

PERFORMANCE AND RESULTS

2018

Quarterly Statement as at 30 September 2018

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Insurance. Investments.

THE TALANX GROUP AT A GLANCE

GROUP KEY FIGURES

	UNIT	6M 2018	Q3 2018	9M 2018	6M 2017	Q3 2017	9M 2017	+/- % 9M 2018 v. 9M 2017
Gross written premiums	EUR MILLION	18,760	8,331	27,091	17,553	7,686	25,239	+7.3
by region								
Germany	%	27	21	25	29	22	27	-2.0 pt.
United Kingdom	%	8	8	8	7	8	8	- pt.
Central and Eastern Europe (CEE), including Turkey	%	8	8	8	9	10	9	-1.0 pt.
Rest of Europe	%	16	15	16	16	15	15	+1.0 pt.
USA	%	18	21	19	16	19	17	+2.0 pt.
Rest of North America	%	2	2	2	2	2	2	- pt.
Latin America	%	7	8	7	8	9	8	-1.0 pt.
Asia and Australia	%	12	15	13	11	13	12	+1.0 pt.
Africa	%	2	2	2	2	2	2	- pt.
Gross written premiums by type and class of insurance								
Property/casualty primary insurance	EUR MILLION	5,811	2,007	7,818	5,590	1,917	7,507	+4.1
Primary life insurance	EUR MILLION	3,252	1,423	4,675	3,271	1,413	4,684	-0.2
Property/Casualty Reinsurance	EUR MILLION	6,252	3,121	9,373	5,193	2,679	7,872	+19.1
Life/Health Reinsurance	EUR MILLION	3,445	1,780	5,225	3,499	1,677	5,176	+0.9
Net premiums earned	EUR MILLION	14,435	7,406	21,841	13,450	6,835 ⁶⁾	20,285 ⁶⁾	+7.7
Underwriting result	EUR MILLION	-748	-675	-1,423	-940	-1,180	-2,120	+32.9
Net investment income	EUR MILLION	2,007	893	2,900	2,085	1,226	3,311	-12.4
Net return on investment ¹⁾	%	3.5	-	3.3	3.7	-	3.9	-0.6 pt.
Operating profit/loss (EBIT)	EUR MILLION	1,212	259	1,471	1,125	-21	1,104	+33.2
Net income (after financing costs and taxes)	EUR MILLION	771	171	942	784	18	802	+17.5
of which attributable to shareholders of Talanx AG	EUR MILLION	437	51	488	463	-19	444	+9.9
Return on equity ^{2), 3)}	%	10.0	2.4	7.5	10.3	-0.9	6.7 ⁶⁾	+0.8 pt.
Earnings per share								
Basic earnings per share	EUR	1.73	0.20	1.93	1.83	-0.08	1.75	+10.3
Diluted earnings per share	EUR	1.73	0.20	1.93	1.83	-0.08	1.75	+10.3
Combined ratio in Property/Casualty primary insurance and Property/Casualty Reinsurance ⁴⁾	%	96.7	102.1	98.6	97.0	114.4	103.1	-4.5 pt.
Combined ratio of property/casualty primary insurers ⁵⁾	%	98.1	107.3	101.3	97.6	109.1 ⁶⁾	101.6	-0.3 pt.
Combined ratio of Property/Casualty Reinsurance	%	95.7	98.8	96.8	96.5	118.2	104.3	-7.5 pt.
EBIT margin primary insurance and reinsurance								
EBIT margin primary insurance ⁵⁾	%	5.0	0.7	3.6	5.8	-0.7	3.7	-0.1 pt.
EBIT margin Property/Casualty Reinsurance	%	13.6	11.3	12.8	14.9	-1.3	9.1	+3.7 pt.
EBIT margin Life/Health Reinsurance	%	6.7	-4.3	3.0	4.9	2.3	4.0	-1.0 pt.
				30.9.2018			31.12.2017	+/- %
Policyholders' surplus	EUR MILLION			16,578			16,983	-2.4
Equity attributable to shareholders of Talanx AG	EUR MILLION			8,540			8,835	-3.3
Non-controlling interests	EUR MILLION			5,300			5,411	-2.1
Hybrid capital	EUR MILLION			2,738			2,737	+0.0
Assets under own management	EUR MILLION			111,528			107,881	+3.4
Total investments	EUR MILLION			122,759			118,673	+3.4
Total assets	EUR MILLION			164,212			158,386	+3.7
Carrying amount per share at end of period	EUR			33.78			34.95	-3.3
Share price at end of period	EUR			32.74			34.07	-3.9
Market capitalisation of Talanx AG at end of period	EUR MILLION			8,277			8,613	-3.9
Employees	FULL-TIME EQUIVALENTS			20,860			20,419	+2.2

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 (30 September 2018 and 31 December 2017).

²⁾ Ratio of annualised net income for the reporting 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 intra-Group cross-segment transactions.

⁵⁾ Excluding figures from the Corporate Operations segment.

⁶⁾ Adjusted in accordance with IAS 8; see 2017 Annual Report; "Accounting policies", "Changes in accounting policies and errors" in the Notes.

CONTENTS

2	Quarterly statement
2	Business development
2	Performance of the Group
3	Development of the divisions within the Group
3	Industrial Lines
4	Retail Germany
6	Retail International
8	Reinsurance
10	Corporate Operations
11	Investments and financial position
15	Outlook
20	Consolidated balance sheet
22	Consolidated statement of income
23	Consolidated statement of comprehensive income
24	Consolidated cash flow statement
26	Segment reporting
36	Other disclosures

QUARTERLY STATEMENT

BUSINESS DEVELOPMENT

PERFORMANCE OF THE GROUP

- Gross premiums up 7.3%
- Large losses comfortably within budget for the financial year
- Improvement in underwriting result

GROUP KEY FIGURES

EUR MILLION

	9M 2018	9M 2017 ¹⁾	+/- %
Gross written premiums	27,091	25,239	+7.3
Net premiums earned	21,841	20,285	+7.7
Underwriting result	-1,423	-2,120	+32.9
Net investment income	2,900	3,311	-12.4
Operating profit/loss (EBIT)	1,471	1,104	+33.2
Combined ratio (net, property/casualty only) in %	98.6	103.1	-4.5 pt.

¹⁾ Adjusted in accordance with IAS 8.

MANAGEMENT METRICS

%

	9M 2018	9M 2017 ¹⁾	+/- %
Gross premium growth (adjusted for currency effects)	11.4	6.7	+4.7 pt.
Group net income in EUR million	488	444	+9.9
Return on equity ²⁾	7.5	6.7	+0.8 pt.
Net return on investment ³⁾	3.3	3.9	-0.6 pt.

¹⁾ Adjusted in accordance with IAS 8.

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

³⁾ 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.

PREMIUM VOLUME

The Talanx Group' gross written premiums amounted to EUR 27.1 (25.2) billion in the first nine months of the year, an increase of 7.3% (11.4% adjusted for currency effects). Thanks to good results in structured reinsurance, the Property/Casualty Reinsurance segment made a double-digit contribution to growth in gross premiums. The 6.2% rise in gross premiums in Industrial Lines relates in part to the redevelopment of property insurance. The Talanx Group's net premiums earned were 7.7% higher year-on-year at EUR 21.8 (20.3) billion. The retention ratio increased slightly to 88.4% (88.0%).

UNDERWRITING RESULT

The Group's underwriting result improved to EUR -1,423 (-2,120) million. Despite the high overall level of large losses incurred in the third quarter, the large loss burden virtually halved to EUR 648 (1,222) million over the first nine months, which, despite unexpectedly high burdens in the Industrial Lines segment, was comfortably within the large loss budget for the Group of EUR 855 million. The Group's combined ratio therefore improved year-on-year to 98.6% (103.1%). The net loss ratio improved in the Property/Casualty Reinsurance segment in particular, more than compensating for the higher net expense ratio.

NET INVESTMENT INCOME

Net investment income declined by 12.4% to EUR 2,900 (3,311) million. Among other things, this was due to the sharp decline in extraordinary net investment income in the Life Insurance segment of the Retail Germany Division. The sale of securities in the Property/Casualty Reinsurance segment in the prior year was also a factor. The Group's net return on investment was 3.3% (3.9%) in the first nine months of 2018, 0.6 percentage points softer than in the same period of the prior year.

OPERATING PROFIT AND GROUP NET INCOME

Operating profit (EBIT) improved by 33.2% to EUR 1,471 (1,104) million, with the Property/Casualty Reinsurance segment accounting for the largest share of this, followed by the Property/Casualty segment of the Retail Germany Division. Group net income was 9.9% higher than in the same period of the previous year at EUR 488 (444) million. The return on equity improved to 7.5% (6.7%), and was therefore below the target for 2018 as a whole of around 9%.

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 2017 Group Annual Report for details of these segments’ structure and scope of business.

INDUSTRIAL LINES

- Growth in premiums abroad
- High losses incurred in financial year
- Net investment income squeezed by low interest rates

KEY FIGURES FOR THE INDUSTRIAL LINES DIVISION

EUR MILLION			
	9M 2018	9M 2017	+/-%
Gross written premiums	3,756	3,536	+6.2
Net premiums earned	1,910	1,764	+8.3
Underwriting result	-224	-179	-25.1
Net investment income	183	203	-9.9
Operating profit/loss (EBIT)	-32	25	-228.0

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%			
	9M 2018	9M 2017 ¹⁾	+/-%
Gross premium growth (adjusted for currency effects)	+8.9	4.4	+4.5 pt.
Retention	57.8	54.4	+3.4 pt.
Combined ratio (net) ²⁾	111.7	110.1	+1.6 pt.
EBIT margin ³⁾	-1.6	1.4	-3.0 pt.
Return on equity ⁴⁾	-2.1	0.9	-3.0 pt.

¹⁾ Adjusted in accordance with IAS 8.

²⁾ Including net interest income on funds withheld and contract deposits.

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

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

PREMIUM VOLUME

Gross written premiums for the division amounted to EUR 3.8 (3.5) billion as at 30 September 2018, an increase of around 6.2% (8.9% adjusted for currency effects). Increases in premiums were essentially generated in property lines, third-party liability and marine insurance.

The retention ratio in the division was well above the level of the previous year at 57.8% (54.4%), largely due to lower payments to external reinsurers in fire insurance and lower expenses for reinsurance premiums. The growth in net premiums earned therefore outpaced the gross figures, rising by 8.3% to EUR 1,910 (1,764) million.

UNDERWRITING RESULT

The division’s net underwriting result deteriorated to EUR -224 (-179) million. At 21.1% (22.1%), the net expense ratio was lower year-on-year on account of a higher premium base. The loss ratio (net) deteriorated owing to several large losses and an unusually high accumulation of frequency losses in industrial property insurance. The combined ratio for the Industrial Lines Division was 111.7% (110.1%).

NET INVESTMENT INCOME

Net investment income was down 9.9% on the level of the previous year. Higher income from private equity vehicles compensated for the lower interest rates for new and reinvestments. Higher net gains on equities and lower write-downs contributed to the positive development in the same period of the previous year.

OPERATING PROFIT AND GROUP NET INCOME

As a result of the developments stated above, the division’s operating profit was lower as at September 30, 2018 (EUR -32 million) than in the same period of the previous year (EUR 25 million). Group net income amounted to EUR -36 (14) million.

RETAIL GERMANY

PROPERTY/CASUALTY INSURANCE

- Premium growth in third-party liability, accident and property lines and in motor insurance
- Combined ratio significantly improved
- Operating profit up year-on-year thanks to positive claim trends

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

EUR MILLION

	9M 2018	9M 2017	+/- %
Gross written premiums	1,312	1,284	+2.2
Net premiums earned	1,075	1,049	+2.5
Underwriting result	21	2	+950.0
Net investment income	65	71	-8.5
Operating profit/loss (EBIT)	66	49	+34.7

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY INSURANCE SEGMENT

%

	9M 2018	9M 2017	+/- %
Gross premium growth	2.2	1.9	+0.3 pt.
Combined ratio (net) ¹⁾	98.2	100.3	-2.1 pt.
EBIT margin ²⁾	6.1	4.6	+1.5 pt.

¹⁾ Including net interest income on funds withheld and contract deposits.²⁾ Operating profit (EBIT)/net premiums earned.

PREMIUM VOLUME AND NEW BUSINESS

There was a 2.2% increase in written premium income to EUR 1.3 (1.3) billion in the Property/Casualty Insurance segment. The higher premium income was thanks in particular to the growth in third-party liability, accident and property business and in motor insurance. Overall, the share of the total Retail Germany Division attributable to the property/casualty insurers therefore increased to 28.4% (27.4%).

UNDERWRITING RESULT

The underwriting result improved from EUR 2 million to EUR 21 million in the current financial year on account of positive claim trends, in turn due to a higher run-off result and profitable growth, more than compensating for the higher burdens due to natural disasters and large losses.

The positive trend in the underwriting result led to a 2.1 percentage point decline in the combined ratio (net), from 100.3% to 98.2%.

NET INVESTMENT INCOME

Net investment income decreased to EUR 65 (71) million. This is essentially attributable to lower extraordinary net investment income and, moving in the other direction, higher ordinary net investment income.

OPERATING PROFIT

EBIT was up significantly year-on-year at EUR 66 (49) million thanks to positive claim trends. This pushed the EBIT margin up to 6.1% (4.6%).

LIFE INSURANCE

- Lower premiums and the erosion of traditional life and annuity insurance portfolios
- Lower realisation of unrealised gains in investments due to easing of additional interest reserve
- Rise in EBIT thanks to absence of transfers to provision for premium refunds on account of tax income

KEY FIGURES FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

EUR MILLION

	9M 2018	9M 2017	+/- %
Gross written premiums	3,310	3,397	-2.6
Net premiums earned	2,443	2,493	-2.0
Underwriting result	-1,151	-1,310	+12.1
Net investment income	1,257	1,398	-10.1
Operating profit/loss (EBIT)	90	67	+34.3
New business measured in annual premium equivalent	280	280	—
Single premiums	969	1,005	-3.6
Regular premiums	183	179	2.2
New business by product in annual premium equivalent	280	280	—
of which capital-efficient products	104	102	+2.0
of which biometric products	98	100	-2.0

MANAGEMENT METRICS FOR THE LIFE INSURANCE SEGMENT

	9M 2018	9M 2017	+/- %
Gross premium growth	-2.6	-3.4	+0.8 pt.
EBIT margin ¹⁾	3.7	2.7	+1.0 pt.

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

PREMIUM VOLUME AND NEW BUSINESS

The Life Insurance segment reported a decline in premiums of 2.6%, down to EUR 3.3 (3.4) billion at the end of September – including the savings elements of premiums from unit-linked life insurance. In line with expectations, regular premiums fell by EUR 39 million due to an increase in policies maturing, while single premiums declined by EUR 4 million. The effect of the introduction of sales standards that are even more demand-orientated in residual debt insurance was clearly perceived, with premiums falling by EUR 44 million. The retention ratio in life insurance business dipped to 93.3% (95.3%) as a result of a change in reinsurance. Allowing for the savings elements under our unit-linked products and the change in the unearned premium reserve, the net premiums earned in the Life Insurance segment decreased by 2.0% to EUR 2.4 (2.5) billion. The Life Insurance segment share in the overall Retail Germany Division declined to 71.6% (72.6%).

New business in life insurance products – measured in the internationally applied metric of the annual premium equivalent (APE) – was stable year-on-year at EUR 280 (280) million.

UNDERWRITING RESULT

The underwriting result improved to EUR -1.2 (-1.3) billion 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 10.1% to EUR 1.3 (1.4) billion. In particular, the reduction resulted from the amendment to the Deckungsrückstellungsverordnung (German Benefit Reserve Ordinance), which now requires the lower realisation of unrealised gains to finance the additional interest reserve. The drop in ordinary net investment income of 1.3% to EUR 1.1 (1.1) billion was influenced by persistently low interest rates.

OPERATING PROFIT

The previous year's operating profit (EBIT) was negatively impacted by the provision for premium refunds resulting from tax income at a number of our companies. As a result, the operating profit increased to EUR 90 (67) million.

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

	9M 2018	9M 2017	+/- %
Return on equity ¹⁾	4.8	4.8	—

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

Taking income taxes, financing costs and non-controlling interests into account, Group net income was stable at EUR 89 (90) million and the return on equity was unchanged at 4.8 percentage points.

RETAIL INTERNATIONAL

- Gross written premiums rise by 9.1% adjusted for currency effects
- Combined ratio improves to 94.4%

KEY FIGURES FOR THE RETAIL INTERNATIONAL DIVISION

EUR MILLION

	9M 2018	9M 2017	+/- %
Gross written premiums	4,200	4,065	+3.3
Net premiums earned	3,650	3,422	+6.7
Underwriting result	58	31	+87.1
Net investment income	243	255	-4.7
Operating profit/loss (EBIT)	202	179	+12.8

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

%

	9M 2018	9M 2017	+/- %
Gross premium growth (adjusted for currency effects)	9.1	9.3	-0.2 pt.
Combined ratio (net, property/casualty only) ¹⁾	94.4	95.9	-1.5 pt.
EBIT margin ²⁾	5.5	5.2	+0.3 pt.
Return on equity ³⁾	8.2	7.1	+1.1 pt.

¹⁾ Including net interest income on funds withheld and contract deposits.

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

³⁾ Ratio of annualised net income for the reporting 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. In the first nine months of 2018, Talanx International AG gained strength in both regions. The acquisitions of Generali Colombia Seguros Generales s. A. and its subsidiary Generali Colombia Vida Compañía de Seguros s. A., both based in Bogotá, by the Spanish subsidiary Saint Honore Iberia SLU were completed as at 3 April 2018. Talanx International AG also assumed a majority interest in Liberty Sigorta A. s., Istanbul, on 3 May 2018. The merger between the property insurance companies Liberty Sigorta A. s. and HDI Sigorta A. s. is planned for the fourth quarter of 2018. On 9 October 2018, the Santander Auto s. A. joint venture was established in Brazil. The joint subsidiary of HDI Seguros s. A., Brazil, and

a subsidiary der Banco Santander s. A., Brazil, will also start operations in the first half of 2019 after regulatory approval. In addition, an agreement for the sale of HDI Seguros s. A., Peru, was signed on 22 October 2018 but still requires the approval of the Peruvian supervisory authorities.

PREMIUM VOLUME

The division's gross written premiums (including premiums from unit-linked life and annuity insurance) increased by 3.3% compared to the same period of the previous year to EUR 4.2 (4.1) billion. Adjusted for currency effects, gross premiums increased by 9.1% on the comparison period.

In the Latin America region, the gross written premiums in euro decreased by 1.1% compared to the same period of the previous year to EUR 1,215 million. Adjusted for currency effects, however, the growth amounted to 13.1%, which was essentially due to Mexico and Brazil. The premium volume for the Mexican HDI Seguros s. A. increased, in particular in motor insurance, from bank sales and three new broker programmes, which resulted both from an increased number of insured vehicles and from higher average premiums. 49% 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 10.1% to EUR 590 million. However, adjusted for currency effects, they rose by 8.5%, primarily on account of ongoing price increases in motor insurance. The newly acquired Colombian companies were included for half a year at EUR 40 million.

In the Europe region, gross written premiums rose by 5.4% to EUR 3.0 billion (7.5% adjusted for currency effects), driven primarily by an 11.9% increase in premiums to EUR 975 million at the Polish property insurer TUIR WARTA S. A. In addition to the growth in new business in property insurance as a result of a new bank sales channel, the positive performance was driven in particular by the increase in insured vehicles to 4.9 (4.8) million with stable average premiums in motor insurance. The rise in gross written premiums at the Italian HDI Assicurazioni S. p. A. amounted to 9.3%, resulting largely from the positive development in life single premium business from the bank sales channel. HDI Sigorta A. s. in Turkey also reported positive effects on gross written premiums for the region, with the premium volume up 28.1% adjusted for currency effects, thanks mainly to motor insurance. The newly acquired Liberty Sigorta A. s. was included for five months at EUR 7 million.

UNDERWRITING RESULT

The combined ratio for property insurance companies improved by 1.5 percentage points as against the same period of the previous year to 94.4%. The expense ratio for the division was 0.9 percentage points lower than in the previous year at 28.1% (29.0%). This essentially resulted from a decline in the acquisition expense ratio (by 0.8 percentage points to 22.6%) on account of cost optimisation measures, primarily at Poland's TUIR WARTA S. A. and the Brazilian HDI Seguros S. A. The loss ratio was reduced by 0.6 percentage points as against the same period of the previous year to 66.3%, in particular on account of ongoing price increases in Brazil and the streamlining of the motor insurance portfolio in Italy.

Overall, the underwriting result in this division was EUR 58 million, well above the previous year's level (EUR 31 million).

NET INVESTMENT INCOME

The division's net investment income in the first nine months of 2018 amounted to EUR 243 million, a year-on-year reduction of 4.7%. Despite higher investments, the division's ordinary net investment income declined by 2.1%, due largely to the significantly lower interest rate overall compared to the prior-year period, especially in Brazil. Accordingly, the average return on assets under own management declined by 0.4 percentage points to 3.2%.

OPERATING PROFIT AND GROUP NET INCOME

Compared to the same period of the previous year, operating profit (EBIT) in the Retail International Division increased by 12.8% to EUR 202 million in the first nine months of 2018. The EBIT contributed by the Europe region was 29.2% higher as against the same period of the previous year at EUR 177 (137) million, essentially as a result of Poland's TUIR WARTA S. A. and Italy's HDI Assicurazioni S. p. A. By contrast, EBIT of EUR 44 (49) million was generated in the Latin America region, where the decline was mainly due to currency effects in Brazil. Taking non-controlling interests into account, Group net income rose by 12.7% to EUR 124 (110) million. The return on equity rose by 1.1 percentage points to 8.2% compared to the same period in the previous year.

ADDITIONAL KEY FIGURES

RETAIL INTERNATIONAL DIVISION BY LINE OF BUSINESS AT A GLANCE

EUR MILLION	9M 2018	9M 2017	+/-%
Gross written premiums	4,200	4,065	+3.3
Property/Casualty	2,790	2,733	+2.1
Life	1,410	1,332	+5.9
Net premiums earned	3,650	3,422	+6.7
Property/Casualty	2,410	2,322	+3.8
Life	1,240	1,100	+12.7
Underwriting result	58	31	+87.1
Property/Casualty	136	94	+44.7
Life	-78	-63	-23.8
Others	—	—	—
Net investment income	243	255	-4.7
Property/Casualty	126	152	-17.1
Life	118	106	+11.3
Others	-1	-3	+66.7
New business by product in annual premium equivalent (life)	170	162	+4.9
Single premiums	1,213	1,137	+6.7
Regular premiums	49	48	+2.1
New business by product in annual premium equivalent (life)	170	162	+4.9
of which capital-efficient products	95	66	+43.9
of which biometric products	47	45	4.4

RETAIL INTERNATIONAL DIVISION BY REGION AT A GLANCE

EUR MILLION	9M 2018	9M 2017	+/-%
Gross written premiums	4,200	4,065	+3.3
of which Europe	2,971	2,819	+5.4
of which Latin America	1,215	1,229	-1.1
Net premiums earned	3,650	3,422	+6.7
of which Europe	2,638	2,370	+11.3
of which Latin America	1,012	1,051	-3.7
Underwriting result	58	31	+87.1
of which Europe	26	-3	+966.7
of which Latin America	37	28	+32.1
Net investment income	243	255	-4.7
of which Europe	198	189	+4.8
of which Latin America	48	69	-30.4
Operating profit/loss (EBIT)	202	179	+12.8
of which Europe	177	137	+29.2
of which Latin America	44	49	-10.2

REINSURANCE

PROPERTY/CASUALTY REINSURANCE

- Market for property/casualty reinsurance remains challenging with rising losses
- Large loss budget almost completely exhausted in third quarter

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

EUR MILLION

	9M 2018	9M 2017	+/- %
Gross written premiums	9,657	8,200	+17.8
Net premiums earned	8,016	6,754	+18.7
Underwriting result	230	-306	+175.2
Net investment income	807	965	-16.4
Operating profit/loss (EBIT)	1,026	612	+67.6

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%

	9M 2018	9M 2017	+/- %
Gross premium growth (adjusted for currency effects)	24.0	16.1	+7.9 pt.
Combined ratio (net) ¹⁾	96.8	104.3	-7.5 pt.
EBIT margin ²⁾	12.8	9.1	+3.7 pt.

¹⁾ Including net interest income on funds withheld and contract deposits.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 damage in the previous year did little to change this. At the same time, the additional capacity from the market for insurance-linked securities (ILS) is putting sustained pressure on prices and conditions. The environment in which Hannover Re operates therefore remains challenging.

However, there is persistent elevated demand in certain regions of Asia and North America, and in areas such as cyber risk reinsurance, parts of specialty lines and in cover designed to support capital management in structured reinsurance.

The treaty renewal rounds in the Property/Casualty Reinsurance segment as at 1 June and 1 July 2018 were again marked by intensive competition. During this time, parts of the North America business, the area of natural disaster risks and the credit and surety business were renewed. There was also the main renewal season for business in Australia and New Zealand, which saw us able to prevent further price erosion on renewals as at 1 July and, in some cases, successful in implementing significant rate increases for programmes that have been affected by losses. This should increase the profitability of business. We are generally satisfied with the treaty renewal for the North American market: we again increased our premium volume by approximately 15% as in the prior year. In the process, we were also able to expand our business with selected customers. We continued our profit-oriented underwriting policy for natural disaster risks, keeping our exposure comfortably within our risk appetite, which is unchanged from the previous year. We were able to significantly improve our position in some major customer relationships, particularly in North America and Europe. The premium volume of the portfolio due for renewal on 1 June and 1 July increased by 16% in total.

PREMIUM DEVELOPMENT

Gross written premiums for the entire portfolio increased by 17.8% to EUR 9.7 (8.2) billion as at 30 September 2018. At constant exchange rates, the growth would have amounted to 24.0%. Retention increased to 90.9% (89.2%) year-on-year. Net premiums earned improved by 18.7% to EUR 8.0 (6.8) billion; growth would have amounted to as much as 24.9% when adjusted for currency effects.

UNDERWRITING RESULT

While the first half of the year was characterised by very moderate large losses, the loss volume in the third quarter was essentially consistent with expectations for the quarter. The biggest losses in the third quarter included Typhoon “Jebi” in Japan, Typhoons “Prapiroon” and “Trami”, and Hurricane “Florence”. Overall, our net burden amounted to EUR 365 (894) million over the first nine months of the year. The net loss burden from large losses for the first nine months of the year thus remained comfortably within our planned large loss budget of EUR 630 million.

The underwriting result for the Property/Casualty Reinsurance segment improved to EUR 230 (-306) million as a result of the reduced impact of large losses. The combined ratio improved to 96.8% (104.3%) but remained just outside our target of 96% or better for the year as a whole. In addition to strong growth in structured reinsurance, which operates with lower margins, this was also due to a rising frequency of minor and mid-sized losses.

NET INVESTMENT INCOME

Net investment income from assets under own management in the Property/Casualty Reinsurance segment declined to EUR 780 (952) million. The decline is mainly due to the absence of the positive effect of the sale of shares in the prior year. Net investment income amounted to EUR 807 (965) million in total.

OPERATING PROFIT

The operating profit (EBIT) for the Property/Casualty Reinsurance segment totalled EUR 1,026 (612) million as at 30 September 2018, an increase of 67.6%. The EBIT margin exceeded our target level of at least 10% at 12.8% (9.1%).

LIFE/HEALTH REINSURANCE

- After nine months, EBIT was EUR 144 million despite a one-time burden of EUR 218 million due to treaty recaptures in US mortality business
- Very good progress of global business and better-than-expected claim trends in US mortality business
- Increasing international interest in innovative, holistic life and longevity insurance concepts

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

EUR MILLION

	9M 2018	9M 2017	+/- %
Gross written premiums	5,335	5,284	+1.0
Net premiums earned	4,758	4,788	-0.6
Underwriting result	-356	-363	+1.9
Net investment income	367	433	-15.2
Operating profit/loss (EBIT)	144	194	-25.8

MANAGEMENT METRICS

%

	9M 2018	9M 2017	+/- %
Gross premium growth (adjusted for currency effects)	4.8	0.7	+4.1 pt.
EBIT growth ¹⁾	-25.8	-31.2	+5.4 pt.

¹⁾ Change in operating profit (EBIT) compared to the prior year in %.

BUSINESS DEVELOPMENT

Business performance in the Life/Health Reinsurance segment was in line with our expectations in the third quarter. Treaty recaptures due to the rate increases we envisaged in US mortality business led to significant one-time burdens in the reporting period. In contrast, positive effects were felt from mortality rates for this business being better than expected in 2018. In the rest of the international Life/Health Reinsurance business, continued significant interest in hedging longevity risks and other reasons ensured good business performance.

In Germany as well, we are witnessing ongoing interest in reinsurance solutions for additional interest reserves and easing solvency requirements. However, the number of contracts actually entered into is still low.

Longevity risk business performed as expected on most European markets. We are seeing rising price pressure on reinsurers for closed business blocks in annuity business in the United Kingdom. For enhanced annuity programmes, interest in bespoke longevity products is growing in the rest of Europe, as well as in countries such as China, Japan, South Africa and Australia. In Australia in particular, the changes in the regulatory framework are currently giving rise to keen interest in longevity solutions at the time of retirement. Here we are working on cooperations with a number of primary insurers and pension funds.

There is growing interest in health insurance products with time guaranteed benefits in Asia. In Korea, for example, an innovative concept to cover critical illness was launched and is being met with strong demand among customers. Our branch in Korea has secured reinsurance for this new business with several major insurers.

The measures introduced to optimise mortality business in the United States are having an effect, but they are also continuing to squeeze earnings in the Life/Health Reinsurance segment as expected. The reason for this is the poor overall performance of a large block of business that we acquired at the start of 2009 and had already reported on regularly in the past. After they were informed of rate increases in the second quarter, more of our customers than expected exercised their resulting right to treaty capture. This led to pre-tax burdens of EUR 218 million respectively USD 260 million in the third quarter. However, it must be assumed that this amount will rise further over the fourth quarter. At the present time, we are anticipating a burden of USD 350 million to USD 400 million for the year as a whole.

While treaty recapture is currently reducing earnings from US mortality business, such effects will largely cease to occur for the corresponding treaties in subsequent years, hence we forecast a substantial increase in earnings. Better than expected mortality rates in our US mortality solutions business in the last three quarters are continuing to offset burdens.

Our financial solutions business in the US is also developing positively in line with our expectations. Health and special risks business likewise remained in line with expectations.

PREMIUM DEVELOPMENT

As at 30 September 2018, the gross premium income generated in Life/Health Reinsurance was unchanged at EUR 5.3 (5.3) billion. Growth would have amounted to 4.8% adjusted for currency effects. Net premiums earned were also unchanged at EUR 4.8 billion. At constant exchange rates, the increase would have amounted to 3.2%. Retention was slightly lower than in the previous year at 90.6% (91.5%).

NET INVESTMENT INCOME

Net investment income amounted to EUR 367 (433) million. The main factors driving the decline in net investment income in the Life/Health Reinsurance segment were the gains realised in the prior year, which essentially resulted from fixed-income securities.

OPERATING PROFIT

The operating profit (EBIT) for the Life/Health Reinsurance segment declined to EUR 144 (194) million.

REINSURANCE DIVISION OVERALL

RETURN ON EQUITY FOR THE REINSURANCE DIVISION OVERALL

	9M 2018	9M 2017	+/-%
Return on equity ¹⁾	12.0	8.7	+3.3 pt.

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

Group net income in the Reinsurance Division improved to EUR 365 (271) million in the reporting period. The return on equity also climbed by 3.3 percentage points year-on-year to 12.0% (8.7%).

CORPORATE OPERATIONS

- Group assets under own management climb by 3.4%

OPERATING PROFIT

The operating profit in the Corporate Operations segment declined to EUR 7 (8) million in the first nine months of 2018. On the one hand, the underwriting result on the business of Talanx Reinsurance (Ireland) SE, Dublin, reported here was reduced by the large loss due to Cyclone "Friederike" (also called Storm "David"). On the other, in 2018 Talanx generated income resulting from the bonus fee for the placement of a bond of EUR 832 million to finance the "Borkum Riffgrund 2" offshore wind farm in December 2017. Group net income attributable to shareholders of Talanx AG for this segment amounted to EUR -56 (-41) million in the first nine months of 2018.

INVESTMENTS AND FINANCIAL POSITION

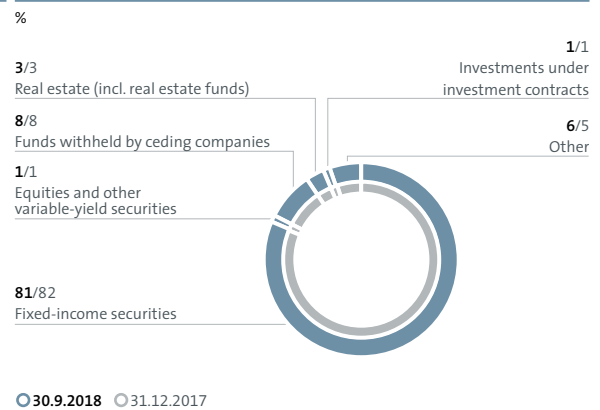
The total investment portfolio rose by 3.4% over the course of the first three quarters of 2018 and amounted to EUR 122.8 (118.7) billion. The portfolio of assets under own management also climbed by 3.4% to EUR 107.9 (111.5) billion, primarily as a result of the investment of cash inflows from underwriting business in accordance with the respective corporate guidelines. The effects of the stronger US dollar were also felt. Funds withheld by ceding companies climbed by 4.9% to EUR 10.1 (9.7) billion, primarily on account of the increase in the Property/Casualty Reinsurance segment.

Fixed-income investments were again the most significant asset class as at the end of the third quarter of 2018. Most reinvestments were made in this class, reflecting the existing investment structure.

They contributed EUR 2.0 (2.0) billion to earnings, which was reinvested as far as possible in the year under review.

The equity allocation ratio after derivatives (equity ratio) was 1.0% (1.0%) as at the end of the quarter.

BREAKDOWN OF THE INVESTMENT PORTFOLIO



BREAKDOWN OF ASSETS UNDER OWN MANAGEMENT BY ASSET CLASS

EUR MILLION

	30.9.2018		31.12.2017	
Investment property	2,845	3%	2,799	3%
Shares in affiliated companies and participating interests	199	<1%	178	<1%
Investments in associates and joint ventures	262	<1%	242	<1%
Loans and receivables				
Loans incl. mortgage loans	465	<1%	481	<1%
Loans and receivables due from government or quasi-governmental entities, together with fixed-income securities	28,844	26%	28,412	26%
Financial assets held to maturity	462	<1%	554	<1%
Financial assets available for sale				
Fixed-income securities	69,226	62%	66,682	62%
Variable-yield securities	1,842	2%	1,773	2%
Financial assets at fair value through profit or loss				
Financial assets classified at fair value through profit or loss				
Fixed-income securities	1,183	1%	1,072	1%
Variable-yield securities	113	<1%	65	<1%
Financial assets held for trading				
Fixed-income securities	—	<1%	—	<1%
Variable-yield securities	134	<1%	148	<1%
Derivatives ¹⁾	187	<1%	149	<1%
Other investments	5,766	5%	5,326	5%
Assets under own management	111,528	100%	107,881	100%

¹⁾ Only derivatives with positive fair values.

FIXED-INCOME SECURITIES

The portfolio of fixed-income investments (excluding mortgage and policy loans) was up EUR 3.0 billion year-on-year at EUR 99.7 (96.7) billion as at the end of the reporting period. At 81% (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 of “Loans and receivables” and “Financial assets available for sale”.

“Fixed-income securities available for sale” account for 69% (69%) of the total portfolio of fixed-income securities, and rose by EUR 2.5 billion to EUR 69.2 (66.7) billion. German covered bonds (Pfandbriefe) and corporate bonds accounted for the majority of these investments. Valuation reserves, i.e. the balance of unrealised gains and losses, have also declined from EUR 3.3 billion to EUR 1.6 billion since the end of 2017 as a result of higher interest rates for investments predominantly in US dollar and pound sterling and higher spreads. On the other hand, we are benefiting from the rise in interest rates and risk premiums for new investment and reinvestment activities. The volatility of “fixed-income securities available for sale” is reflected in equity.

In the “Loans and receivables” category, investments were 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 29.3 (28.9) billion at the end of the quarter and thus represent 29% (30%) of total holdings of fixed-income securities. Off-balance-sheet valuation reserves of “Loans and receivables” (including mortgage and policy loans) decreased from EUR 4.3 billion to EUR 3.6 billion.

Investments in fixed-income securities continue to focus on government bonds with good ratings or securities from issuers with a similar credit quality in 2018. Holdings of AAA-rated bonds amounted to EUR 42.5 (39.0) billion as at the reporting date. This represents 42% (40%) of the total portfolio of fixed-income securities and loans (including mortgage and policy loans).

The Group pursues a conservative investment policy. As a result, 78% (76%) of fixed-income securities have a minimum A rating.

The Group has only a small portfolio of investments in government bonds from countries with a rating lower than A-. These holdings have a fair value of EUR 3.7 (4.7) billion. The contraction in the portfolio relates to the improvement in Spain’s rating, which means that Spanish government bonds currently do not have a rating worse than A-.

As far as matching currency cover is concerned, US dollar-denominated investments continue to account for the largest share at 19% (18%) of the Talanx Group’s foreign currency portfolio. Sizeable positions are also held in pound sterling, Polish zloty and Australian dollars, totalling 7% (8%) of all investments. The total share of assets under own management in foreign currencies was 33% (32%) as at the reporting date.

EQUITIES AND EQUITY FUNDS

Net unrealised gains and losses on equity holdings within the Group (excluding “Other investments”) decreased by EUR 7 million to EUR 148 (155) million.

REAL ESTATE INCLUDING SHARES IN REAL ESTATE FUNDS

Investment property totalled EUR 2.8 (2.8) billion at the reporting date. An additional EUR 915 (841) million is held in real estate funds, which are recognised as “Financial assets available for sale”.

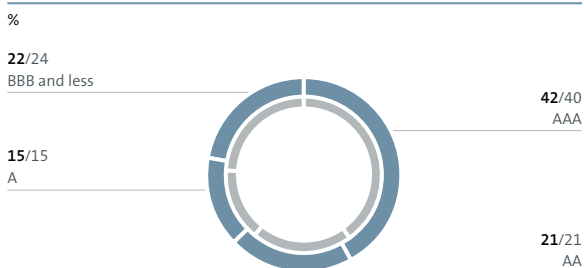
Depreciation of EUR 43 (38) million was recognised on investment property in the reporting period. There were no significant impairment losses in either the current period or the comparable period. Write-downs on real estate funds amounted to EUR 10 (19) million, and were not offset by reversals of impairment losses in the current period or the prior year.

The real estate ratio including investments in real estate funds was unchanged at 3%.

INFRASTRUCTURE INVESTMENTS

Talanx again stepped up its direct investment in infrastructure in the reporting period. The portfolio comprises both equity and debt investments in wind farms, electricity grids, hospitals, solar parks, motorways and public-private partnership projects (PPP) in Germany and the rest of Europe. Talanx currently has around EUR 2.0 (1.9) billion invested in infrastructure projects in total. A further expansion of these activities is planned in 2018, including in the form of sector diversification.

RATING STRUCTURE OF FIXED-INCOME SECURITIES



● 30.9.2018 ○ 31.12.2017

NET INVESTMENT INCOME

CHANGES IN NET INVESTMENT INCOME

EUR MILLION

	9M 2018	9M 2017
Ordinary investment income	2,566	2,518
of which current income from interest	2,026	2,025
of which attributable to profit/loss from investments in associates	11	13
Realised net gains on disposal of investments	485	890
Write-downs/reversals of write-downs of investments	-124	-137
Unrealised net gains/losses on investments	5	45
Other investment expenses	-184	-171
Income from assets under own management	2,748	3,145
Net interest income from funds withheld and contract deposits	153	168
Net income from investment contracts	-1	-2
Total	2,900	3,311

At EUR 2,900 (3,311) million, net investment income was down on the previous year's level on account of lower gains in the reporting period. In particular, the previous year was largely influenced by extraordinary income from the sale of shares in the Hannover Re Group. This resulted in a drop in the annualised net return on investment to 3.3% (3.9%).

Despite consistently low interest rates, ordinary investment income totalled EUR 2,566 million at the end of the quarter, a year-on-year increase of EUR 48 million (EUR 2,518 million). This development is

due in part to high income from private equity, which more than offset the lower return on our fixed-income securities. Falling interest rates on the capital markets led to an average coupon in the fixed-income securities portfolio of 2.9%, down on the previous year's value of 3.0%.

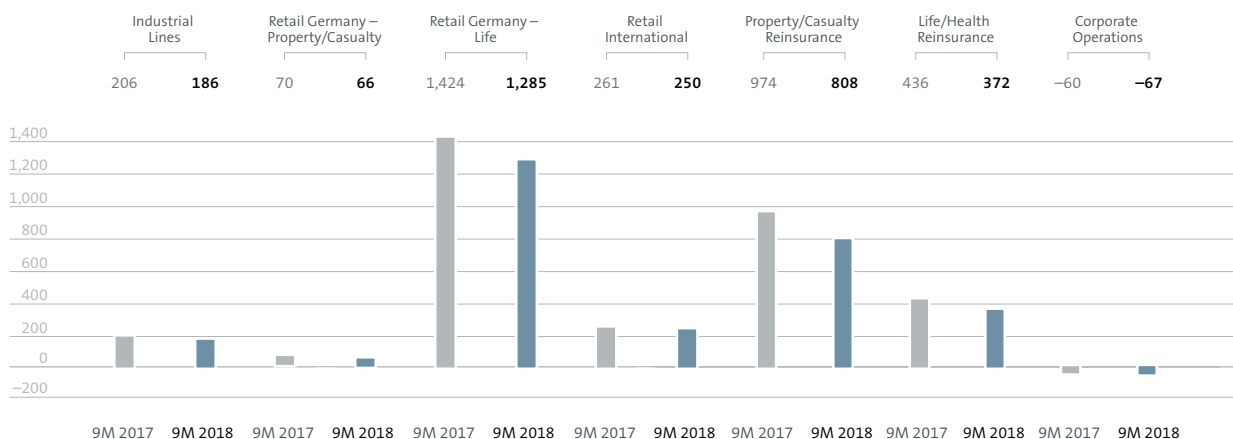
Total realised net gains on the disposal of investments in the first three quarters of the financial year were significantly lower than the previous year's figure at EUR 485 (890) million. This drop of EUR 405 million is essentially due to the extraordinarily high gains on the liquidation of the portfolio of listed shares in the Hannover Re Group in the previous year. The positive net gains resulted from regular portfolio turnover in all segments, as well as from the requirement to realise unrealised gains in order to finance the additional interest reserve for life insurance and occupational pension plans required by the HGB. The latter were down as against the previous year as a result of the amendment to the Deckungsrückstellungsverordnung (German Benefit Reserve Ordinance).

Lower depreciation, amortisation and impairment losses were required overall in the reporting period compared to the prior year; these amounted to EUR 124 (137) million in total net of reversals. EUR 43 (38) million of this related to depreciation on directly held real estate, EUR 12 (8) million to write-downs on equities, EUR 10 (33) million to fixed-income securities and EUR 59 (58) million to other investments.

Unrealised net gains declined from EUR 45 million to EUR 5 million, which related to changes in assets held at fair value through profit or loss.

BREAKDOWN OF NET INVESTMENT INCOME BY GROUP SEGMENT¹⁾

EUR MILLION



¹⁾ After elimination of intra-Group transactions between the segments.

CHANGES IN EQUITY

CHANGES IN EQUITY

EUR MILLION

	30.9.2018	31.12.2017	Change	+/-%
Subscribed capital	316	316	—	—
Capital reserve	1,373	1,373	—	—
Retained earnings	7,094	6,960	134	+1.9
Accumulated other comprehensive income and other reserves	-243	186	-429	-230.6
Group equity	8,540	8,835	-295	-3.3
Non-controlling interests in equity	5,300	5,411	-111	-2.1
Total equity	13,840	14,246	-406	-2.8

The clear reduction in accumulated other comprehensive income and other reserves by EUR 429 million as against 31 December 2017 to EUR -243 million and the dividend payment of EUR 354 (341) million to shareholders of Talanx AG in May of the period under review were not fully absorbed by the net income for the reporting period, EUR 488 (444) million of which is attributable to our shareholders and was allocated in full to retained earnings, leading to a slight reduction of EUR 295 million (3.3%) in the Group's equity.

The decline in other reserves of EUR 429 million is due in particular to the negative development of unrealised gains on investments – primarily caused by slightly higher interest rates and credit spreads since the end of 2017 (EUR -337 million after policyholder participations/shadow accounting) and in the measurement of cash flow hedges (EUR -128 million).

EQUITY BY DIVISION¹⁾ INCLUDING NON-CONTROLLING INTERESTS

EUR MILLION

	30.9.2018	31.12.2017
Industrial Lines	2,254	2,306
of which non-controlling interests	—	—
Retail Germany	2,538	2,508
of which non-controlling interests	59	59
Retail International	2,206	2,276
of which non-controlling interests	220	230
Reinsurance	9,040	9,229
of which non-controlling interests	5,531	5,123
Corporate Operations	-2,246	-2,119
of which non-controlling interests	—	—
Consolidation	48	46
of which non-controlling interests	-510	-1
Total equity	13,840	14,246
Group equity	8,540	8,835
Non-controlling interests in equity	5,300	5,411

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
- steady inflation rates
- continuing very low interest rates
- no sudden upheavals on the capital markets
- no significant fiscal or regulatory changes
- a large-loss burden in line with 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. After the first nine months of financial year 2018, we continue to expect a rise in gross premiums in excess of 5% for the year as a whole, which can essentially be attributed to the positive development in the Property/Casualty Reinsurance segment. In light of the high large-loss burden in Industrial Lines in the first nine months of more than EUR 260 million – which surpassed the total budget for the year – and an unusually high accumulation of frequency losses, we are now expecting Group net income for 2018 as a whole of around EUR 700 million, falling short of the projection of around EUR 850 million after the first half of the year. A dividend payout for 2018 of at least the previous year's amount is still guaranteed at this time, which would correspond to a ratio of at least 50%. In line with this, the return on equity is expected to be around 8%. This forecast for the fourth quarter is based on the assumption that large losses in primary insurance will remain within the quarterly budget.

Together with the 9M results, Talanx is also publishing its outlook for financial year 2019. We are assuming continued premium growth of around 4%. The IFRS net return on investment is expected to be around 2.7%. We are aiming for Group net income in the amount of about EUR 900 million. This should correspond to a return on equity of about 9.5%.

TALANX GROUP

MANAGEMENT METRICS

%

	Outlook for 2018 on the basis of 9M 2018	Outlook for 2018 on the basis of 6M 2018	Outlook for 2018 on the basis of Q1 2018	Forecast for 2018 from the 2017 Annual Report
Gross premium growth (adjusted for currency effects)	> 5	> 5	> 5	> 2
Group net income in EUR million	approx. 700	approx. 850	approx. 850	approx. 850
Net return on investment	≥ 3	≥ 3	≥ 3	≥ 3
Payout ratio	≥ 50	35–45	35–45	35–45
Return on equity	~ 8	~ 9	~ 9	~ 9

INDUSTRIAL LINES

In the forecast for 2018 in the 2017 Annual Report, we forecast a combined ratio of around 99% in the Industrial Lines Division. Owing to several large losses and an unusual accumulation of frequency losses in industrial property insurance, we are now assuming a combined ratio of around 109% in Industrial Lines business, ahead of the projection after the first half of the year of around 100%. We continue to expect the EBIT margin and the return on equity to both be 0%.

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%

	Outlook for 2018 on the basis of 9M 2018	Outlook for 2018 on the basis of 6M 2018	Outlook for 2018 on the basis of Q1 2018	Forecast for 2018 from the 2017 Annual Report
Gross premium growth (adjusted for currency effects)	≥ 2	≥ 2	≥ 2	≥ 2
Retention	> 55	> 55	> 55	> 55
Combined ratio (net)	~ 109	~ 100	~ 99	~ 99
EBIT margin	0	~ 8	~ 8	~ 8
Return on equity	0	~ 5	~ 5	~ 5

RETAIL GERMANY

PROPERTY/CASUALTY INSURANCE

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

%	Outlook for 2018 on the basis of 9M 2018	Outlook for 2018 on the basis of 6M 2018	Outlook for 2018 on the basis of Q1 2018	Forecast for 2018 from the 2017 Annual Report
Gross premium growth	≥ 2	≥ 2	≥ 2	≥ 2
Combined ratio (net)	~ 100	~ 100	~ 100	~ 100
EBIT margin	≥ 3	≥ 3	≥ 3	≥ 3

LIFE INSURANCE

MANAGEMENT METRICS FOR THE RETAIL GERMANY DIVISION –
LIFE INSURANCE SEGMENT

%	Outlook for 2018 on the basis of 9M 2018	Outlook for 2018 on the basis of 6M 2018	Outlook for 2018 on the basis of Q1 2018	Forecast for 2018 from the 2017 Annual Report
Gross premium growth	slight decline	slight decline	slight decline	slight decline
EBIT margin	2–3	2–3	2–3	2–3

RETAIL GERMANY OVERALL

RETURN ON EQUITY MANAGEMENT METRIC FOR
THE RETAIL GERMANY DIVISION OVERALL

%	Outlook for 2018 on the basis of 9M 2018	Outlook for 2018 on the basis of 6M 2018	Outlook for 2018 on the basis of Q1 2018	Forecast for 2018 from the 2017 Annual Report
Return on equity	3–4	3–4	3–4	3–4

RETAIL INTERNATIONAL

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

%

	Outlook for 2018 on the basis of 9M 2018	Outlook for 2018 on the basis of 6M 2018	Outlook for 2018 on the basis of Q1 2018	Forecast for 2018 from the 2017 Annual Report
Gross premium growth (adjusted for currency effects)	5–10	5–10	5–10	5–10
Growth in value of new business (life) ¹⁾	5–10	5–10	5–10	5–10
Combined ratio (net, property/casualty insurance)	~ 95	~ 95	~ 95	~ 95
EBIT margin	~ 5	~ 5	~ 5	~ 5
Return on equity	~ 7	~ 7	~ 7	~ 7

¹⁾ Excluding non-controlling interests.

REINSURANCE

PROPERTY/CASUALTY REINSURANCE

The situation on the global reinsurance markets is still dominated by intensive competition. To date, price negotiations conducted over the course of the year have resulted in only moderate rate increases overall. By contrast, significantly higher premiums were reported for treaties affected by losses in natural disaster business, which was hit hard in the prior year. All in all, the quality of rates on the reinsurance market has improved marginally compared to the previous year, but remains at a low, barely sufficient level. The ongoing development of the loss amounts from the previous year's hurricanes and the overall large losses for the current year will play a crucial role in price development.

Taking the expected loss figures into account, particularly for large losses, we are assuming a combined ratio of 96% or better. Furthermore, we expect that we will outperform our EBIT margin target of at least 10% in the Property/Casualty Reinsurance segment.

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

	Outlook for 2018 on the basis of 9M 2018	Outlook for 2018 on the basis of 6M 2018	Outlook for 2018 on the basis of Q1 2018	Forecast for 2018 from the 2017 Annual Report
%				
Gross premium growth (adjusted for currency effects)	low double-digit growth	low double-digit growth	> 5	good growth
Combined ratio (net)	< 96	< 96	< 96	< 96
EBIT margin	≥ 10	≥ 10	≥ 10	≥ 10

LIFE/HEALTH REINSURANCE

In Life/Health Reinsurance, we anticipate an additional decline in our earnings in the fourth quarter as a result of further treaty recaptures in US mortality business. As previously stated, the current reductions in earnings will have a positive effect on future figures, as the corresponding burdens will largely cease to occur in subsequent years. Thus, we are forecasting a substantial increase in earnings for our mortality solutions business from 2019.

In Life/Health Reinsurance business not including US mortality business, we anticipate that the positive development in the first nine months of the year will continue in the fourth quarter, particularly with regard to the earnings figures.

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

	Outlook for 2018 on the basis of 9M 2018	Outlook for 2018 on the basis of 6M 2018	Outlook for 2018 on the basis of Q1 2018	Forecast for 2018 from the 2017 Annual Report
%				
Gross premium growth (adjusted for currency effects) ¹⁾	slight growth	slight growth	3–5	3–5
Value of new business ²⁾ in EUR million	> 110	> 110	≥ 110	≥ 110
EBIT growth ³⁾	—	—	> 5	> 5

¹⁾ Average over a three-year period.

²⁾ Excluding non-controlling interests.

³⁾ No outlook for EBIT growth here on account of the expected burden on earnings from treaty recapture in us mortality business.

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

	Outlook for 2018 on the basis of 9M 2018	Outlook for 2018 on the basis of 6M 2018	Outlook for 2018 on the basis of Q1 2018	Forecast for 2018 from the 2017 Annual Report
%				
Return on equity	~11	~11	~11	~11

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET OF TALANX AG AS AT 30 SEPTEMBER 2018

CONSOLIDATED BALANCE SHEET – ASSETS

EUR MILLION

	30.9.2018	31.12.2017
A. Intangible assets		
a. Goodwill	1,064	1,058
b. Other intangible assets	941	937
	2,005	1,995
B. Investments		
a. Investment property	2,845	2,799
b. Shares in affiliated companies and participating interests	199	178
c. Shares in associates and joint ventures	262	242
d. Loans and receivables	29,309	28,893
e. Other financial instruments		
i. Financial assets held to maturity	462	554
ii. Financial assets available for sale	71,068	68,455
iii. Financial assets at fair value through profit or loss	1,617	1,434
f. Other investments	5,766	5,326
Assets under own management	111,528	107,881
g. Investments under investment contracts	1,082	1,113
h. Funds withheld by ceding companies	10,149	9,679
Investments	122,759	118,673
C. Investments for the benefit of life insurance policyholders who bear the investment risk	11,191	11,133
D. Reinsurance recoverables on technical provisions	8,285	7,697
E. Accounts receivable on insurance business	7,630	6,626
F. Deferred acquisition costs	5,670	5,332
G. Cash at banks, cheques and cash-in-hand	3,020	3,138
H. Deferred tax assets	707	592
I. Other assets	2,608	2,782
J. Non-current assets and assets of disposal groups classified as held for sale	337	418
Total assets	164,212	158,386

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

EUR MILLION

	30.9.2018	31.12.2017
A. Equity		
a. Subscribed capital	316	316
Nominal value: 316 (previous year: 316)		
Contingent capital: 158 (previous year: 158)		
b. Reserves	8,224	8,519
Equity excluding non-controlling interests	8,540	8,835
c. Non-controlling interests in equity	5,300	5,411
Total equity	13,840	14,246
B. Subordinated liabilities	2,738	2,737
C. Technical provisions		
a. Unearned premium reserve	9,752	8,116
b. Benefit reserve	56,203	54,596
c. Loss and loss adjustment expense reserve	45,171	42,537
d. Provision for premium refunds	5,733	6,199
e. Other technical provisions	548	449
	117,407	111,897
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders	11,191	11,133
E. Other provisions		
a. Provisions for pensions and other post-employment benefits	2,107	2,115
b. Provisions for taxes	595	762
c. Miscellaneous other provisions	743	907
	3,445	3,784
F. Liabilities		
a. Notes payable and loans	2,247	1,431
b. Funds withheld under reinsurance treaties	4,382	4,546
c. Other liabilities	6,599	6,152
	13,228	12,129
G. Deferred tax liabilities	2,043	2,117
H. Liabilities included in disposal groups classified as held for sale	320	343
Total liabilities/provisions	150,372	144,140
Total equity and liabilities	164,212	158,386

CONSOLIDATED STATEMENT OF INCOME OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF INCOME

EUR MILLION

	9M 2018	9M 2017 ⁴⁾	Q3 2018	Q3 2017 ⁴⁾
1. Gross written premiums including premiums from unit-linked life and annuity insurance	27,091	25,239	8,331	7,686
2. Savings elements of premiums from unit-linked life and annuity insurance	773	857	225	264
3. Ceded written premiums	3,052	2,927	925	789
4. Change in gross unearned premiums	-1,667	-1,396	314	342
5. Change in ceded unearned premiums	-242	-226	89	140
Net premiums earned	21,841	20,285	7,406	6,835
6. Claims and claims expenses (gross)	19,872	19,609	7,102	7,486
Reinsurers' share	2,105	2,229	915	1,173
Claims and claims expenses (net)	17,767	17,380	6,187	6,313
7. Acquisition costs and administrative expenses (gross)	5,904	5,406	2,029	1,808
Reinsurers' share	459	423	158	133
Net acquisition and administrative expenses	5,445	4,983	1,871	1,675
8. Other technical income	40	43	10	10
Other technical expenses	92	85	33	37
Other technical result	-52	-42	-23	-27
Net technical result	-1,423	-2,120	-675	-1,180
9. a. Investment income	3,379	3,639	1,032	1,316
b. Investment expenses	631	494	185	142
Net income from assets under own management	2,748	3,145	847	1,174
Net income from investment contracts	-1	-2	-1	-
Net interest income from funds withheld and contract deposits	153	168	47	52
Net investment income	2,900	3,311	893	1,226
of which share of profit or loss of equity-accounted associates and joint ventures	4	13	-	6
10. a. Other income	1,126	1,069	388	245
b. Other expenses	1,132	1,156	347	312
Other income/expenses	-6	-87	41	-67
Profit before goodwill impairments	1,471	1,104	259	-21
11. Goodwill impairments	-	-	-	-
Operating profit/loss (EBIT)	1,471	1,104	259	-21
12. Financing costs	128	111	44	37
13. Taxes on income	401	191	44	-76
Net income	942	802	171	18
of which attributable to non-controlling interests	454	358	120	37
of which attributable to shareholders of Talanx AG	488	444	51	-19
Earnings per share				
Basic earnings per share (EUR)	1.93	1.75	0.20	-0.08
Diluted earnings per share (EUR)	1.93	1.75	0.20	-0.08

⁴⁾ Adjusted in accordance with IAS 8; see 2017 Annual Report; "Accounting policies", "Changes in accounting policies and errors" in the Notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR MILLION

	9M 2018	9M 2017	Q3 2018	Q3 2017
Net income	942	802	171	18
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	1	72	9	-14
Tax income (expense)	—	-22	-2	4
	1	50	7	-10
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised in other comprehensive income for the period	—	-3	—	1
Tax income (expense)	—	—	—	—
	—	-3	—	1
Total items that will not be reclassified to profit or loss, net of tax	1	47	7	-9
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	-1,466	-56	-532	154
Reclassified to profit or loss	-202	-627	-13	-345
Tax income (expense)	322	37	105	1
	-1,346	-646	-440	-190
Exchange differences on translating foreign operations				
Gains (losses) recognised in other comprehensive income for the period	137	-788	33	-228
Reclassified to profit or loss	—	—	—	—
Tax income (expense)	-1	46	—	12
	136	-742	33	-216
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised in other comprehensive income for the period	788	582	254	-35
Tax income (expense)	-52	1	-12	12
	736	583	242	-23
Changes from cash flow hedges				
Gains (losses) recognised in other comprehensive income for the period	2	-19	-3	-5
Reclassified to profit or loss	-146	-70	-16	-3
Tax income (expense)	5	3	1	—
	-139	-86	-18	-8
Changes from equity method measurement				
Gains (losses) recognised in other comprehensive income for the period	-2	-7	-3	4
Reclassified to profit or loss	—	—	—	—
Tax income (expense)	—	—	—	—
	-2	-7	-3	4
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	-615	-898	-186	-433
Other comprehensive income for the period, net of tax	-614	-851	-179	-442
Total comprehensive income for the period	328	-49	-8	-424
of which attributable to non-controlling interests	269	-29	44	-173
of which attributable to shareholders of Talanx AG	59	-20	-52	-251

CONSOLIDATED CASH FLOW STATEMENT OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2018

CONSOLIDATED CASH FLOW STATEMENT

EUR MILLION

	9M 2018	9M 2017
I. 1. Net income	942	802
I. 2. Changes in technical provisions	5,462	4,694
I. 3. Changes in deferred acquisition costs	-332	-66
I. 4. Changes in funds withheld and in accounts receivable and payable	-1,308	-619
I. 5. Changes in other receivables and liabilities	356	263
I. 6. Changes in investments and liabilities under investment contracts	8	13
I. 7. Changes in financial assets held for trading	142	-26
I. 8. Gains/losses on disposal of investments and property, plant and equipment	-521	-898
I. 9. Change in technical provisions for life insurance policies where the investment risk is borne by the policyholders	55	469
I. 10. Other non-cash expenses and income (including income tax expense/income)	-191	23
I. Cash flows from operating activities ^{1), 2)}	4,613	4,655
II. 1. Cash inflow from the sale of consolidated companies	3	2
II. 2. Cash outflow from the purchase of consolidated companies	-32	-91
II. 3. Cash inflow from the sale of real estate	55	108
II. 4. Cash outflow from the purchase of real estate	-75	-268
II. 5. Cash inflow from the sale and maturity of financial instruments	23,538	18,774
II. 6. Cash outflow from the purchase of financial instruments	-27,667	-20,457
II. 7. Changes in investments for the benefit of life insurance policyholders who bear the investment risk	-55	-469
II. 8. Changes in other investments	-402	-816
II. 9. Cash outflows from the acquisition of tangible and intangible assets	-147	-82
II. 10. Cash inflows from the sale of tangible and intangible assets	108	16
II. Cash flows from investing activities	-4,674	-3,283
III. 1. Cash inflow from capital increases	—	—
III. 2. Cash outflow from capital reductions	—	—
III. 3. Dividends paid	-734	-705
III. 4. Net changes attributable to other financing activities	664	-192
III. Cash flows from financing activities ²⁾	-70	-897
Net change in cash and cash equivalents (I. + II. + III.)	-131	475
Cash and cash equivalents at the beginning of the reporting period	3,159	2,589
Effect of exchange rate changes on cash and cash equivalents	13	-64
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⁾	3,041	3,000

¹⁾ EUR 450 (169) million of "Income taxes paid", EUR 300 (255) million of "Dividends received" and EUR 2,647 (2,744) million of "Interest received" are allocated to "Cash flows from operating activities". Dividends received also comprise dividend-equivalent distributions from investment funds and private equity companies.

²⁾ EUR 404 (352) million of "Interest paid" is attributable to EUR 146 (150) million to "Cash flows from financing activities" and EUR 258 (202) million to "Cash flows from operating activities".

³⁾ This item relates primarily to changes in the basis of consolidation, excluding disposals and 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 21 (0) million.

RECONCILIATION OF DEBTS FROM FINANCING ACTIVITIES AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 30 SEPTEMBER 2018

EUR MILLION

	1.1.2018	Cash flows from financing activities	Non-cash items			30.9.2018
			Acquisition/ disposal of subsidiaries	Exchange rate changes	Other changes (mainly amortisation)	
Subordinated liabilities	2,737	—	—	—	1	2,738
Notes payable and loans	1,431	810	—	5	1	2,247
Total debts from financing activities	4,168	810	—	5	2	4,985
Interest paid from financing activities		—146				
Total cash flows from other financing activities		664				

SEGMENT REPORTING

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 30 SEPTEMBER 2018

EUR MILLION

Assets	Industrial Lines		Retail Germany	
	30.9.2018	31.12.2017	30.9.2018	31.12.2017
A. Intangible assets				
a. Goodwill	154	154	248	248
b. Other intangible assets	8	8	499	481
	162	162	747	729
B. Investments				
a. Investment property	150	125	1,071	1,075
b. Shares in affiliated companies and participating interests	12	12	39	41
c. Shares in associates and joint ventures	149	120	—	—
d. Loans and receivables	1,066	973	25,225	24,844
e. Other financial instruments				
i. Financial assets held to maturity	72	73	168	170
ii. Financial assets available for sale	5,865	5,524	22,937	22,794
iii. Financial assets at fair value through profit or loss	169	136	353	358
f. Other investments	1,182	779	1,772	1,495
Assets under own management	8,665	7,742	51,565	50,777
g. Investments under investment contracts	—	—	—	—
h. Funds withheld by ceding companies	15	18	4	4
Investments	8,680	7,760	51,569	50,781
C. Investments for the benefit of life insurance policyholders who bear the investment risk	—	—	10,638	10,485
D. Reinsurance recoverables on technical provisions	5,395	4,844	2,122	2,131
E. Accounts receivable on insurance business	1,252	1,484	368	304
F. Deferred acquisition costs	73	51	2,261	2,232
G. Cash at banks, cheques and cash-in-hand	666	630	579	638
H. Deferred tax assets	48	46	82	72
I. Other assets	514	795	799	959
J. Non-current assets and assets of disposal groups classified as held for sale	—	18	—	43
Total assets	16,790	15,790	69,165	68,374

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
30.9.2018	31.12.2017	30.9.2018	31.12.2017	30.9.2018	31.12.2017	30.9.2018	31.12.2017	30.9.2018	31.12.2017
627	623	35	33	—	—	—	—	1,064	1,058
151	150	178	197	105	101	—	—	941	937
778	773	213	230	105	101	—	—	2,005	1,995
10	15	1,614	1,584	—	—	—	—	2,845	2,799
—	—	132	108	16	17	—	—	199	178
—	—	113	122	—	—	—	—	262	242
527	604	2,476	2,455	15	17	—	—	29,309	28,893
222	268	291	336	—	1	-291	-294	462	554
8,708	8,245	33,370	31,705	188	187	—	—	71,068	68,455
423	639	672	301	—	—	—	—	1,617	1,434
432	392	3,108	3,266	776	679	-1,504	-1,285	5,766	5,326
10,322	10,163	41,776	39,877	995	901	-1,795	-1,579	111,528	107,881
1,082	1,113	—	—	—	—	—	—	1,082	1,113
—	—	11,368	10,903	—	—	-1,238	-1,246	10,149	9,679
11,404	11,276	53,144	50,780	995	901	-3,033	-2,825	122,759	118,673
553	648	—	—	—	—	—	—	11,191	11,133
681	668	2,804	2,714	10	—	-2,727	-2,660	8,285	7,697
1,195	1,156	4,911	3,822	14	2	-110	-142	7,630	6,626
597	588	2,485	2,229	1	—	253	232	5,670	5,332
661	598	885	820	229	452	—	—	3,020	3,138
106	61	143	118	328	295	—	—	707	592
431	412	2,762	1,429	425	731	-2,323	-1,544	2,608	2,782
402	427	—	—	—	—	-65	-70	337	418
16,808	16,607	67,347	62,142	2,107	2,482	-8,005	-7,009	164,212	158,386

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 30 SEPTEMBER 2018

EUR MILLION

Equity and liabilities	Industrial Lines		Retail Germany	
	30.9.2018	31.12.2017	30.9.2018	31.12.2017
B. Subordinated liabilities	200	200	162	162
C. Technical provisions				
a. Unearned premium reserve	1,477	1,082	1,534	1,307
b. Benefit reserve	—	—	41,160	40,205
c. Loss and loss adjustment expense reserve	10,351	9,376	3,323	3,258
d. Provision for premium refunds	25	16	5,542	5,848
e. Other technical provisions	49	48	2	2
	11,902	10,522	51,561	50,620
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders	—	—	10,638	10,485
E. Other provisions				
a. Provisions for pensions and other post-employment benefits	580	593	143	143
b. Provisions for taxes	70	118	101	108
c. Miscellaneous other provisions	66	81	298	362
	716	792	542	613
F. Liabilities				
a. Notes payable and loans	14	15	91	96
b. Funds withheld under reinsurance treaties	54	55	1,744	1,754
c. Other liabilities	1,406	1,627	1,666	1,887
	1,474	1,697	3,501	3,737
G. Deferred tax liabilities	244	272	223	247
H. Liabilities included in disposal groups classified as held for sale	—	1	—	2
Total liabilities/provisions	14,536	13,484	66,627	65,866

Retail International		Reinsurance		Corporate Operations		Consolidation		Total		
30.9.2018	31.12.2017	30.9.2018	31.12.2017	30.9.2018	31.12.2017	30.9.2018	31.12.2017	30.9.2018	31.12.2017	
42	42	1,873	1,661	1,280	1,280	-819	-608	2,738	2,737	
2,364	2,332	4,513	3,541	11	1	-147	-147	9,752	8,116	
5,965	5,577	9,237	8,978	—	—	-159	-164	56,203	54,596	
2,879	2,724	29,858	28,379	58	45	-1,298	-1,245	45,171	42,537	
166	335	—	—	—	—	—	—	5,733	6,199	
10	13	499	394	—	—	-12	-8	548	449	
11,384	10,981	44,107	41,292	69	46	-1,616	-1,564	117,407	111,897	
553	648	—	—	—	—	—	—	11,191	11,133	
43	22	179	178	1,162	1,179	—	—	2,107	2,115	
145	130	215	320	64	86	—	—	595	762	
108	94	143	182	129	189	-1	-1	743	907	
296	246	537	680	1,355	1,454	-1	-1	3,445	3,784	
79	70	1,533	712	1,484	1,482	-954	-944	2,247	1,431	
43	39	4,753	4,924	—	—	-2,212	-2,226	4,382	4,546	
1,701	1,794	4,071	2,172	163	336	-2,408	-1,664	6,599	6,152	
1,823	1,903	10,357	7,808	1,647	1,818	-5,574	-4,834	13,228	12,129	
119	101	1,433	1,472	2	3	22	22	2,043	2,117	
385	410	—	—	—	—	-65	-70	320	343	
14,602	14,331	58,307	52,913	4,353	4,601	-8,053	-7,055	150,372	144,140	
								Equity¹⁾	13,840	14,246
								Total equity and liabilities	164,212	158,386

¹⁾ Equity attributable to Group shareholders and non-controlling interests.

CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2018¹⁾

EUR MILLION

	Industrial Lines		Retail Germany	
	9M 2018	9M 2017	9M 2018	9M 2017
1. Gross written premiums including premiums from unit-linked life and annuity insurance	3,756	3,536	4,622	4,681
of which attributable to other divisions/segments	40	46	45	45
with third parties	3,716	3,490	4,577	4,636
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	630	649
3. Ceded written premiums	1,584	1,611	253	195
4. Change in gross unearned premiums	-394	-308	-227	-306
5. Change in ceded unearned premiums	-132	-147	-6	-11
Net premiums earned	1,910	1,764	3,518	3,542
6. Claims and claims expenses (gross)	2,913	2,481	3,925	3,943
Reinsurers' share	1,192	931	102	60
Claims and claims expenses (net)	1,721	1,550	3,823	3,883
7. Acquisition costs and administrative expenses (gross)	671	656	929	1,026
Reinsurers' share	268	267	91	69
Net acquisition and administrative expenses	403	389	838	957
8. Other technical income	3	6	19	16
Other technical expenses	13	10	6	26
Other technical result	-10	-4	13	-10
Net technical result	-224	-179	-1,130	-1,308
9. a. Investment income	286	245	1,543	1,713
b. Investment expenses	103	42	212	233
Net income from assets under own management	183	203	1,331	1,480
Net income from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	-9	-11
Net investment income	183	203	1,322	1,469
of which share of profit or loss of equity-accounted associates and joint ventures	2	1	—	2
10. a. Other income	114	106	171	144
b. Other expenses	105	105	207	189
Other income/expenses	9	1	-36	-45
Profit before goodwill impairments	-32	25	156	116
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	-32	25	156	116
12. Financing costs	6	6	7	7
13. Taxes on income	-2	5	56	14
Net income	-36	14	93	95
of which attributable to non-controlling interests	—	—	4	5
attributable to shareholders of Talanx AG	-36	14	89	90

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⁾ Adjusted in accordance with IAS 8; see 2017 Annual Report; "Accounting policies", "Changes in accounting policies and errors" in the Notes.

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
9M 2018	9M 2017	9M 2018	9M 2017 ²⁾	9M 2018	9M 2017	9M 2018	9M 2017	9M 2018	9M 2017 ²⁾
4,200	4,065	14,992	13,484	47	27	-526	-554	27,091	25,239
—	—	394	436	47	27	-526	-554	—	—
4,200	4,065	14,598	13,048	—	—	—	—	27,091	25,239
143	208	—	—	—	—	—	—	773	857
314	331	1,379	1,335	17	7	-495	-552	3,052	2,927
-106	-127	-928	-665	-12	-5	—	15	-1,667	-1,396
-13	-23	-89	-58	-7	-2	5	15	-242	-226
3,650	3,422	12,774	11,542	25	17	-36	-2	21,841	20,285
2,977	2,742	10,425	10,741	25	9	-393	-307	19,872	19,609
214	191	983	1,365	4	—	-390	-318	2,105	2,229
2,763	2,551	9,442	9,376	21	9	-3	11	17,767	17,380
862	873	3,585	3,004	6	3	-149	-156	5,904	5,406
64	61	152	173	1	—	-117	-147	459	423
798	812	3,433	2,831	5	3	-32	-9	5,445	4,983
22	20	—	1	—	—	-4	—	40	43
53	48	25	5	—	—	-5	-4	92	85
-31	-28	-25	-4	—	—	1	4	-52	-42
58	31	-126	-669	-1	5	—	—	-1,423	-2,120
288	304	1,299	1,408	8	10	-45	-41	3,379	3,639
43	46	288	190	67	64	-82	-81	631	494
245	258	1,011	1,218	-59	-54	37	40	2,748	3,145
-1	-2	—	—	—	—	—	—	-1	-2
-1	-1	163	180	—	—	—	—	153	168
243	255	1,174	1,398	-59	-54	37	40	2,900	3,311
—	—	2	10	—	—	—	—	4	13
81	78	715	716	578	544	-533	-519	1,126	1,069
180	185	593	639	511	487	-464	-449	1,132	1,156
-99	-107	122	77	67	57	-69	-70	-6	-87
202	179	1,170	806	7	8	-32	-30	1,471	1,104
—	—	—	—	—	—	—	—	—	—
202	179	1,170	806	7	8	-32	-30	1,471	1,104
5	4	69	60	76	64	-35	-30	128	111
48	46	311	141	-13	-15	1	—	401	191
149	129	790	605	-56	-41	2	—	942	802
25	19	425	334	—	—	—	—	454	358
124	110	365	271	-56	-41	2	—	488	444

CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT FOR THE PERIOD FROM 1 JULY TO 30 SEPTEMBER 2018¹⁾

EUR MILLION

	Industrial Lines		Retail Germany	
	Q3 2018	Q3 2017	Q3 2018	Q3 2017
1. Gross written premiums including premiums from unit-linked life and annuity insurance	858	741	1,360	1,371
of which attributable to other divisions/segments	8	9	17	11
with third parties	850	732	1,343	1,360
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	199	204
3. Ceded written premiums	393	335	75	58
4. Change in gross unearned premiums	332	355	83	48
5. Change in ceded unearned premiums	122	157	5	4
Net premiums earned	675	604	1,164	1,153
6. Claims and claims expenses (gross)	1,246	974	1,147	1,241
Reinsurers' share	521	304	16	17
Claims and claims expenses (net)	725	670	1,131	1,224
7. Acquisition costs and administrative expenses (gross)	230	219	360	340
Reinsurers' share	86	76	48	30
Net acquisition and administrative expenses	144	143	312	310
8. Other technical income	1	2	2	3
Other technical expenses	3	4	3	20
Other technical result	-2	-2	-1	-17
Net technical result	-196	-211	-280	-398
9. a. Investment income	93	84	412	544
b. Investment expenses	34	18	54	66
Net income from assets under own management	59	66	358	478
Net income from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	-2	-4
Net investment income	59	66	356	474
of which share of profit or loss of equity-accounted associates and joint ventures	—	—	—	1
10. a. Other income	61	28	42	45
b. Other expenses	34	20	50	68
Other income/expenses	27	8	-8	-23
Profit before goodwill impairments	-110	-137	68	53
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	-110	-137	68	53
12. Financing costs	2	2	3	2
13. Taxes on income	-23	-41	24	10
Net income	-89	-98	41	41
of which attributable to non-controlling interests	—	—	2	1
attributable to shareholders of Talanx AG	-89	-98	39	40

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⁾ Adjusted in accordance with IAS 8; see 2017 Annual Report; "Accounting policies", "Changes in accounting policies and errors" in the Notes.

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
Q3 2018	Q3 2017	Q3 2018	Q3 2017 ²⁾	Q3 2018	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2017 ²⁾
1,237	1,237	5,007	4,486	8	4	-139	-153	8,331	7,686
—	—	106	129	8	4	-139	-153	—	—
1,237	1,237	4,901	4,357	—	—	—	—	8,331	7,686
26	60	—	—	—	—	—	—	225	264
78	87	515	460	1	1	-137	-152	925	789
17	-10	-90	-30	3	3	-31	-24	314	342
13	16	-26	-13	4	1	-29	-25	89	140
1,137	1,064	4,428	4,009	6	5	-4	—	7,406	6,835
931	820	3,919	4,547	7	4	-148	-100	7,102	7,486
87	52	438	902	2	—	-149	-102	915	1,173
844	768	3,481	3,645	5	4	1	2	6,187	6,313
279	289	1,206	1,012	2	1	-48	-53	2,029	1,808
20	21	56	61	1	—	-53	-55	158	133
259	268	1,150	951	1	1	5	2	1,871	1,675
7	5	—	—	—	—	—	—	10	10
16	16	21	2	—	—	-10	-5	33	37
-9	-11	-21	-2	—	—	10	5	-23	-27
25	17	-224	-589	—	—	—	1	-675	-1,180
88	94	453	603	2	4	-16	-13	1,032	1,316
18	11	84	52	23	22	-28	-27	185	142
70	83	369	551	-21	-18	12	14	847	1,174
-1	—	—	—	—	—	—	—	-1	—
—	-1	49	57	—	—	—	—	47	52
69	82	418	608	-21	-18	12	14	893	1,226
—	—	—	5	—	—	—	—	—	6
1	13	265	158	190	176	-171	-175	388	245
31	49	206	171	166	150	-140	-146	347	312
-30	-36	59	-13	24	26	-31	-29	41	-67
64	63	253	6	3	8	-19	-14	259	-21
—	—	—	—	—	—	—	—	—	—
64	63	253	6	3	8	-19	-14	259	-21
2	1	25	20	25	22	-13	-10	44	37
11	19	36	-48	-3	-15	-1	-1	44	-76
51	43	192	34	-19	1	-5	-3	171	18
10	7	108	29	—	—	—	—	120	37
41	36	84	5	-19	1	-5	-3	51	-19

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 30 SEPTEMBER 2018 AND 1 JULY TO 30 SEPTEMBER 2018

EUR MILLION

	Retail Germany – Property/Casualty				Retail Germany – Life			
	9M 2018	9M 2017	Q3 2018	Q3 2017	9M 2018	9M 2017	Q3 2018	Q3 2017
1. Gross written premiums including premiums from unit-linked life and annuity insurance	1,312	1,284	290	282	3,310	3,397	1,070	1,089
of which attributable to other segments	—	—	—	—	45	45	17	11
with third parties	1,312	1,284	290	282	3,265	3,352	1,053	1,078
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	—	—	630	649	199	204
3. Ceded written premiums	73	66	15	14	180	129	60	44
4. Change in gross unearned premiums	-171	-181	104	97	-56	-125	-21	-49
5. Change in ceded unearned premiums	-7	-12	5	4	1	1	—	—
Net premiums earned	1,075	1,049	374	361	2,443	2,493	790	792
6. Claims and claims expenses (gross)	694	683	229	231	3,231	3,260	918	1,010
Reinsurers' share	24	13	-1	4	78	47	17	13
Claims and claims expenses (net)	670	670	230	227	3,153	3,213	901	997
7. Acquisition costs and administrative expenses (gross)	399	388	137	128	530	638	223	212
Reinsurers' share	18	14	6	5	73	55	42	25
Net acquisition and administrative expenses	381	374	131	123	457	583	181	187
8. Other technical income	2	2	1	1	17	14	1	2
Other technical expenses	5	5	1	1	1	21	2	19
Other technical result	-3	-3	—	—	16	-7	-1	-17
Net technical result	21	2	13	11	-1,151	-1,310	-293	-409
9. a. Investment income	80	84	25	30	1,463	1,629	387	514
b. Investment expenses	15	13	4	3	197	220	50	63
Net income from assets under own management	65	71	21	27	1,266	1,409	337	451
Net income from investment contracts	—	—	—	—	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	—	—	-9	-11	-2	-4
Net investment income	65	71	21	27	1,257	1,398	335	447
of which share of profit or loss of equity-accounted associates and joint ventures	—	—	—	—	—	2	—	1
10. a. Other income	41	37	11	12	130	107	31	33
b. Other expenses	61	61	19	23	146	128	31	45
Other income/expenses	-20	-24	-8	-11	-16	-21	—	-12
Profit before goodwill impairments	66	49	26	27	90	67	42	26
11. Goodwill impairments	—	—	—	—	—	—	—	—
Operating profit/loss (EBIT)	66	49	26	27	90	67	42	26

¹⁾ Adjusted in accordance with IAS 8; see 2017 Annual Report; "Accounting policies", "Changes in accounting policies and errors" in the Notes.

Property/Casualty Reinsurance				Life/Health Reinsurance			
9M 2018	9M 2017	Q3 2018	Q3 2017	9M 2018	9M 2017 ¹⁾	Q3 2018	Q3 2017 ¹⁾
9,657	8,200	3,190	2,772	5,335	5,284	1,817	1,714
284	327	69	92	110	109	37	37
9,373	7,873	3,121	2,680	5,225	5,175	1,780	1,677
—	—	—	—	—	—	—	—
876	883	322	309	503	452	193	151
-853	-622	-52	-35	-75	-43	-38	5
-88	-59	-25	-13	-1	1	-1	—
8,016	6,754	2,841	2,441	4,758	4,788	1,587	1,568
5,820	6,130	2,245	3,018	4,605	4,611	1,674	1,529
486	965	258	780	497	400	180	122
5,334	5,165	1,987	2,238	4,108	4,211	1,494	1,407
2,568	2,031	870	705	1,017	973	336	307
120	136	44	47	32	37	12	14
2,448	1,895	826	658	985	936	324	293
—	1	—	—	—	—	—	—
4	1	4	—	21	4	17	2
-4	—	-4	—	-21	-4	-17	-2
230	-306	24	-455	-356	-363	-248	-134
994	1,098	336	516	305	310	117	87
214	146	57	52	74	44	27	—
780	952	279	464	231	266	90	87
—	—	—	—	—	—	—	—
27	13	11	11	136	167	38	46
807	965	290	475	367	433	128	133
2	10	—	5	—	—	—	—
256	180	99	8	459	536	166	150
267	227	91	60	326	412	115	111
-11	-47	8	-52	133	124	51	39
1,026	612	322	-32	144	194	-69	38
—	—	—	—	—	—	—	—
1,026	612	322	-32	144	194	-69	38

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 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 2017. To the extent that there are new standards effective from 1 January 2018, these have been applied accordingly. In particular, this concerns the first-time application of IFRS 15 “Revenue from Contracts with Customers” and the 2016 amendment of IFRS 4 “Insurance Contracts”, which allows the Group to postpone the effective date of IFRS 9 “Financial Instruments” until 2021.

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.

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)		Statement of income (average)	
	30.9.2018	31.12.2017	9M 2018	9M 2017
AUD Australia	1.6060	1.5347	1.5758	1.4588
BRL Brazil	4.6442	3.9734	4.2839	3.5493
CAD Canada	1.5073	1.5047	1.5343	1.4557
CNY China	7.9749	7.8051	7.7937	7.5837
GBP United Kingdom	0.8881	0.8875	0.8847	0.8719
JPY Japan	131.3100	135.0100	131.2180	125.0810
MXN Mexico	21.8176	23.6511	22.6881	21.0945
PLN Poland	4.2773	4.1772	4.2460	4.2708
USD USA	1.1583	1.1994	1.1939	1.1150
ZAR South Africa	16.4715	14.8140	15.3345	14.7791

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 26 January 2018, the Group signed an agreement to sell its 100% interest in ASPECTA Assurance International Luxembourg S.A., Luxembourg, Luxembourg, through Talanx International AG, Hannover, for a price in the low eight-figure range. The transaction closed on 2 October 2018 with a low gain on disposal.

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This is a translation of the original German text; the German version shall be authoritative in case of any discrepancies in the translation.

Quarterly Statement online:

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FINANCIAL CALENDAR 2019

18 March

Results Press Conference 2018

9 May

Annual General Meeting

9 May

Quarterly Statement as at 31 March

12 September

Interim Report as at 30 June

11 November

Quarterly Statement as at 30 September

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