cross-segment transactions.

⁵⁾ Excluding figures from the Corporate Operations segment.

⁶⁾ Adjusted in accordance with IAS 8, see 2018 Annual Report, "Accounting policies" section of the Notes.

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QUARTERLY STATEMENT

BUSINESS PERFORMANCE

PERFORMANCE OF THE GROUP

- Gross premiums up nearly 11%
- Large losses significantly lower than the budget for the first quarter
- Combined ratio falls to 96.8%

GROUP KEY FIGURES

EUR MILLION

	Q1 2019	Q1 2018	+/- %
Gross written premiums	11,716	10,560	+10.9
Net premiums earned	7,842	6,989	+12.2
Underwriting result	-357	-430	+17.0
Net investment income	988	1,063	-7.1
Operating profit/loss (EBIT)	616	592	+4.1
Combined ratio (net, property/casualty insurance only) in %	96.8	97.0	-0.2 pt.

MANAGEMENT METRICS

%

	Q1 2019	Q1 2018 ¹⁾	+/- %
Gross premium growth (adjusted for currency effects)	9.7	14.1	-4.4 pt.
Group net income in EUR million	235	218	+7.8
Net return on investment ²⁾	3.2	3.7	-0.5 pt.
Return on equity ³⁾	10.3	10.0	+0.3 pt.

¹⁾ Adjusted in accordance with IAS 8, see 2018 Annual Report, "Accounting policies" section of the Notes.

²⁾ Annualised ratio of net investment income excluding interest income on funds withheld and contract deposits and profit on investment contracts to average assets under own management.

³⁾ Ratio of annualised net income for the period excluding non-controlling interests to average equity excluding non-controlling interests.

PREMIUM VOLUME

Gross written premiums for the Talanx Group saw double-digit growth of 10.9% (adjusted for currency effects: 9.7%) in the first quarter, rising to EUR 11.7 (10.6) billion. All divisions – especially Property/Casualty Reinsurance segment, where the general

environment improved overall – contributed to the growth in premiums, with net premiums earned up by 12.2% year-on-year at EUR 7.8 (7.0) billion. The retention ratio increased by 0.6% to 88.0% (87.4%). Higher retention, for example in the Retail Germany Division – both in Property/Casualty and Life Insurance – and in the Property/Casualty Reinsurance segment, offset declining retention in the other segments.

UNDERWRITING RESULT

The underwriting result improved by 17.0% to EUR -357 (-430) million. Large losses were moderate at EUR 137 (138) million, roughly on par with the previous year and so well below the budget for the period of EUR 253 (242) million. Large losses were reported primarily in Industrial Lines (EUR 68 million) and Reinsurance (EUR 59 million) Divisions. The net loss ratio improved by 1.6 percentage points whereas the net cost ratio deteriorated by 1.4 percentage points. At 96.8% (97.0%), the combined ratio therefore improved by 0.2 percentage points.

NET INVESTMENT INCOME

Net investment income lagged behind the previous year's figure, falling by 7.1% to EUR 988 (1,063) million. Extraordinary net investment income in the Life segment in the Retail Germany Division was particularly low due to lower gains realised to finance additional interest reserve as a result of these being reorganised. The Group's net return on investment was 3.2% (3.7%) in the first three months of 2019, down 0.5 percentage points year-on-year.

OPERATING PROFIT/LOSS AND GROUP NET INCOME

Operating profit (EBIT) improved by 4.1% to EUR 616 (592) million despite lower net investment income. Group net income amounted to EUR 235 (218) million. The return on equity increased to 10.3% (10.0%), above the target of around 9.5% set for 2019 as a whole.

DEVELOPMENT OF THE DIVISIONS WITHIN THE GROUP

At a strategic level, Talanx divides its business into seven reportable segments: Industrial Lines, Retail Germany – Property/Casualty and Life Insurance –, Retail International, Property/Casualty Reinsurance, Life/Health Reinsurance and Corporate Operations. Please refer to the section entitled “Segment reporting” in the Notes to the Talanx 2018 Group Annual Report for details of these segments’ structure and scope of business.

INDUSTRIAL LINES

- Premium development shaped primarily by acquiring shares in HDI Global Specialty SE
- Claims development for the financial year in line with expectations
- Positive run-off result but influenced in particular by reserve strengthening of a large loss
- Constant net investment income despite low interest rates

KEY FIGURES FOR THE INDUSTRIAL LINES DIVISION

EUR MILLION

	Q1 2019	Q1 2018	+/- %
Gross written premiums	2,296	2,049	+12.1
Net premiums earned	634	583	+8.7
Underwriting result	-18	-13	-38.5
Net investment income	71	68	+4.4
Operating profit/loss (EBIT)	35	51	-31.4

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%

	Q1 2019	Q1 2018	+/- %
Gross premium growth (adjusted for currency effects)	10.6	5.6	+5.0 pt.
Combined ratio (net) ¹⁾	102.9	102.3	+0.6 pt.
EBIT margin ²⁾	5.6	8.8	-3.2 pt.
Return on equity ³⁾	3.7	5.5	-1.8 pt.

¹⁾ Taking into account interest income on funds withheld and contract deposits.

²⁾ Operating profit (EBIT)/net premiums earned.

³⁾ Ratio of annualised net income for the period excluding non-controlling interests to average equity excluding non-controlling interests.

PREMIUM VOLUME

Gross written premiums for the division amounted to EUR 2.3 (2.0) billion as at 31 March 2019, an increase of around 12.1% (10.6% after adjustment for currency effects). Premiums picked up due to acquiring shares in HDI Global Specialty SE from Hannover Rück SE. Without this effect, premiums in the segment would have declined slightly (-1%). Restructuring measures in fire insurance launched in 2018 are showing clear success. The expected premium loss associated with this on account of separating inadequately priced risks was partially offset by risk-free additional premiums. Net premiums earned saw a smaller upturn than gross written premiums due to lower retention in the specialty business in comparison to traditional industrial insurance business.

UNDERWRITING RESULT

At EUR -18 (-13) million, the net underwriting result in the division was down on the previous year. The loss ratio (net) deteriorated slightly to 83.0% (82.1%). While loss expenditure in the financial year, including the large loss burden, was in line with expectations, the run-off result is adversely affected by the strengthening of reserves for a large loss in the previous year and has a negative impact on the reinstatement premiums incurred as a result. Nonetheless, the overall run-off result is positive, unlike in the previous year. The net expense ratio improved year on year to 19.8% (20.2%), thanks in particular to acquiring shares in HDI Global Specialty. The combined ratio for the Industrial Lines Division was 102.9% (102.3%).

NET INVESTMENT INCOME

Net investment income improved by 4.4%, up slightly on the previous year. Current income, which declined as expected, was more than offset by factors including lower write-downs on shares.

OPERATING PROFIT/LOSS AND GROUP NET INCOME

As a result of the developments stated above, the division's operating profit was lower in the first three months of 2019 (EUR 35 million) than in the first quarter of the prior year (EUR 51 million). This includes foreign exchange losses of EUR 6 million (previous year: foreign exchange gain of EUR 1 million), which are also included in operating profit/loss. Group net income amounted to EUR 23 (31) million.

RETAIL GERMANY

PROPERTY/CASUALTY INSURANCE

- Premiums and combined ratio stable year on year
- Improved EBIT, primarily thanks to upturn in net investment income

KEY FIGURES FOR THE RETAIL GERMANY DIVISION – PROPERTY/CASUALTY INSURANCE SEGMENT

EUR MILLION

	Q1 2019	Q1 2018	+/- %
Gross written premiums	782	780	+0.2
Net premiums earned	355	345	+2.9
Underwriting result	4	3	+33.3
Net investment income	28	21	+33.3
Operating profit/loss (EBIT)	30	18	+66.7

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY INSURANCE SEGMENT

%

	Q1 2019	Q1 2018	+/- %
Gross premium growth	0.2	2.8	-2.6 pt.
Combined ratio (net) ¹⁾	99.3	99.0	+0.3 pt.
EBIT margin ²⁾	8.3	5.2	+3.1 pt.

¹⁾ Taking into account interest income on funds withheld.²⁾ Operating profit (EBIT)/net premiums earned.

MARKET DEVELOPMENT

Continued growth of up to 2.7% is expected in property/casualty insurance for the current year.

PREMIUM VOLUME AND NEW BUSINESS

Written premium income in the Property/Casualty Insurance segment remained steady year on year at EUR 782 (780) million. Growth in corporate customers/freelance professionals and unemployment insurance in connection with residual debt business helped offset the decline in motor insurance.

UNDERWRITING RESULT

The underwriting result was EUR 4 (3) million in the current financial year, slightly higher than in the same quarter in the previous year. While the situation regarding financial-year losses and large losses only showed a slight relief, the run-off result normalised, falling against the previous year. Investment expenditure continued to increase in the last quarter, in particular in IT. All in all, these effects resulted in a slight 0.3 percentage point rise in the combined ratio (net), from 99.0% to 99.3%.

NET INVESTMENT INCOME

Net investment income improved to EUR 28 (21) million thanks to higher ordinary investment income of EUR 3 million and an upturn in extraordinary disposal gains to EUR 5 million.

OPERATING PROFIT/LOSS

EBIT rose to EUR 30 (18) million, due essentially to higher net investment income. This pushed the EBIT margin up to 8.3% (5.2%).

LIFE INSURANCE

- Growth in single premium business
- Lower gains realised to finance additional interest reserve
- Positive impact thanks to introduction of the corridor method to calculate the additional interest reserve

KEY FIGURES FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

EUR MILLION

	Q1 2019	Q1 2018	+/- %
Gross written premiums	1,104	1,088	+1.5
Net premiums earned	812	807	+0.6
Underwriting result	-363	-467	+22.3
Net investment income	401	489	-18.0
Operating profit/loss (EBIT)	30	20	+50.0
New business measured in annual premium equivalent	95	92	+3.3
Single premiums	337	302	+11.6
Regular premiums	61	62	-1.6
New business by product in annual premium equivalent	95	92	+3.3
of which capital-efficient products	38	33	+15.2
of which biometric products	34	33	+3.0

MANAGEMENT METRICS FOR THE LIFE INSURANCE SEGMENT

	Q1 2019	Q1 2018	+/- %
Gross premium growth	1.5	-5.1	+6.6 pt.
EBIT margin ¹⁾	3.8	2.4	+1.4 pt.

¹⁾ Operating profit (EBIT)/net premiums earned.

MARKET DEVELOPMENT

In the current financial year, we expect to see premium growth of around 0.8% in life insurance, with regular premiums falling slightly by 0.1% and single premiums picking up by 2.9%.

PREMIUM VOLUME AND NEW BUSINESS

Over the first three months of the year, the Life Insurance segment saw premiums rise by 1.5% to EUR 1,104 (1,088) million, which includes the savings elements of premiums from unit-linked life insurance policies. Single premiums (excluding residual debt insurance) climbed by EUR 17 million year on year, driven in particular by the sale of capital-efficient products and biometric products. This was countered by a drop-off in regular premiums (excluding residual debt insurance), primarily the result of a high number of contracts expiring. Residual debt business performed well, with growth of EUR 14 million. The retention ratio in life insurance business rose slightly to 93.5% (93.2%). Allowing for the savings elements of premiums from our unit-linked products and the change in the unearned premium reserve, net premiums earned in the Life Insurance segment increased by 0.6% to EUR 812 (807) million.

Measured in APE, new business in life insurance products rose from EUR 92 million to EUR 95 million.

UNDERWRITING RESULT

The underwriting result improved to EUR -363 (-467) million in the current financial year. This was partly due to the compounding of technical provisions and policyholder participation in net investment income. These expenses are offset by investment income, which is not recognised in the underwriting result.

NET INVESTMENT INCOME

Net investment income declined by 18.0% to EUR 401 (489) million. In particular, the reduction resulted from lower realisation of unrealised gains to finance the additional interest reserve. Net investment income remained steady year-on-year at EUR 372 (370) million, influenced by persistently low interest rates.

OPERATING PROFIT/LOSS

Operating profit (EBIT) in the Life Insurance segment in the Retail Germany Division rose year-on-year to EUR 30 (20) million, due chiefly to a lower addition to the additional interest reserve in comparison to the previous year.

RETAIL GERMANY DIVISION OVERALL**RETURN ON EQUITY FOR THE RETAIL GERMANY DIVISION OVERALL**

	Q1 2019	Q1 2018	+/- %
Return on equity ¹⁾	5.9	3.7	+2.2 pt.

¹⁾ Ratio of annualised net income for the period excluding non-controlling interests to average equity excluding non-controlling interests.

After adjusting for taxes on income, financing costs and non-controlling interests, Group net income rose to EUR 36 (22) million, thanks especially to improved earnings in Property/Casualty and Life Insurance. This pushed the return on equity up by 2.2 percentage points to 5.9%.

RETAIL INTERNATIONAL

- Gross written premiums rise by 11.8% adjusted for currency effects
- Combined ratio up 0.3 percentage points at 94.7%

KEY FIGURES FOR THE RETAIL INTERNATIONAL DIVISION

EUR MILLION

	Q1 2019	Q1 2018	+/-%
Gross written premiums	1,617	1,496	+8.1
Net premiums earned	1,413	1,251	+12.9
Underwriting result	15	15	—
Net investment income	91	92	-1.1
Operating profit/loss (EBIT)	73	70	+4.3

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

%

	Q1 2019	Q1 2018 ¹⁾	+/-%
Gross premium growth (adjusted for currency effects)	11.8	4.8	+7.0 pt.
Combined ratio (net, property/casualty insurance only) ²⁾	94.7	95.0	-0.3 pt.
EBIT margin ³⁾	5.2	5.6	-0.4 pt.
Return on equity ⁴⁾	8.7	8.2	+0.5 pt.

¹⁾ Adjusted in accordance with IAS 8, see 2018 Annual Report, "Accounting policies" section of the Notes.

²⁾ Taking into account interest income on funds withheld.

³⁾ Operating profit (EBIT)/net premiums earned.

⁴⁾ Ratio of annualised net income for the period excluding non-controlling interests to average equity excluding non-controlling interests.

This division bundles the activities of the international retail business in the Talanx Group and is active in both Europe and Latin America. The division is streamlining its portfolio in Latin America, entering into an agreement to sell its 100% interest in HDI Seguros S.A., San Isidro, Peru, on 22 October 2018 which was then completed at the end of the first quarter of 2019.

PREMIUM VOLUME

The division's gross written premiums (including premiums from unit-linked life and annuity insurance) increased by 8.1% compared to the first quarter of 2018 to EUR 1.6 (1.5) billion. Adjusted for currency effects, gross premiums increased by 11.8% on the comparison period. Premium volume performed well in the two regions during the reporting period. In the Latin America region, gross written premiums increased by 10.4% compared to the same period of the previous year to EUR 446 million. This represents growth of 16.7% adjusted for currency effects, reflecting EUR 22 million in additional premiums from new Colombian companies acquired in the second quarter of 2018 and good performance in Brazil and Mexico. At the Mexican HDI Seguros S.A., premium volumes enjoyed a particular upturn in motor insurance thanks to new intermediaries and agents. 45% of the premium volume generated in the region was accounted for by the Brazilian HDI Seguros S.A. Unadjusted, the company's gross written premiums declined by 1.7% to EUR 200 million. However, adjusted for currency effects, they rose by 6.6%, primarily on account of improved risk selection in motor insurance.

The Europe region reported growth in gross written premiums of 7.7% to EUR 1.2 billion; this growth was driven primarily by a 18.9% increase in premiums to EUR 477 million at the Italian HDI Assicurazioni S.p.A. This good performance was the result both of an upswing in single premium business from bank sales channels in life insurance and of premium growth in the property/casualty insurance line. Turkey also had a positive impact on gross written premiums in the region. Premium volume, adjusted for currency effects, climbed by 42.8%, driven by motor insurance and additional premium volume resulting from the merger with Liberty Sigorta A.S. in the fourth quarter of 2018. Adjusted for currency effects, the growth in premium volume in Europe stood at 10.5%.

UNDERWRITING RESULT

The combined ratio from property insurance companies improved by 0.3 percentage points year-on-year to 94.7%. The loss ratio shrank by 0.7 percentage points, thanks primarily to improvements at HDI Seguros S.A. in Brazil, the Italian HDI Assicurazioni S.p.A. and the Polish TUiR WARTA S.A.

In contrast, the expense ratio for the division was 0.3 percentage points higher than the previous year (28.0%), at 28.3%.

Overall, the underwriting result in this division was EUR 15 million, on par with the previous year's level (EUR 15 million).

NET INVESTMENT INCOME

At EUR 91 million, net investment income remained on par with the previous year in the first quarter of 2019. The division's ordinary net investment climbed by 10.1% against the first quarter of 2018, essentially driven by higher interest rates and investment volumes in Turkey as well as positive effects from government bonds in Italy. Nonetheless, the reporting period was also marked by a fall in extraordinary net investment income. Owing to the higher volume of investments and overall persistently low interest rates, the average return on assets under own management fell by 0.2 percentage points to 3.4%.

OPERATING PROFIT/LOSS AND GROUP NET INCOME

In the first quarter of 2019, operating profit (EBIT) in the Retail International Division rose by 4.3% compared with the prior-year period to EUR 73 million. The Europe region contributed to the operating profit of the segment with EBIT of EUR 67 (63) million, a year-on-year increase of 6.3%, whereby this growth was primarily due to developments at TUIR WARTA S.A. in Poland. By contrast, EBIT of EUR 15 (14) million was generated in the Latin America region. Group net income after minority interests increased accordingly by 2.4% to EUR 42 (41) million. The return on equity rose by 0.5 percentage points to 8.7% compared to the same period in the previous year.

ADDITIONAL KEY FIGURES

RETAIL INTERNATIONAL DIVISION BY LINE OF BUSINESS AT A GLANCE

EUR MILLION

	Q1 2019	Q1 2018	+/- %
Gross written premiums	1,617	1,496	+8.1
Property/Casualty	1,011	960	+5.3
Life	606	536	+13.1
Net premiums earned	1,413	1,251	+12.9
Property/Casualty	836	794	+5.3
Life	577	457	+26.3
Underwriting result	15	15	—
Property/Casualty	45	40	+12.5
Life	-30	-25	-20.0
Other	—	—	—
Net investment income	91	92	-1.1
Property/Casualty	47	48	-2.1
Life	45	45	—
Other	-1	-1	—
New business by product in annual premium equivalent (life)	72	63	+14.3
Single premiums	538	456	+18.0
Regular premiums	18	17	+5.9
New business by product in annual premium equivalent (life)	72	63	+14.3
of which capital-efficient products	39	24	+62.5
of which biometric products	17	16	+6.3

RETAIL INTERNATIONAL DIVISION BY REGION AT A GLANCE

EUR MILLION

	Q1 2019	Q1 2018	+/- %
Gross written premiums	1,617	1,496	+8.1
of which Europe	1,171	1,087	+7.7
of which Latin America	446	404	+10.4
Net premiums earned	1,413	1,251	+12.9
of which Europe	1,042	915	+13.9
of which Latin America	371	336	+10.4
Underwriting result	15	15	—
of which Europe	7	2	+250.0
of which Latin America	11	13	-15.4
Net investment income	91	92	-1.1
of which Europe	76	77	-1.3
of which Latin America	17	16	+6.3
Operating profit/loss (EBIT)	73	70	+4.3
of which Europe	67	63	+6.3
of which Latin America	15	14	+7.1

REINSURANCE

PROPERTY/CASUALTY REINSURANCE

- Market environment remains highly competitive
- Underwriting result up 23.1%
- Combined ratio improves to 95.7%

KEY FIGURES FOR THE REINSURANCE DIVISION – PROPERTY/CASUALTY REINSURANCE SEGMENT

EUR MILLION

	Q1 2019	Q1 2018	+/- %
Gross written premiums	4,394	3,579	+22.8
Net premiums earned	2,930	2,425	+20.8
Underwriting result	112	91	+23.1
Net investment income	243	274	-11.3
Operating profit/loss (EBIT)	340	344	-1.2

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%

	Q1 2019	Q1 2018	+/- %
Gross premium growth (adjusted for currency effects)	19.4	38.8	-19.4 pt.
Combined ratio (net) ¹⁾	95.7	95.9	-0.2 pt.
EBIT margin ²⁾	11.6	14.2	-2.6 pt.

¹⁾ Taking into account interest income on funds withheld.²⁾ Operating profit (EBIT)/net premiums earned.

BUSINESS DEVELOPMENT

As before, there is still a surplus supply of capital to cover risks on the global property/casualty reinsurance markets. Even the severe storm and fire damage in the previous year did little to change this. At the same time, the capacity from the market for insurance-linked securities (ILS) put sustained pressure on prices and conditions in the first few months of the financial year. The market environment in which we operate therefore remains challenging.

This is countered by elevated demand in certain regions of Asia and North America, and in cyber risk reinsurance, parts of specialty lines and in cover in structured reinsurance.

The round of renewals on 1 January 2019 makes us optimistic about the year as a whole in the Property/Casualty Reinsurance segment. In this segment, we boosted our premium volume in traditional property/casualty reinsurance by 15.4%, adjusted for currency effects, to EUR 6,406 (5,551) million. Around two thirds of traditional property/casualty reinsurance (excluding facultative reinsurance, business with insurance-linked securities and structured reinsurance) came up for renewal.

Contrary to the situation one year ago, alternative capital providers were somewhat more cautious when it came to transferring insurance risks to the capital market in the renewal season as at 1 January 2019. Overall, reinsurance prices were in line with risk in the renewals at the start of the year, and we obtained slightly better conditions. As one of the world's leading reinsurers, we continue to benefit from our excellent financial standing, as well as from higher overall demand. In particular, attractive opportunities opened up to expand our portfolio in Asia, North America and Germany.

PREMIUM DEVELOPMENT

Gross written premiums in the Property/Casualty Reinsurance segment expanded significantly by 22.8% to EUR 4.4 (3.6) billion, matching our expectations. At constant exchange rates, the growth would have amounted to 19.4%. Retention increased to 91.9% (91.6%). Net premiums earned increased by 20.8% to EUR 2.9 (2.4) billion; adjusted for currency effects, growth would have amounted to 18.0%.

UNDERWRITING RESULT

Large losses developed moderately in the first quarter of 2018. The largest single losses for us were the flooding in Australia and the "Eberhard" winter storm in Germany. The net large loss burden totalled EUR 59 (73) million in the first quarter, well below our anticipated large losses for the first quarter of EUR 175 million. We received late claims notifications from our clients throughout the first quarter for last year's typhoon "Jebi" in Japan, hence these effects slightly diluted the positive run-off of the previous year's loss reserves, which was once again very positive overall. The combined ratio improved slightly, reaching 95.7% (95.9%), and was thus within our anticipated target range of 97% or better. The underwriting result for the Property/Casualty Reinsurance segment climbed by 23.1% to EUR 112 (91) million.

NET INVESTMENT INCOME

Income from assets under own management in the Property/Casualty Reinsurance segment reached EUR 231 (266) million, with total net investment income amounting to EUR 243 (274) million.

OPERATING PROFIT/LOSS

Operating profit (EBIT) in the Property/Casualty Reinsurance segment was virtually level with the previous year at EUR 340 (344) million. The EBIT margin thus reached 11.6% (14.2%), exceeding the target level of at least 10%.

LIFE/HEALTH REINSURANCE

- Gross premiums up 12.1%, in line with our expectations
- Strong growth in reinsurance solutions in Asia
- Generally positive claims development in the US mortality business

**KEY FIGURES FOR THE REINSURANCE DIVISION –
LIFE/HEALTH REINSURANCE SEGMENT**

EUR MILLION

	Q1 2019	Q1 2018	+/- %
Gross written premiums	1,979	1,766	+12.1
Net premiums earned	1,681	1,574	+6.8
Underwriting result	-108	-55	+96.4
Net investment income	162	123	+31.7
Operating profit/loss (EBIT)	113	92	+22.8

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

%

	Q1 2019	Q1 2018 ¹⁾	+/- %
Gross premium growth (adjusted for currency effects) ¹⁾	9.6	9.2	+0.4 pt.
EBIT growth ²⁾	22.4	7.0	+15.4 pt.

¹⁾ Compared with the previous year.²⁾ Change in operating profit (EBIT) compared to the prior year in %.**BUSINESS DEVELOPMENT**

Thanks to lower claims, the result in the Life/Health Reinsurance segment improved considerably after loss-ridden contracts came to an end in the previous year, which had entailed an extraordinary burden.

Our mortality solutions business in the US was a key driver of the good performance, reporting better operating profit than anticipated. Nonetheless, treaty recaptures in the US mortality portfolio business were higher than expected and so premium income fell slightly short of our expectations. US financial solutions business also contributed to profitability, as expected.

In Latin America, we got the current year off to a good start by renewing all contracts.

The first quarter in Asia was characterised by higher than anticipated growth in markets such as China and Hong Kong. In China and Korea, we believe that demand will remain strong in the future market of critical illness reinsurance, while in China in particular there was additional demand for solvency relief solutions in structured reinsurance. In addition, signs of promising demand for cover in financial solutions began to emerge in India.

Business in longevity risk hedging was marked by solid demand in markets such as the UK, Germany, Canada and Ireland at the start of the year. This is likely to be evidenced by specific contracts being concluded during the financial year.

We also see increased global interest in hedging the longevity aspects of products in the “immediate needs” and “equity release” categories. This encompasses the reinsurance of biometric risks from products that – to put it simply – cover a direct insurance need, as well as the possibility of receiving the equivalent value of a property as a single or regular premium. Furthermore, new solvency regulations are soon to be introduced in some Asian markets and we also expect this to stimulate demand for coverage concepts designed to protect against longevity risks.

PREMIUM DEVELOPMENT

Gross premium income in the Life/Health Reinsurance segment increased by 12.1% to EUR 2.0 billion as at 31 March 2019 (EUR 1.8 billion). Growth would have amounted to 9.6% adjusted for currency effects. Net premiums earned rose by 6.8% to EUR 1.7 (1.6) billion. At constant exchange rates, the increase would have amounted to 4.6%. Retention was slightly lower than in the previous year at 87.0% (90.7%).

NET INVESTMENT INCOME

Income from assets under own management improved by 43.1% to EUR 103 (72) million. Net investment income amounted to EUR 162 (123) million in total.

OPERATING PROFIT/LOSS

Operating profit (EBIT) rose by 22.8% to EUR 113 (92) million.

REINSURANCE DIVISION OVERALL**RETURN ON EQUITY FOR THE REINSURANCE DIVISION OVERALL**

%

	Q1 2019	Q1 2018 ¹⁾	+/- %
Return on equity ¹⁾	13.1	13.5	-0.4 pt.

¹⁾ Ratio of annualised net income for the period excluding non-controlling interests to average equity excluding non-controlling interests.

Group net income in the Reinsurance Division increased from EUR 139 million to EUR 148 million in the first quarter of 2019. However, return on equity fell slightly by 0.4 percentage points year on year, to 13.1% (13.5%).

CORPORATE OPERATIONS

- Group assets under own management climb by 4.2%

Talanx AG received permission from the Federal Financial Supervisory Authority (BaFin) on 1 January 2019 to conduct non-life reinsurance business and has since operated as an intragroup reinsurer. The first quota share reinsurance agreement was signed with HDI Re, Dublin, on 24 January 2019.

The operating profit in the Corporate Operations segment fell in the first quarter of 2019 to EUR 2 (4) million. Talanx generated income in the first quarter of 2018 from its coordination as a lead investor in 2017 of a group of institutional investors in a bond issue to finance an offshore wind farm. Group net income attributable to shareholders of Talanx AG for this segment amounted to EUR -18 (-17) million in the first quarter of 2019.

INVESTMENTS AND FINANCIAL POSITION

The total investment portfolio increased by 4.2% over the course of the first quarter of 2019 and amounted to EUR 128.0 (122.8) billion. The portfolio of assets under own management also rose by 4.2% to EUR 116.6 billion. Growth in the portfolio of assets under own management was due to cash inflows from underwriting business, which were reinvested in accordance with the respective corporate guidelines. Portfolio expansion is also a result of market development

in the first quarter. Significant developments include decreases in risk premiums, in particular for corporate bonds, and interest rate declines for long terms in euro, US dollar and pound sterling.

The portfolio of investment contracts and funds withheld by ceding companies showed no material changes compared with the start of the year.

Fixed-income investments were again the most significant asset class as at the end of the first quarter of 2019. They contributed EUR 0.7 (0.7) billion to earnings, which was reinvested as far as possible in the year under review.

BREAKDOWN OF ASSETS UNDER OWN MANAGEMENT BY ASSET CLASS

EUR MILLION

	31.3.2019		31.12.2018	
Investment property	3,039	3%	2,985	3%
Shares in affiliated companies and participating interests	311	< 1%	206	< 1%
Shares in associates and joint ventures	279	< 1%	265	< 1%
Loans and receivables				
Loans incl. mortgage loans	428	< 1%	460	< 1%
Loans and receivables due from government or quasi-governmental entities and fixed-income securities	28,806	25%	28,684	26%
Financial assets held to maturity	379	< 1%	409	< 1%
Financial assets available for sale				
Fixed-income securities	74,149	64%	70,165	63%
Variable-yield securities	1,836	2%	1,799	2%
Financial assets classified at fair value through profit or loss				
Financial assets classified at fair value through profit or loss				
Fixed-income securities	1,227	1%	1,344	1%
Variable-yield securities	137	< 1%	126	< 1%
Financial assets held for trading				
Fixed-income securities	—	—	—	—
Variable-yield securities	105	< 1%	131	< 1%
Derivatives ¹⁾	270	< 1%	239	< 1%
Other investments	5,608	5%	5,055	5%
Assets under own management ²⁾	116,574	100%	111,868	100%

¹⁾ Only derivatives with positive fair values.

²⁾ Breakdown in %: Fixed-income securities 82 (82); equities and other variable-yield securities 1 (1); funds withheld by ceding companies 8 (8); real estate (including real estate funds) 3 (3); investments under investment contracts 1 (1); other 5 (5)

FIXED-INCOME SECURITIES

The portfolio of fixed-income investments was up EUR 4 billion at EUR 105.0 (101.1) billion as at the end of the reporting period. At 82% (82%) of total investments, this asset class continues to represent the most significant share of our investments by volume. Fixed-income investments were primarily divided into the investment categories “financial assets available for sale” (71% [69%] of total investments in the fixed income portfolio) and “Loans and receivables” (28% [29%] of total holdings of fixed-income securities).

“Fixed-income securities available for sale” rose by EUR 4 billion to EUR 74.1 (70.2) billion, which essentially explains the overall upturn in the portfolio of fixed-income investments. Reinvestments were made taking into account the existing investment structure in this asset class. Valuation reserves, i.e. the balance of unrealised gains and losses, have risen from EUR 1.7 billion to EUR 3.6 billion since the end of 2018 on the back of market conditions. The volatility of “fixed-income securities available for sale” is reflected in equity.

In the “Loans and receivables” category, investments are primarily held in government securities or securities with a similar level of security. German covered bonds (Pfandbriefe) are still the largest item in the portfolio. Total holdings in fixed-income securities within the “Loans and receivables” category amounted to EUR 29.2 (29.1) billion at the end of the quarter. Off-balance-sheet valuation reserves of “Loans and receivables” increased to EUR 4.7 (3.8) billion.

The Group pursues a conservative investment policy. Investments in fixed-income securities continue to focus on government bonds with good ratings or securities from issuers with a similar credit quality in 2019. Holdings of AAA-rated bonds amounted to EUR 44.8 (43.1) billion as at the reporting date. The rating structure of fixed-income securities is virtually unchanged in comparison to the end of the previous financial year. 78% (78%) of fixed-income securities have a minimum A rating.

CURRENCY EFFECTS

As far as matching currency cover is concerned, us dollar-denominated investments continue to account for the largest share at 20% (19%) of the Talanx Group’s foreign currency portfolio. Sizeable positions are also held in pound sterling, Polish zloty and Australian dollars, totalling 8% (7%) of all investments. The total share of assets under own management in foreign currencies was 33% (32%) as at the reporting date.

NET INVESTMENT INCOME

CHANGE IN NET INVESTMENT INCOME

EUR MILLION	Q1 2019	Q1 2018
Ordinary investment income	870	851
of which current income from interest	691	675
of which attributable to profit/loss from investments in associates	12	3
Realised net gains on disposal of investments	84	264
Write-downs/reversals of write-downs of investments	-38	-42
Unrealised net gains from investments	64	-6
Other investment expenses	60	59
Income from assets under own management	920	1,008
Interest income from funds withheld and contract deposits	68	55
Net income from investment contracts	—	—
Total	988	1,063

At EUR 988 (1,063) million, net investment income was down on the previous year’s level on account of lower gains in the reporting period. This resulted in a drop in the annualised net return on investment to 3.2% (3.7%).

Despite consistently low interest rates, ordinary investment income totalled EUR 870 million at the end of the quarter, a year-on-year increase of EUR 19 million (EUR 851 million). In addition to portfolio growth, this is due to factors including high income from private equity, which more than offset the lower return on our fixed-income securities. The average coupon in the fixed-income securities portfolio remains steady at 2.9% (2.9%).

Total realised net gains on the disposal of investments in the first quarter of the financial year were significantly lower than the previous year's figure at EUR 84 (264) million. The sharp drop of EUR 180 million essentially reflects increased requirements to service the additional interest reserve.

Lower depreciation and amortisation was required overall in the reporting period compared to the prior year. Taking into account reversals of impairment losses, this totalled EUR 38 (42) million, of which EUR 15 (14) million related to depreciation on directly held real estate and EUR 11 (14) million to other investments.

Unrealised net gains/losses rose from EUR –6 million to EUR 64 million thanks to market conditions. This rise was driven by changes in the fair value of our assets held at fair value through profit or loss and is attributable in particular to fair value changes to credit default swaps, interest rate and currency swaps, futures and structured products.

NET INVESTMENT INCOME BY GROUP SEGMENT¹⁾

EUR MILLION	Q1 2019	Q1 2018
Industrial Lines	73	70
Retail Germany – Property/Casualty	29	20
Retail Germany – Life	411	500
Retail International	92	94
Property/Casualty Reinsurance	242	276
Life/Health Reinsurance	163	123
Corporate Operations	–22	–20
Total	988	1,063

¹⁾ After elimination of intragroup cross-segment transactions.

CHANGE IN EQUITY

CHANGE IN EQUITY

EUR MILLION

	31.3.2019	31.12.2018	Change	+/-%
Subscribed capital	316	316	–	–
Capital reserves	1,373	1,373	–	–
Retained earnings	7,538	7,281	257	+3.5
Accumulated other comprehensive income and other reserves	335	–257	592	–230.4
Group equity	9,562	8,713	849	+9.7
Non-controlling interests in equity	6,060	5,548	512	+9.2
Total	15,622	14,261	1,361	+9.5

EQUITY BY DIVISION¹⁾

INCLUDING NON-CONTROLLING INTERESTS

EUR MILLION

	31.3.2019	31.12.2018
Industrial Lines	2,559	2,364
of which non-controlling interests	51	–
Retail Germany	2,531	2,443
of which non-controlling interests	67	61
Retail International	2,256	2,149
of which non-controlling interests	242	231
Reinsurance	10,445	9,491
of which non-controlling interests	6,259	5,773
Corporate Operations	–2,219	–2,228
of which non-controlling interests	–	–
Consolidation	50	42
of which non-controlling interests	–559	–517
Total equity	15,622	14,261
Group equity	9,562	8,713
Non-controlling interests in equity	6,060	5,548

¹⁾ Equity per division is defined as the difference between the assets and liabilities of each division.

OUTLOOK

ANTICIPATED FINANCIAL DEVELOPMENT OF THE GROUP

We are making the following assumptions:

- moderate global economic growth
- constant inflation rate
- continuing very low interest rates
- no sudden upheavals on the capital markets
- no exchange rate shocks
- no significant fiscal or regulatory changes
- a large loss burden in line with our expectations

We provide forecast figures at year-end for the key figures at the Talanx Group and its divisions that the Group uses to control its business operations. With this outlook, we confirm the 2019 forecast published in the 2018 Group Annual Report in relation to the Talanx Group and its divisions.

TALANX GROUP

MANAGEMENT METRICS

	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Gross premium growth (adjusted for currency effects)	~ 4	~ 4
Net return on investment	~ 2.7	~ 2.7
Group net income in EUR million	around 900	around 900
Return on equity	~ 9.5	~ 9.5
Payout ratio	35–45	35–45

INDUSTRIAL LINES

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Gross premium growth (adjusted for currency effects)	≥ 20	≥ 20
Combined ratio (net)	~ 100	~ 100
EBIT margin	~ 5	~ 5
Return on equity	~ 4	~ 4

RETAIL GERMANY

PROPERTY/CASUALTY INSURANCE

MANAGEMENT METRICS FOR THE RETAIL GERMANY DIVISION – PROPERTY/CASUALTY INSURANCE SEGMENT

	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Gross premium growth	≥ 3	≥ 3
Combined ratio (net)	~ 99	~ 99
EBIT margin	≥ 5	≥ 5

LIFE INSURANCE

MANAGEMENT METRICS FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Gross premium growth	stable	stable
EBIT margin	2–3	2–3

RETAIL GERMANY OVERALL**RETURN ON EQUITY MANAGEMENT METRIC FOR THE RETAIL GERMANY DIVISION OVERALL**

	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Return on equity	~ 5	~ 5

RETAIL INTERNATIONAL**MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION**

	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Gross premium growth (adjusted for currency effects)	5–10	5–10
Value of new business (life) ¹⁾ in EUR million	30–40	30–40
Combined ratio (net, property/casualty insurance)	~ 95	~ 95
EBIT margin	5–6	5–6
Return on equity	8–9	8–9

¹⁾ Excluding non-controlling interests.

REINSURANCE**PROPERTY/CASUALTY REINSURANCE****MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT**

	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Gross premium growth (adjusted for currency effects)	significant growth	significant growth
Combined ratio (net)	< 97	< 97
EBIT margin	≥ 10	≥ 10

LIFE/HEALTH REINSURANCE**MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT**

	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Gross premium growth (adjusted for currency effects)	moderate growth	moderate growth
Value of new business ¹⁾ in EUR million	≥ 110	≥ 110
EBIT growth ²⁾	> 5	> 5

¹⁾ Excluding non-controlling interests.

²⁾ Average over a three-year period.

REINSURANCE OVERALL**RETURN ON EQUITY MANAGEMENT METRIC FOR THE REINSURANCE DIVISION OVERALL**

	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Return on equity	~ 14	~ 14

Hannover Rück SE is expecting positive earnings of almost EUR 100 million in the second quarter as a result of releasing hidden reserves in the area of participating interests. The reason behind this is a restructuring of shares at the Viridium Group, with Hannover Rück SE's interest remaining largely unchanged, which became necessary as part of the acquisition of Generali Lebensversicherung AG by Viridium.

CONSOLIDATED BALANCE SHEET OF TALANX AG AS AT 31 MARCH 2019

CONSOLIDATED BALANCE SHEET – ASSETS

EUR MILLION

	31.3.2019	31.12.2018
A. Intangible assets		
a. Goodwill	1,066	1,058
b. Other intangible assets	901	895
	1,967	1,953
B. Investments		
a. Investment property	3,039	2,985
b. Shares in affiliated companies and participating interests	311	206
c. Shares in associates and joint ventures	279	265
d. Loans and receivables	29,234	29,144
e. Other financial instruments		
i. Financial assets held to maturity	379	409
ii. Financial assets available for sale	75,985	71,964
iii. Financial assets classified at fair value through profit or loss	1,739	1,840
f. Other investments	5,608	5,055
Assets under own management	116,574	111,868
g. Investments under investment contracts	1,084	1,042
h. Funds withheld by ceding companies	10,321	9,921
Investments	127,979	122,831
C. Investments for the benefit of life insurance policyholders who bear the investment risk	10,929	9,990
D. Reinsurance recoverables on technical provisions	8,972	8,506
E. Accounts receivable on insurance business	8,649	7,251
F. Deferred acquisition costs	5,734	5,358
G. Cash at banks, cheques and cash-in-hand	3,471	3,362
H. Deferred tax assets	1,200	1,156
I. Other assets	3,079	2,457
J. Non-current assets and assets of disposal groups classified as held for sale	21	15
Total assets	172,001	162,879

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

EUR MILLION

	31.3.2019	31.12.2018
A. Equity		
a. Subscribed capital	316	316
Nominal value: 316 (previous year: 316)		
Contingent capital: 158 (previous year: 158)		
b. Reserves	9,246	8,397
Equity excluding non-controlling interests	9,562	8,713
c. Non-controlling interests in equity	6,060	5,548
Total equity	15,622	14,261
B. Subordinated liabilities	2,738	2,738
C. Technical provisions		
a. Unearned premium reserve	11,360	8,590
b. Benefit reserve	56,392	56,234
c. Loss and loss adjustment expense reserve	47,130	45,887
d. Provision for premium refunds	6,756	5,703
e. Other technical provisions	659	628
	122,297	117,042
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders	10,929	9,990
E. Other provisions		
a. Provisions for pensions and other post-employment benefits	2,236	2,144
b. Provisions for taxes	703	650
c. Miscellaneous other provisions	836	887
	3,775	3,681
F. Liabilities		
a. Notes payable and loans	2,252	2,245
b. Funds withheld under reinsurance treaties	4,316	4,441
c. Other liabilities	7,366	6,095
	13,934	12,781
G. Deferred tax liabilities	2,699	2,380
H. Liabilities included in disposal groups classified as held for sale	7	6
Total liabilities/provisions	156,379	148,618
Total equity and liabilities	172,001	162,879

CONSOLIDATED STATEMENT OF INCOME OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2019

CONSOLIDATED STATEMENT OF INCOME

EUR MILLION

	Q1 2019	Q1 2018
1. Gross written premiums including premiums from unit-linked life and annuity insurance	11,716	10,560
2. Savings elements of premiums from unit-linked life and annuity insurance	225	269
3. Written reinsurance premiums	1,382	1,300
4. Change in gross unearned premiums	-2,622	-2,407
5. Change in ceded unearned premiums	-355	-405
Net premiums earned	7,842	6,989
6. Gross claims and claims expenses	7,084	6,288
Reinsurers' share	860	626
Net claims and claims expenses	6,224	5,662
7. Gross acquisition and administrative expenses	2,116	1,915
Reinsurers' share	171	180
Net acquisition and administrative expenses	1,945	1,735
8. Other underwriting income	17	14
Other underwriting expenses	47	36
Other underwriting result	-30	-22
Net technical result	-357	-430
9. a. Investment income	1,117	1,201
b. Investment expenses	197	193
Net investment income from assets under own management	920	1,008
Net income from investment contracts	—	—
Funds withheld	68	55
Net investment income	988	1,063
of which share of profit or loss of equity-accounted associates and joint ventures	12	3
10. a. Other income	483	340
b. Other expenses	498	381
Other income/expenses	-15	-41
Profit before goodwill impairments	616	592
11. Goodwill impairments	—	—
Operating profit/loss (EBIT)	616	592
12. Financing costs	45	41
13. Income taxes	160	163
Net income	411	388
of which attributable to non-controlling interests	176	170
of which attributable to shareholders of Talanx AG	235	218
Earnings per share		
Basic earnings per share (in EUR)	0.93	0.86
Diluted earnings per share (in EUR)	0.93	0.86

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR MILLION

	Q1 2019	Q1 2018
Net income	411	388
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on pension provisions		
Gains (losses) recognised in other comprehensive income for the period	-102	1
Tax income (expense)	30	—
	-72	1
Changes in policyholder participation/shadow accounting		
Gains (losses) recognised in other comprehensive income for the period	5	—
Tax income (expense)	—	—
	5	—
Total items that will not be reclassified to profit or loss, net of tax	-67	1
Items that may be reclassified subsequently to profit or loss		
Unrealised gains and losses on investments		
Gains (losses) recognised in other comprehensive income for the period	2,091	-604
Reclassified to profit or loss	-43	-153
Tax income (expense)	-310	127
	1,738	-630
Exchange differences on translating foreign operations		
Gains (losses) recognised in other comprehensive income for the period	234	-193
Reclassified to profit or loss	—	—
Tax income (expense)	-18	15
	216	-178
Changes in policyholder participation/shadow accounting		
Gains (losses) recognised in other comprehensive income for the period	-934	295
Tax income (expense)	39	—
	-895	295
Changes from cash flow hedges		
Gains (losses) recognised in other comprehensive income for the period	15	-66
Reclassified to profit or loss	-7	-26
Tax income (expense)	-1	2
	7	-90
Changes from equity method measurement		
Gains (losses) recognised in other comprehensive income for the period	3	-6
Reclassified to profit or loss	—	—
Tax income (expense)	—	—
	3	-6
Miscellaneous other changes		
Gains (losses) recognised in other comprehensive income for the period	—	—
Reclassified to profit or loss	—	—
Tax income (expense)	—	—
	—	—
Total items that may be reclassified subsequently to profit or loss, net of tax	1,069	-609
Other comprehensive income for the period, net of tax	1,002	-608
Total comprehensive income for the period	1,413	-220
of which attributable to non-controlling interests	586	-73
of which attributable to shareholders of Talanx AG	827	-147

SEGMENT REPORTING

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 31 MARCH 2019

EUR MILLION

Assets	Industrial Lines		Retail Germany	
	31.3.2019	31.12.2018 ²⁾	31.3.2019	31.12.2018
A. Intangible assets	162	162	704	706
B. Investments	8,869	8,315	52,868	51,620
C. Investments for the benefit of life insurance policyholders who bear the investment risk	—	—	10,449	9,506
D. Reinsurance recoverables on technical provisions	7,719	5,202	1,845	1,861
E. Accounts receivable on insurance business	2,561	1,413	380	312
F. Deferred acquisition costs	76	63	2,171	2,158
G. Cash at banks, cheques and cash-in-hand	917	676	640	686
H. Deferred tax assets	83	71	95	111
I. Other assets	893	695	744	822
J. Non-current assets and assets of disposal groups classified as held for sale ²⁾	—	—	—	—
Total assets	21,280	16,597	69,896	67,782

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 31 MARCH 2019

EUR MILLION

Equity and liabilities	Industrial Lines		Retail Germany	
	31.3.2019	31.12.2018 ²⁾	31.3.2019	31.12.2018
B. Subordinated liabilities	282	200	162	162
C. Technical provisions	15,039	11,560	52,771	51,474
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders	—	—	10,449	9,506
E. Other provisions	846	784	585	603
F. Liabilities	2,322	1,475	3,169	3,397
G. Deferred tax liabilities	232	214	229	197
H. Liabilities included in disposal groups classified as held for sale	—	—	—	—
Total liabilities/provisions	18,721	14,233	67,365	65,339

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
31.3.2019	31.12.2018	31.3.2019	31.12.2018 ³⁾	31.3.2019	31.12.2018	31.3.2019	31.12.2018	31.3.2019	31.12.2018
781	773	209	208	111	109	—	—5	1,967	1,953
12,505	11,613	55,565	53,115	1,032	941	-2,860	-2,773	127,979	122,831
480	484	—	—	—	—	—	—	10,929	9,990
770	705	3,110	3,209	21	6	-4,493	-2,477	8,972	8,506
1,276	1,220	4,851	4,420	26	5	-445	-119	8,649	7,251
643	614	2,603	2,283	1	1	240	239	5,734	5,358
409	592	1,252	1,152	253	256	—	—	3,471	3,362
124	101	608	599	290	273	—	1	1,200	1,156
512	432	1,609	1,695	762	653	-1,441	-1,840	3,079	2,457
21	16	—	—	—	—	—	-1	21	15
17,521	16,550	69,807	66,681	2,496	2,244	-8,999	-6,975	172,001	162,879

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
31.3.2019	31.12.2018	31.3.2019	31.12.2018 ³⁾	31.3.2019	31.12.2018	31.3.2019	31.12.2018	31.3.2019	31.12.2018
42	42	1,886	1,878	1,280	1,280	-914	-824	2,738	2,738
12,253	11,620	45,764	43,894	94	70	-3,624	-1,576	122,297	117,042
480	484	—	—	—	—	—	—	10,929	9,990
278	274	635	613	1,431	1,407	—	—	3,775	3,681
2,073	1,873	8,997	8,960	1,908	1,715	-4,535	-4,639	13,934	12,781
132	102	2,080	1,845	2	—	24	22	2,699	2,380
7	6	—	—	—	—	—	—	7	6
15,265	14,401	59,362	57,190	4,715	4,472	-9,049	-7,017	156,379	148,618
Equity ¹⁾								15,622	14,261
Total equity and liabilities								172,001	162,879

¹⁾ Group equity and non-controlling interests.

²⁾ HDI Global Specialty SE would have been included in the segment with total equities and liabilities of EUR 2,820 million (before effects of consolidation).

³⁾ HDI Global Specialty SE was included in the segment with total equities and liabilities of EUR 2,820 million (before effects of consolidation).

CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2019¹⁾

EUR MILLION

	Industrial Lines		Retail Germany	
	Q1 2019	Q1 2018 ²⁾	Q1 2019	Q1 2018
1. Gross written premiums including premiums from unit-linked life and annuity insurance	2,296	2,049	1,886	1,868
of which attributable to other divisions/segments with third parties	24	21	20	13
	2,272	2,028	1,866	1,855
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	206	200
3. Ceded written premiums	1,008	813	94	103
4. Change in gross unearned premiums	-996	-1,005	-432	-431
5. Change in ceded unearned premiums	-342	-352	-13	-18
Net premiums earned	634	583	1,167	1,152
6. Claims and claims expenses (gross)	1,122	761	1,274	1,335
Reinsurers' share	605	295	26	38
Claims and claims expenses (net)	517	466	1,248	1,297
7. Acquisition costs and administrative expenses (gross)	292	238	316	363
Reinsurers' share	166	120	37	41
Net acquisition and administrative expenses	126	118	279	322
8. Other technical income	—	1	7	11
Other technical expenses	9	13	6	8
Other technical result	-9	-12	1	3
Net technical result	-18	-13	-359	-464
9. a. Investment income	102	103	493	599
b. Investment expenses	31	35	62	85
Net income from assets under own management	71	68	431	514
Net income from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	-2	-4
Net investment income	71	68	429	510
of which share of profit or loss of equity-accounted associates and joint ventures	10	2	—	—
10. a. Other income	88	44	56	64
b. Other expenses	106	48	66	72
Other income/expenses	-18	-4	-10	-8
Profit before goodwill impairments	35	51	60	38
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	35	51	60	38
12. Financing costs	3	2	2	2
13. Taxes on income	9	18	20	13
Net income	23	31	38	23
of which attributable to non-controlling interests	—	—	2	1
attributable to shareholders of Talanx AG	23	31	36	22

¹⁾ With the exception of the Retail Germany Division and the Reinsurance Division, the statements of income of the other divisions are the same as those of the reportable segments.

²⁾ HDI Global Specialty SE would have been included in the division's gross premium with EUR 947 million (before effects of consolidation) and would have contributed EUR -1.5 million to EBIT (before effects of consolidation).

³⁾ HDI Global Specialty SE was included in the division's gross premium with EUR 947 million (before effects of consolidation) and contributed EUR -1.5 million to EBIT (before effects of consolidation).

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
Q1 2019	Q1 2018	Q1 2019	Q1 2018 ³⁾	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
1,617	1,496	6,373	5,345	35	30	-491	-228	11,716	10,560
—	—	412	164	35	30	-491	-228	—	—
1,617	1,496	5,961	5,181	—	—	—	—	11,716	10,560
19	69	—	—	—	—	—	—	225	269
143	124	612	466	18	18	-493	-224	1,382	1,300
-76	-74	-1,218	-941	-16	-17	116	61	-2,622	-2,407
-34	-22	-68	-61	-14	-14	116	62	-355	-405
1,413	1,251	4,611	3,999	15	9	2	-5	7,842	6,989
1,197	1,030	3,730	3,244	13	12	-252	-94	7,084	6,288
82	66	390	314	2	1	-245	-88	860	626
1,115	964	3,340	2,930	11	11	-7	-6	6,224	5,662
300	282	1,322	1,082	3	2	-117	-52	2,116	1,915
25	22	55	51	—	—	-112	-54	171	180
275	260	1,267	1,031	3	2	-5	2	1,945	1,735
10	6	—	—	—	—	—	-4	17	14
18	18	—	2	—	—	14	-5	47	36
-8	-12	—	-2	—	—	-14	1	-30	-22
15	15	4	36	1	-4	—	—	-357	-430
102	105	433	404	4	3	-17	-13	1,117	1,201
10	13	99	66	23	20	-28	-26	197	193
92	92	334	338	-19	-17	11	13	920	1,008
—	—	—	—	—	—	—	—	—	—
-1	—	71	59	—	—	—	—	68	55
91	92	405	397	-19	-17	11	13	988	1,063
—	—	2	1	—	—	—	—	12	3
31	2	298	210	178	204	-168	-184	483	340
64	39	254	207	158	179	-150	-164	498	381
-33	-37	44	3	20	25	-18	-20	-15	-41
73	70	453	436	2	4	-7	-7	616	592
—	—	—	—	—	—	—	—	—	—
73	70	453	436	2	4	-7	-7	616	592
2	2	25	20	26	25	-13	-10	45	41
19	19	116	116	-6	-4	2	1	160	163
52	49	312	300	-18	-17	4	2	411	388
10	8	164	161	—	—	—	—	176	170
42	41	148	139	-18	-17	4	2	235	218

CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE RETAIL GERMANY DIVISION – REPORTABLE SEGMENTS PROPERTY/CASUALTY AND LIFE – AS WELL AS THE PROPERTY/CASUALTY REINSURANCE AND LIFE/HEALTH REINSURANCE SEGMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2019

EUR MILLION

	Retail Germany – Property/Casualty		Retail Germany – Life		Property/Casualty Reinsurance		Life/Health Reinsurance	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018 ¹⁾	Q1 2019	Q1 2018
1. Gross written premiums including premiums from unit-linked life and annuity insurance	782	780	1,104	1,088	4,394	3,579	1,979	1,766
of which attributable to other segments	—	—	20	13	377	127	35	37
with third parties	782	780	1,084	1,075	4,017	3,452	1,944	1,729
2. Savings elements of premiums from unit-linked life and annuity insurance policies	—	—	206	200	—	—	—	—
3. Ceded written premiums	36	43	58	60	355	301	257	165
4. Change in gross unearned premiums	-404	-409	-28	-22	-1,177	-914	-41	-27
5. Change in ceded unearned premiums	-13	-17	—	-1	-68	-61	—	—
Net premiums earned	355	345	812	807	2,930	2,425	1,681	1,574
6. Claims and claims expenses (gross)	222	240	1,052	1,095	2,140	1,796	1,590	1,448
Reinsurers' share	6	23	20	15	199	140	191	174
Claims and claims expenses (net)	216	217	1,032	1,080	1,941	1,656	1,399	1,274
7. Acquisition costs and administrative expenses (gross)	139	129	177	234	920	715	402	367
Reinsurers' share	6	6	31	35	43	38	12	13
Net acquisition and administrative costs	133	123	146	199	877	677	390	354
8. Other technical income	1	1	6	10	—	—	—	—
Other technical expenses	3	3	3	5	—	1	—	1
Other technical result	-2	-2	3	5	—	-1	—	-1
Net technical result	4	3	-363	-467	112	91	-108	-55
9. a. Investment income	32	26	461	573	310	315	123	89
b. Investment expenses	4	5	58	80	79	49	20	17
Net income from assets under own management	28	21	403	493	231	266	103	72
Net income from investment contracts	—	—	—	—	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	-2	-4	12	8	59	51
Net investment income	28	21	401	489	243	274	162	123
of which share of profit or loss of equity-accounted associates and joint ventures	—	—	—	—	2	1	—	—
10. a. Other income	16	15	40	49	93	90	205	120
b. Other expenses	18	21	48	51	108	111	146	96
Other income/expenses	-2	-6	-8	-2	-15	-21	59	24
Profit before goodwill impairments	30	18	30	20	340	344	113	92
11. Goodwill impairments	—	—	—	—	—	—	—	—
Operating profit (EBIT)	30	18	30	20	340	344	113	92

¹⁾ HDI Global Specialty SE was included in the division's gross premium with EUR 947 million (before effects of consolidation) and contributed EUR -1.5 million to EBIT (before effects of consolidation).

CONSOLIDATED CASH FLOW STATEMENT OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2019

CONSOLIDATED CASH FLOW STATEMENT

EUR MILLION

	Q1 2019	Q1 2018
I. 1. Net income	411	388
I. 2. Change in technical provisions	2,897	3,154
I. 3. Change in capitalised acquisition costs	-357	-251
I. 4. Changes in funds withheld and in accounts receivable and payable	-1,196	-1,226
I. 5. Changes in other receivables and liabilities	284	1,199
I. 6. Changes in investments and liabilities under investment contracts	3	2
I. 7. Changes in financial assets held for trading	26	132
I. 8. Gains/losses on disposal of investments and property, plant and equipment	-89	-262
I. 9. Change in technical provisions for life insurance policies where the investment risk is borne by the policyholders	939	-431
I. 10. Other non-cash expenses and income (including income tax expense/income)	-50	-129
I. Cash flows from operating activities ^{1), 2)}	2,868	2,576
II. 1. Cash inflow from the sale of consolidated companies	4	3
II. 2. Cash outflow from the purchase of consolidated companies	—	-6
II. 3. Cash inflow from the sale of real estate	82	3
II. 4. Cash outflow from the purchase of real estate	-82	-40
II. 5. Cash inflow from the sale and maturity of financial instruments	8,774	9,160
II. 6. Cash outflow from the purchase of financial instruments	-10,056	-10,577
II. 7. Changes in investments for the benefit of life insurance policyholders who bear the investment risk	-939	431
II. 8. Changes in other investments	-458	-1,026
II. 9. Cash outflows from the acquisition of tangible and intangible assets	-35	-32
II. 10. Cash inflows from the sale of tangible and intangible assets	4	5
II. Cash flows from investing activities	-2,706	-2,079
III. 1. Cash inflow from capital increases	—	—
III. 2. Cash outflow from reductions	—	—
III. 3. Dividends paid	-54	-53
III. 4. Net changes attributable to other financing activities	-37	24
III. Cash flows from financing activities ²⁾	-91	-29
Net change in cash and cash equivalents (I. + II. + III.)	71	468
Cash and cash equivalents at the beginning of the reporting period	3,363	3,159
Effect of exchange rate changes on cash and cash equivalents	38	-17
Effect of changes in the basis of consolidation on cash and cash equivalents ³⁾	—	—
Cash and cash equivalents at the end of the reporting period ⁴⁾	3,472	3,610

¹⁾ EUR 89 (140) million of "Income taxes paid", EUR 77 (87) million of "Dividends received" and EUR 956 (962) million of "Interest received" are allocated to "Cash flows from operating activities". Dividends received also include profit-sharing payments from investment funds and private equity firms similar to dividends.

²⁾ EUR 126 (121) million of "Interest paid" is attributable to EUR 24 (19) million to "Cash flows from financing activities" and EUR 102 (102) million to "Cash flows from operating activities".

³⁾ This item relates primarily to changes to the basis of consolidation excluding company disposals or acquisitions.

⁴⁾ Cash and cash equivalents at the end of the reporting period" also include changes in the portfolio of disclosed disposal groups in the amount of EUR 1 (21) million.

OTHER DISCLOSURES

This document is a quarterly statement in accordance with section 51a of the Exchange Rules for the Frankfurter Wertpapierbörse.

The consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income and the consolidated cash flow statement were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. The statement was prepared in compliance with the requirements of IAS 34 "Interim Financial Reporting". Prior-year figures were adjusted in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The same accounting policies were applied as for the consolidated financial statements as at 31 December 2018. To the extent that there are new standards effective from 1 January 2019, these have been applied accordingly. This relates in particular to the first-time adoption of IFRS 16 "Leases", which includes new regulations for accounting by lessees. A lease liability is to be recognised for every lease. At the same time, the lessee capitalises a right-of-use asset for the underlying asset. The lessor's accounting remains virtually unchanged in comparison to the previous approach, under which leases are classified either as finance or operating leases. The Group applies the standard retrospectively in a modified form and recognises the cumulative effects from the introduction of the standard in retained earnings as at 1 January 2019. The previous year figures are therefore not restated. Right-of-use assets of EUR 466 million were capitalised and lease liabilities of EUR 466 million were recognised as at 1 January 2019. Including the reversal of deferrals and accruals and taking into account deferred income taxes, applying the standard increased retained earnings by EUR 2 million.

The interim financial statements were prepared in euro (EUR). The amounts shown have been rounded to millions of euro (EUR million). This may give rise to rounding differences in the tables presented in this report. As a rule, amounts in brackets refer to the prior year.

With economic effect from 1 January 2019, Hannover Rück SE (Property/Casualty Reinsurance segment) sold 50.22% of shares in HDI Global Specialty SE (HGS) to HDI Global SE (Industrial Lines segment) in an intragroup transaction. Indirect non-controlling interests in HGS fell from 49.78% to 24.78% as a result of the transaction, causing equity attributable to non-controlling interests to decline by EUR 21 million.

EXCHANGE DIFFERENCES ON TRANSLATING FOREIGN OPERATIONS

Talanx AG's reporting currency is the euro (EUR).

EXCHANGE RATES FOR OUR KEY FOREIGN CURRENCIES

EUR 1 corresponds to	Balance sheet (reporting date)		Income statement (average)	
	31.3.2019	31.12.2018	Q1 2019	Q1 2018
AUD Australia	1.5826	1.6208	1.5954	1.5593
BRL Brazil	4.3600	4.4552	4.3229	3.9866
CAD Canada	1.4997	1.5591	1.5180	1.5462
CNY China	7.5385	7.8768	7.6870	7.7791
GBP United Kingdom	0.8578	0.9028	0.8736	0.8816
HUF Hungary	321.0800	321.7400	318.6500	311.8050
MXN Mexico	21.6687	22.5895	22.0124	23.0752
PLN Poland	4.3000	4.3031	4.2962	4.1786
USD USA	1.1233	1.1451	1.1396	1.2247
ZAR South Africa	16.2669	16.4522	15.9744	14.6402

EVENTS AFTER THE END OF THE REPORTING PERIOD

By way of purchase agreement dated 2 May 2019, the Group acquired 100% of the shares in the property insurer ERGO Sigorta A. S., Istanbul, Turkey. The purchase will be made via HDI Sigorta, Istanbul, Turkey, a subsidiary of HDI International AG, Hannover (Retail International segment) and still requires approval from the relevant supervisory authorities. This approval is expected in the third quarter of 2019.

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Quarterly Statement online:

<http://talanx.com/investor-relations>

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FINANCIAL CALENDAR 2019

12 August

Interim Report as at 30 June 2019

11 November

Quarterly Statement as at 30 September 2019

20 November

Capital Markets Day

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