

Hannover Finance (Luxembourg) S.A.

(a corporation organised under the laws of the Grand-Duchy of Luxembourg and limited in its liability in accordance with Luxembourg law)

€ 350,000,000

Guaranteed Subordinated Fixed to Floating Rate Bonds of 2001/2031

guaranteed on a subordinated basis by

Hannover Rückversicherungs-Aktiengesellschaft

(incorporated as a stock corporation under the laws of the Federal Republic of Germany and limited in its liability in accordance with German Stock Corporations law)

Issue price: 99.276 %

The issue price of the € 350,000,000 Guaranteed Subordinated Fixed to Floating Rate Bonds of 2001/2031 (the "Bonds") of Hannover Finance (Luxembourg) S.A. (the "Issuer") is 99.276 % of their principal amount.

Unless previously redeemed or cancelled, the Bonds will be redeemed in full on the Floating Interest Payment Date (as defined in § 4 of the Terms and Conditions of the Bonds) falling in March 2031.

The Bonds will bear interest from and including 14 March 2001 to but excluding 14 March 2011 at the rate of 6.25 % per annum payable annually in arrear on 14 March of each year commencing 14 March 2002. Unless previously redeemed in accordance with § 5 of the Terms and Conditions of the Bonds, from and including 14 March 2011 to but excluding the Floating Interest Payment Date falling in March 2031, interest on the Bonds will be payable, at a rate equal to EURIBOR for three month euro deposits plus 2.05 % quarterly in arrear on the Floating Interest Payment Date falling in June, September, December and March of each year, the first such payment to be made on the Floating Interest Payment Date falling in June 2011. Under certain circumstances referred to in the Terms and Conditions of the Bonds, interest payments on the Bonds may be deferred.

Hannover Rückversicherungs-Aktiengesellschaft (the "Guarantor") will unconditionally and irrevocably guarantee on a subordinated basis (the "Guarantee") the due and punctual payment of all amounts at any time becoming due and payable in respect of the Bonds.

Application has been made to list the Bonds on the Luxembourg Stock Exchange.

Deutsche Bank

UBS Warburg

SG Investment Banking

Each of the Issuer and the Guarantor accepts responsibility for the information in this Offering Circular. To the best of their knowledge and belief the information in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of this Offering Circular.

Each of the Issuer and Guarantor further confirms that (i) this Offering Circular contains all information with respect to the Issuer and the Guarantor, to the Guarantor and its subsidiaries and affiliates taken as a whole (the "Group") and to the Bonds and the Guarantee which is material in the context of the issue and offering of the Bonds and the Guarantee, including all information which, according to the particular nature of the Issuer and the Guarantor and of the Bonds and the Guarantee is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Guarantor and of the rights attached to the Bonds and the Guarantee; (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor and the Group are in every material particular true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Bonds or the Guarantee the omission of which would, in the context of the issue and offering of the Bonds, make any statement in the Offering Circular misleading in any material respect and (iv) reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

No person is authorised to give any information or to make any representations other than those contained in this Offering Circular and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer or the Guarantor or either of the Lead Managers (as defined in "Subscription and Sale"). Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor or any of their affiliates since the date of this Offering Circular, or that the information herein is correct at any time since its date.

Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. This Offering Circular does not constitute an offer of Bonds or an invitation by or on behalf of the Issuer, the Guarantor or the Lead Managers to purchase any Bonds. Neither this Offering Circular nor any other information supplied in connection with the Bonds should be considered as a recommendation by the Issuer, the Guarantor or the Lead Managers to a recipient hereof and thereof that such recipient should purchase any Bonds. This Offering Circular may not be used for or in connection with any offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is unlawful or unauthorised.

This Offering Circular does not constitute, and may not be used for purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The offer, sale and delivery of the Bonds and the distribution of this Offering Circular in certain jurisdictions is restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain specific restrictions on the offer, sale and delivery of the Bonds and on the distribution of this Offering Circular and other offering material relating to the Bonds, see "Subscription and Sale".

In this Offering Circular, all references to "€", "EUR" or "euro" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union, the Treaty of Amsterdam and as further amended from time to time. References to "DM" or "Deutsche Mark" are to non-decimal denominations of the euro as defined by the conversion rate irrevocably fixed in accordance with Article 109I (4) sentence 1 of the EC Treaty.

In connection with the issue of Bonds, Deutsche Bank AG London may over-allot or effect transactions which stabilise or maintain the market price of the Bonds at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time and shall be in compliance with all relevant laws and regulations.

Table of Contents

	Page
Terms and Conditions of the Bonds	4
Guarantee	17
Description of the Issuer	19
Description of the Guarantor	20
Use of Proceeds	33
Unaudited Consolidated Financial Statements of Hannover Re Group for the six months ended 30 June 2000	34
Audited Consolidated Financial Statements of Hannover Re Group for the year ended 31 December 1999	38
Audited Individual Financial Statements of Hannover Re for the year ended 31 December 1999	44
Taxation	51
Subscription and Sale	54
General Information	57

Anleihebedingungen

Der nachfolgende Text ist die rechtsverbindliche Fassung der Anleihebedingungen. Änderungen und Ergänzungen dieser Anleihebedingungen bleiben vorbehalten.

§ 1 Einführung

(1) Für jede der garantierten nachrangigen fest bzw. variabel verzinslichen Schuldverschreibungen von 2001/2031 im Gesamtnennbetrag von € 350.000.000 (die „Schuldverschreibungen“, wobei dieser Begriff alle weiteren Schuldverschreibungen umfaßt, die gemäß § 11 begeben werden und eine einheitliche Serie damit bilden) der Hannover Finance (Luxembourg) S.A. (die „Emittentin“) ist Voraussetzung, daß:

- (a) eine nachrangige Garantie der Hannover Rückversicherungs-Aktiengesellschaft (die „Garantin“) gestellt ist, die bei der Deutschen Bank Aktiengesellschaft hinterlegt ist, und
- (b) eine Zahlstellenvereinbarung vom 9. März 2001 (in ihrer jeweils geänderten oder ergänzten Fassung, die „Zahlstellenvereinbarung“) zwischen der Emittentin, der Garantin, Deutsche Bank Aktiengesellschaft als Emissionsstelle (die „Emissionsstelle“, wobei dieser Begriff jeden Nachfolger der Emissionsstelle mit einschließt, der jeweils im Zusammenhang mit den Schuldverschreibungen ernannt wird) sowie den in der Zahlstellenvereinbarung genannten Zahlstellen abgeschlossen werden (gemeinsam mit der Emissionsstelle die „Zahlstellen“, wobei dieser Begriff jede Nachfolge- oder zusätzliche Zahlstelle mit einschließt, die jeweils im Zusammenhang mit den Schuldverschreibungen benannt wird).

(2) In diesen Anleihebedingungen werden die Inhaber der Schuldverschreibungen als „Anleihegläubiger“ bezeichnet. Die in obigem Absatz 1 (a) erwähnte Garantie wird in diesen Anleihebedingungen als die „Garantie“ bezeichnet.

§ 2 Nennbetrag, Form und Eigentum

(1) Nennbetrag

Die Schuldverschreibungen haben einen Nennbetrag von je € 1.000 (die „Stückelung“).

(2) Form

Die Schuldverschreibungen werden zunächst in einer vorläufigen Globalinhaberschuldverschreibung (die „vorläufige Globalurkunde“) ohne Zinsscheine verbrieft und am 14. März 2001 (der „Begebungstag“) bei einer gemeinsamen Verwahrstelle für Clearstream Banking société anonyme, Luxembourg und Euroclear S.A./N.V. als Betreiber des Euroclear Systems (nachstehend gemeinsam auch als „Clearing-Systeme“ bezeichnet) hinterlegt. Die vorläufige Globalurkunde wird – nicht vor Ablauf von 40 Tagen nach dem Begebungstag – gegen Vorlage einer Bestätigung darüber, daß der Begünstigte keine U.S.-amerikanische Person ist, gemäß den Regeln und Betriebsabläufen der Clearing-Systeme gegen eine endgültige Globalinhaberschuldverschreibung (die „Endgültige Globalurkunde“), ohne Zinsscheine austauschbar. Effektive Stücke der Schuldverschreibungen oder Zinsscheine werden nicht ausgegeben.

§ 3 Status

(1) Status der Schuldverschreibungen

Die Schuldverschreibungen begründen nicht besicherte, nachrangige Verbindlichkeiten der Emittentin, die unterein-

Terms and Conditions of the Bonds

The following is a non-binding translation of the text, subject to completion and amendment, of the terms and conditions of the Bonds.

§ 1 Introduction

(1) Each of the Guaranteed Subordinated Fixed to Floating Rate Bonds of 2001/2031 in the aggregate principal amount of € 350,000,000 (the “Bonds” which expression includes any further Bonds issued pursuant to § 11 that form a single series with them) of Hannover Finance (Luxembourg) S.A. (the “Issuer”) is subject to:

- (a) a subordinated guarantee (*nachrangige Garantie*) given by Hannover Rückversicherungs-Aktiengesellschaft (the “Guarantor”) which is deposited with Deutsche Bank Aktiengesellschaft, and
- (b) an agency agreement dated 9 March 2001 (as amended or supplemented from time to time, the “Agency Agreement”) between the Issuer, the Guarantor, Deutsche Bank Aktiengesellschaft as fiscal agent (the “Fiscal Agent”, which expression includes any successor fiscal agent appointed from time to time in connection with the Bonds) and the paying agents named in the Agency Agreement (together with the Fiscal Agent, the “Paying Agents”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds).

(2) The holders of the Bonds are referred to in these Terms and Conditions of the Bonds as the “Bondholders”. The guarantee referred to in Condition 1 (a) is referred to in these Terms and Conditions of the Bonds as the “Guarantee”.

§ 2 Denomination, Form and Title

(1) Denomination

The Bonds have a denomination of € 1,000 each (the “Denomination”).

(2) Form

The Bonds will initially be represented by a temporary global bearer Bond (the “Temporary Global Bond”) without Coupons which will be deposited with a common depositary for Clearstream Banking, société anonyme, Luxembourg and Euroclear S.A./N.V. as operator of the Euroclear System (together hereinafter also referred to as the “Clearing Systems”) on 14 March 2001 (the “Issue Date”). The Temporary Global Bond will be exchangeable for a permanent global bearer Bond (the “Permanent Global Bond”) without Coupons not earlier than 40 days after the Issue Date upon certification as to non U.S. beneficial ownership in accordance with the rules and operating procedures of the Clearing Systems. No definitive Bonds or interest coupons will be issued.

§ 3 Status

(1) Status of the Bonds

The obligations under the Bonds constitute unsecured and subordinated obligations of the Issuer ranking *pari*

ander und mit allen anderen nachrangigen Verbindlichkeiten der Emittentin zumindest gleichrangig sind. Im Fall der Auflösung, der Liquidation oder der Insolvenz der Emittentin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz dienenden Verfahrens gegen die Emittentin gehen die Verbindlichkeiten im Range den Ansprüchen aller anderen nicht nachrangigen Gläubiger nach, so daß Zahlungen auf die Schuldverschreibungen solange nicht erfolgen, wie die Ansprüche Dritter gegen die Emittentin aus nicht nachrangigen Verbindlichkeiten nicht vollständig befriedigt sind. Kein Anleihegläubiger ist berechtigt, Forderungen aus den Schuldverschreibungen mit Forderungen der Emittentin aufzurechnen. Die Emittentin ist nicht berechtigt, Forderungen gegenüber Anleihegläubigern mit den Verpflichtungen aus den Schuldverschreibungen aufzurechnen. Für die Rechte der Anleihegläubiger aus den Schuldverschreibungen ist diesen keinerlei Sicherheit durch die Emittentin oder durch Dritte gestellt; eine solche Sicherheit wird auch zu keinem Zeitpunkt gestellt werden. Nachträglich können weder der Nachrang gemäß diesem § 3 beschränkt, noch der Fälligkeitstag (wie in § 4 (2)(a) definiert) der Schuldverschreibungen geändert noch die jeweiligen Kündigungsfristen verkürzt werden.

(2) Nachrangigkeit der Garantie

Im Falle einer Auflösung, Liquidation oder der Insolvenz der Garantin oder eines Vergleichs oder einem anderen der Abwendung der Insolvenz dienenden Verfahrens gegen die Garantin werden die Ansprüche der Anleihegläubiger aus der Garantie erst dann befriedigt, nachdem die Ansprüche sämtlicher nicht nachrangiger Gläubiger der Garantin vollumfänglich befriedigt worden sind.

(3) Beschränkung einer zusätzlichen nachrangigen Verschuldung

Die Emittentin verpflichtet sich, solange die Schuldverschreibungen im Umlauf sind, keine zusätzliche nachrangige Verschuldung einzugehen, die nach ihren Bedingungen im Falle einer Auflösung, Abwicklung oder Liquidation der Emittentin im Rang vor den Schuldverschreibungen stehen würde.

passu among themselves and at least *pari passu* with all other subordinated obligations of the Issuer. In the event of the dissolution, liquidation, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of, or against, the Issuer, such obligations will be subordinated to the claims of all unsubordinated creditors of the Issuer so that in any such event no amounts shall be payable under such obligations until the claims of all unsubordinated creditors of the Issuer shall have been satisfied in full. No Bondholder may set off his claims arising under the Bonds against any claims of the Issuer. The Issuer may not set off any claims it may have against any Bondholder against any of its obligations under the Bonds. No security of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Bondholders under such Bonds. No subsequent agreement may limit the subordination pursuant to the provisions set out in this § 3 or amend the Maturity Date (as defined in § 4 (2)(a)) in respect of the Bonds to any earlier date or shorten any applicable notice period (*Kündigungsfrist*).

(2) Subordination of the Guarantee

In the event of a dissolution, liquidation, bankruptcy or composition or of other proceedings for the avoidance of bankruptcy of the Guarantor, the claims of the Bondholders under the Guarantee will be satisfied after (but only after) the claims of all unsubordinated creditors of the Guarantor have been paid in full.

(3) Limitation on additional subordinated indebtedness

The Issuer agrees that as long as the Bonds are outstanding, it will not incur or issue any additional subordinated indebtedness which by its terms would rank before the Bonds in the event of a dissolution, liquidation or winding-up of the Issuer.

§ 4 Zinsen

- (1) Zinsen vom 14. März 2001 (einschließlich) bis 14. März 2011 (ausschließlich)
- (a) Die Schuldverschreibungen werden vom 14. März 2001 (einschließlich) an bis 14. März 2011 (ausschließlich) mit jährlich 6,25% verzinst. Die Zinsen sind nachträglich jährlich am 14. März eines jeden Jahres, erstmals am 14. März 2002, fällig (jeweils ein „festverzinslicher Zinszahlungstag“).
- (b) Sind Zinsen für einen Zeitraum von weniger als einem Jahr zu berechnen, so werden sie auf der Basis der tatsächlich verstrichenen Tage geteilt durch die Anzahl der Tage (365 bzw. 366) im jeweiligen Zinsjahr berechnet.
- (2) Zinsen vom 14. März 2011 (einschließlich) bis 14. März 2031 (ausschließlich):
- (a) Vorbehaltlich einer vorzeitigen Rückzahlung gemäß diesen Anleihebedingungen werden die Schuldverschreibungen vom 14. März 2011 (einschließlich) bis zum variabel verzinslichen Zinszahlungstag (wie nachstehend definiert) im März 2031 (ausschließlich) (der „Fälligkeitstag“) in Höhe des von der Berechnungsstelle (wie nachstehend definiert) festgesetzten Zinssatzes, basierend auf dem EURIBOR für Dreimonats-Einlagen in Euro, zuzüglich einer Marge von 2,05% (die „Marge“) verzinst, wobei vierteljährlich rückwirk-

§ 4 Interest

- (1) Interest from 14 March 2001 (inclusive) to 14 March 2011 (exclusive)
- (a) The Bonds bear interest at the rate of 6.25% per annum from 14 March 2001 (inclusive) to 14 March 2011 (exclusive). Interest shall be payable annually in arrear on 14 March of each year commencing on 14 March 2002 (each a “Fixed Interest Payment Date”).
- (b) If interest is to be calculated for a period of less than one year, it shall be calculated on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) in the respective annual interest period.
- (2) Interest from 14 March 2011 (inclusive) to 14 March 2031 (exclusive):
- (a) Unless previously redeemed in accordance with these Terms and Conditions of the Bonds, the Bonds shall bear interest on their principal amount from 14 March 2011 (inclusive) to the Floating Interest Payment Date (as defined below) falling in March 2031 (exclusive) (the “Maturity Date”), at a rate determined by the Calculation Agent (as defined below) equal to EURIBOR for three month euro deposits plus 2.05% (the “Margin”) payable quarterly in arrear on each Floating Interest Payment Date, the first such payment to be

kend an jedem variabel verzinslichen Zinszahlungstag ausgezahlt wird und die erste Zinszahlung an dem ersten variabel verzinslichen Zinszahlungstag im Juni 2011 erfolgt.

- (b) „variabel verzinslicher „Zinszahlungstag“ bedeutet, vorbehaltlich (c) unten, jeder 14. Tag im Juni, September, Dezember und März eines jeden Jahres.
- (c) Fällt ein variabel verzinslicher Zinszahlungstag auf einen Tag, der kein Geschäftstag ist, so wird der Zinszahlungstag auf den nächstfolgenden Geschäftstag verschoben, es sei denn, jener würde dadurch in den nächsten Kalendermonat fallen; in diesem Fall fällt der variabel verzinsliche Zinszahlungstag auf den unmittelbar vorausgehenden Geschäftstag.
- (d) In diesen Anleihebedingungen bezeichnet „Geschäftstag“ einen Tag (außer einem Samstag oder Sonntag), an dem Banken in Frankfurt am Main sowie die Clearing Systeme Zahlungen abwickeln.
- (e) Der Zinssatz (der „Zinssatz“) für jede variabel verzinsliche Zinsperiode (wie nachstehend definiert) ist, sofern nachstehend nichts Abweichendes bestimmt wird, entweder:
 - (i) der Angebotssatz (wenn nur ein Angebotssatz auf der Bildschirmseite (wie nachstehend definiert) angezeigt ist); oder
 - (ii) das arithmetische Mittel (falls erforderlich, auf das nächste ein Tausendstel Prozent auf- oder abgerundet, wobei 0,0005 aufgerundet wird) der Angebotssätze,

(ausgedrückt als Prozentsatz per annum) für Dreimonats-Einlagen in Euro für die jeweilige variabel verzinsliche Zinsperiode, der bzw. die auf der Bildschirmseite am Zinsfestlegungstag (wie nachstehend definiert) gegen 11.00 Uhr (Brüsseler Ortszeit) angezeigt werden, zuzüglich der Marge, wobei alle Festlegungen durch die Deutsche Bank Aktiengesellschaft, Frankfurt am Main, als Berechnungsstelle (die „Berechnungsstelle“) erfolgen.

„Variabel verzinsliche Zinsperiode“ ist in diesem § 4 (2) jeweils der Zeitraum vom 14. März 2011 (einschließlich) bis zum ersten variabel verzinslichen Zinszahlungstag (ausschließlich) und danach von jedem variabel verzinslichen Zinszahlungstag (einschließlich) bis zum jeweils darauffolgenden variabel verzinslichen Zinszahlungstag (ausschließlich).

„Zinsfestlegungstag“ ist der zweite TARGET (Trans-European Automated Real-Time Gross Settlement Express Transfer System)-Geschäftstag vor Beginn der jeweiligen variabel verzinslichen Zinsperiode. „TARGET-Geschäftstag“ ist ein Tag (außer Samstag oder Sonntag), an dem alle relevanten Bestandteile von TARGET betriebsbereit sind.

„Bildschirmseite“ bedeutet Telerate Seite 248, „EURIBOR Bildschirmseite“ (oder eine andere Bildschirmseite von Telerate oder eines anderen Informationsanbieters als Nachfolger, welche als Ersatz für Telerate Seite 248 zur Anzeige solcher Sätze bestimmt ist).

Wenn im vorstehenden Fall (ii) auf der Bildschirmseite fünf oder mehr Angebotssätze angezeigt werden, werden der höchste (falls mehr als ein solcher Höchstsatz angezeigt wird, nur einer dieser Sätze) und der niedrigste Angebotssatz (falls mehr als ein solcher Niedrigstsatz angezeigt wird, nur einer dieser Sätze) von der Berechnungsstelle für die Bestimmung des arithmetischen Mittels der Angebotssätze (das wie vorstehend beschrieben auf- oder abgerundet wird) außer

made on the Floating Interest Payment Date falling in June 2011.

- (b) “Floating Interest Payment Date” means, subject to (c) below, the 14th day of June, September, December and March in each year.
- (c) If any Floating Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the Floating Interest Payment Date shall be the immediately preceding Business Day.
- (d) In these Terms and Conditions of the Bonds “Business Day” means a day (other than a Saturday or a Sunday) on which banks in Frankfurt am Main and the Clearing Systems settle payments.
- (e) The rate of interest (the “Rate of Interest”) for each Floating Interest Period (as defined below) will, except as provided below, be either:
 - (i) the offered quotation (if there is only one quotation on the Screen Page (as defined below)); or
 - (ii) the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for Three-month deposits in euro for that Floating Interest Period which appears or appear, as the case may be, on the Screen Page as of 11:00 a. m. (Brussels time) on the Interest Determination Date (as defined below) plus the Margin, all as determined by Deutsche Bank Aktiengesellschaft, Frankfurt am Main, as calculation agent (the “Calculation Agent”).

“Floating Interest Period” means in this § 4 (2) each period from (inclusive) 14 March 2011 to (exclusive) the first Floating Interest Payment Date thereafter and thereafter from (inclusive) each Floating Interest Payment Date to (exclusive) the following Floating Interest Payment Date.

“Interest Determination Date” means the second TARGET (Trans-European Automated Real-Time Gross Settlement Express Transfer System) Business Day prior to the commencement of the relevant Floating Interest Period. “TARGET Business Day” means a day (other than a Saturday or a Sunday) on which all relevant parts of the TARGET System are operational.

“Screen Page” means Telerate Page 248, “EURIBOR Screen Page” (or such other screen page of Telerate or such other information service, which has been designated as the successor to Telerate Page 248 for the purpose of displaying such rates).

If, in the case of (ii) above, five or more such offered quotations are available on the Screen Page, the highest (or, if there is more than one such highest rate, only one of such rates) and the lowest (or, if there is more than one such lowest rate, only one of such rates) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations and this rule shall apply throughout this subparagraph (e).

acht gelassen; diese Bestimmung gilt entsprechend für diesen gesamten Absatz (e).

Sollte die Bildschirmseite nicht zur Verfügung stehen, oder wird im vorstehendem Fall (i) kein Angebotssatz angezeigt, oder werden im vorstehenden Fall (ii) weniger als drei Angebotssätze angezeigt (in jedem dieser Fälle zu der genannten Zeit), wird die Berechnungsstelle von fünf von ihr ausgewählten Referenzbanken (wie nachstehend definiert) deren jeweilige Angebotssätze (jeweils als Prozentsatz per annum ausgedrückt) für Dreimonats-Einlagen in Euro für die betreffende variabel verzinsliche Zinsperiode gegenüber führenden Banken im Interbanken-Markt in den Teilnehmerstaaten der dritten Stufe der Wirtschafts- und Währungsunion („WWU“) im Sinne des am 7. Februar 1992 in Maastricht unterzeichneten Vertrages über die Europäische Union um ca. 11.00 Uhr (Brüsseler Ortszeit) am Zinsfestlegungstag anfordern. Sofern zwei oder mehr der ausgewählten Referenzbanken der Berechnungsstelle solche Angebotssätze nennen, ist der Zinssatz für die betreffende Zinsperiode das arithmetische Mittel dieser Angebotssätze (falls erforderlich, auf- oder abgerundet auf das nächste ein tausendstel Prozent, wobei 0,0005 aufgerundet wird) zuzüglich der Marge. Für den Fall, daß der Zinssatz nicht gemäß den vorstehenden Bestimmungen ermittelt werden kann, ist der Zinssatz der Angebotssatz oder das arithmetische Mittel der Angebotssätze auf der Bildschirmseite, wie vorstehend beschrieben, an dem letzten Tag vor dem Zinsfestlegungstag, an dem ein solcher Angebotssatz angezeigt wurde, zuzüglich der Marge.

„Referenzbanken“ sind diejenigen Banken, deren Angebotssätze zur Ermittlung des maßgeblichen Angebotssatzes zu dem Zeitpunkt benutzt wurden, als solch ein Angebot letztmals auf der maßgeblichen Bildschirmseite angezeigt wurde.

- (f) Die Berechnungsstelle wird zu oder baldmöglichst nach jedem Zeitpunkt, an dem der Zinssatz zu bestimmen ist, den Zinssatz bestimmen und den auf die Schuldverschreibungen zahlbaren Zinsbetrag (der „Zinsbetrag“) für die entsprechende variabel verzinsliche Zinsperiode berechnen. Jeder Zinsbetrag wird ermittelt, indem der Zinssatz und der Zinstagequotient (wie nachstehend definiert) auf die Stückelung angewendet werden, wobei der daraus resultierende Betrag auf den nächsten Cent auf- oder abgerundet wird, und 0,5 oder mehr eines Cent aufgerundet werden.
- (g) Die Berechnungsstelle wird veranlassen, daß der Zinssatz, der Zinsbetrag für die jeweilige variabel verzinsliche Zinsperiode, die jeweilige variabel verzinsliche Zinsperiode und der relevante variabel verzinsliche Zinszahlungstag der Emittentin und jeder Börse, an der die betreffenden Schuldverschreibungen zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung an die Börse verlangen, sowie den Anleihegläubigern gemäß § 12 unverzüglich, aber keinesfalls später als am Beginn der jeweiligen variabel verzinslichen Zinsperiode mitgeteilt werden. Im Fall einer Verlängerung oder Verkürzung der variabel verzinslichen Zinsperiode können der mitgeteilte Zinsbetrag und der variabel verzinsliche Zinszahlungstag ohne Vorankündigung nachträglich angepaßt (oder andere geeignete Anpassungsregelungen getroffen) werden. Jede solche Anpassung wird umgehend allen Börsen, an denen die Schuldverschreibungen zu diesem Zeitpunkt notiert sind, sowie den Anleihegläubigern gemäß § 12 mitgeteilt.
- (h) Alle Bescheinigungen, Mitteilungen, Gutachten, Festsetzungen, Berechnungen, Quotierungen und Entscheidungen, die von der Berechnungsstelle für die

If the Screen Page is not available or if, in the case of (i) above, no such quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at such time, the Calculation Agent shall request the five Reference Banks (as defined below) selected by it to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for three-month deposits in euro for the relevant Floating Interest Period to leading banks in the interbank market of the participating Member States in the third stage of the Economic and Monetary Union (“EMU”), as contemplated by the Treaty on European Union (which was signed at Maastricht on 7 February, 1992) at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date. As long as two or more of the selected Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Floating Interest Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) plus the Margin. If the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be the offered quotation or the arithmetic mean of the offered quotations on the Screen Page, as described above, on the last day preceding the Interest Determination Date on which such quotations were offered plus the Margin.

As used herein, “Reference Banks” means those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Screen Page.

- (f) The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the “Interest Amount”) payable on the Bonds for the relevant Floating Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction (as defined below) to the Denomination and rounding the resultant figure to the nearest cent, with 0.5 or more of a cent being rounded upwards.
- (g) The Calculation Agent will cause the Rate of Interest, each Interest Amount for each Floating Interest Period, each Floating Interest Period and the relevant Floating Interest Payment Date to be notified to the Issuer and, if required by the rules of any stock exchange on which the Bonds are from time to time listed, to such stock exchange, and to the Bondholders in accordance with § 12 as soon as possible after their determination, but in no event later than at the beginning of the relevant Floating Interest Period thereafter. Each Interest Amount and Floating Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements may be made by way of adjustment) without notice in the event of an extension or shortening of the Floating Interest Period. Any such amendment will be promptly notified to any stock exchange on which the Bonds are then listed and to the Bondholders in accordance with § 12.
- (h) All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the

Zwecke dieses § 4 gemacht, abgegeben, getroffen oder eingeholt werden, sind (sofern nicht ein offensichtlicher Irrtum vorliegt) für die Emittentin, die Emis-sionsstelle, die Zahlstellen und die Anleihegläubiger bindend.

- (i) „Zinstagequotient“ bezeichnet im Hinblick auf die Be-rechnung des Zinsbetrages auf jede Schuldverschrei-bung für eine variabel verzinsliche Zinsperiode oder einen Teil davon (der „Zinsberechnungszeitraum“) die tatsächliche Anzahl von Tagen im Zinsberechnungs-zeitraum dividiert durch 360.
- (3) Zinsen, die während eines Zeitraumes auflaufen, der an einem obligatorischen Zinszahlungstag (aus-schließlich) endet, sind an diesem obligatorischen Zinszahlungstag zahlbar. Zinsen, die während eines Zeitraumes auflaufen, der an einem fakultativen Zins-zahlungstag (ausschließlich) endet, sind nur dann an diesem fakultativen Zinszahlungstag zahlbar, wenn sich die Emittentin durch Benachrichtigung der Anleihegläubiger unter Einhaltung einer Frist von nicht weniger als 10 und nicht mehr als 15 TARGET Ge-schäftstagen gemäß § 12 dafür entscheidet (wobei eine solche Mitteilung unwiderruflich ist und die Emit-tentin verpflichtet ist, diese Zinsen an diesem fakultati-ven Zinszahlungstag zu zahlen); ansonsten stellen diese Zinsen „Zinsrückstände“ dar. Die Emittentin ist nicht verpflichtet, Zinsen an einem fakultativen Zins-zahlungstag zu zahlen, wenn sie sich gegen eine sol-che Zahlung entschieden hat; eine Nichtzahlung aus diesem Grunde begründet unter keinem Gesichtspunkt einen Verzug der Emittentin. Die Emittentin kann ausstehende Zinsrückstände jederzeit ganz oder teilweise durch Benachrichtigung der Anleihegläubiger unter Einhaltung einer Frist von nicht weniger als 10 und nicht mehr als 15 TARGET-Geschäftstagen gemäß § 12 zahlen (wobei eine solche Mitteilung un-widerruflich ist und die Emittentin verpflichtet ist, die jeweiligen Zinsrückstände an dem in dieser Mitteilung genannten Zahlungstag zu zahlen). Weiterhin ist die Emittentin verpflichtet, ausstehende Zinsrückstände (vollständig, jedoch nicht teilweise) an dem zuerst ein-tretenden der folgenden Tage zu zahlen:
 - (i) am nächsten obligatorischen Zinszahlungstag;
 - (ii) am Fälligkeitstag für die Rückzahlung der Schuld-verschreibungen; sowie
 - (iii) an dem Tage, an dem eine Verfügung zur Auf-lösung, Abwicklung oder Liquidation der Emitten-tin oder der Garantin ergeht.

Zinsrückstände werden nicht verzinst.

In diesem § 4 (3) haben die folgenden Begriffe die ihnen nachstehend zugewiesene Bedeutung:

ein „obligatorischer Zinszahlungstag“ ist jeder fest oder variabel verzinsliche Zinszahlungstag, der kein fakultativer Zinszahlungstag ist;

ein „TARGET Geschäftstag“ hat die diesem Begriff in § 4 (2) (e) zugewiesene Bedeutung; und

ein „fakultativer Zinszahlungstag“ ist jeder fest oder variabel verzinsliche Zinszahlungstag, bei dem die bei-den folgenden Kriterien erfüllt sind: (x) auf der jähr-lichen Hauptversammlung der Garantin unmittelbar vor diesem fest oder variabel verzinslichen Zinszah-lungstag wurde für keine Aktienkategorie eine Divi-dende festgesetzt, und (y) seit dieser jährlichen Haupt-versammlung ist keine Dividende festgesetzt worden.

provisions of this § 4 by the Calculation Agent shall (in the absence of manifest error) be binding on the Is-suer, the Fiscal Agent, the Paying Agents and the Bondholders.

- (i) “Day Count Fraction” means, in respect of the calcula-tion of an amount of interest on each Bond for any Floating Interest Period or part thereof (the “Calcula-tion Period”), the actual number of days in the Calcula-tion Period divided by 360.
- (3) Interest which accrues during a period ending on (but excluding) a Compulsory Interest Payment Date will be payable on that Compulsory Interest Payment Date. Interest which accrues during a period ending on (but excluding) an Optional Interest Payment Date will be payable on that Optional Interest Payment Date only if the Issuer so elects by not less than 10 nor more than 15 TARGET Business Days’ notice to the Bondholders in accordance with § 12 (which notice will be irrevocable and will oblige the Issuer to pay that interest on that Optional Interest Payment Date) and will otherwise constitute “Arrears of Interest.” The Issuer shall not have any obligation to pay interest on any Optional Interest Payment Date if it does not elect to do so and any such failure to pay shall not consti-tute a default of the Issuer for any purpose. The Issuer may pay outstanding Arrears of Interest (in whole or in part) at any time on giving not less than 10 nor more than 15 TARGET Business Days’ notice to the Bondholders in accordance with § 12 (which notice will be irrevocable and will oblige the Issuer to pay the relevant Arrears of Interest on the payment date speci-fied in that notice). The Issuer will also be obliged to pay outstanding Arrears of Interest (in whole but not in part) on the earlier of:
 - (i) the next Compulsory Interest Payment Date;
 - (ii) the due date for redemption of the Bonds; and
 - (iii) the date on which an order is made for the winding up, liquidation or dissolution of the Issuer or the Guarantor.

Arrears of Interest will not themselves bear interest.

In this § 4 (3):

“Compulsory Interest Payment Date” means any Fixed Interest Payment Date or Floating Interest Pay-ment Date which is not an Optional Interest Payment Date;

“TARGET Business Day” has the same meaning as in § 4 (2) (e); and

“Optional Interest Payment Date” means any Fixed In-terest Payment Date or Floating Interest Payment Date in respect of which both of the following criteria are met: (x) no dividend was declared in respect of any class of shares of the Guarantor at the Annual General Meeting (*jährliche Hauptversammlung*) of the Guarantor immediately preceding that Fixed Interest Payment Date or Floating Interest Payment Date and (y) no such dividend has been declared since that Annual General Meeting.

(4) Der Zinslauf der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden. Sollte die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlösen, endet die Verzinsung des ausstehenden Nennbetrags der Schuldverschreibungen nicht am Fälligkeitstag, sondern erst mit dem Tag der tatsächlichen Rückzahlung der Schuldverschreibungen. Der jeweils anzuwendende Zinssatz wird gemäß diesem § 4 bestimmt.

§ 5

Rückzahlung und Rückkauf

(1) Vorgesehene Rückzahlung

Falls sie nicht zuvor zurückgezahlt oder zurückgekauft und entwertet wurden (wie nachstehend ausgeführt), werden die Schuldverschreibungen, zu ihrem Nennbetrag an dem variabel verzinslichen Zinszahlungstag zurückgezahlt, der in den März 2031 fällt, und zwar nebst Zinsen, die bis zu diesem Tag aufgelaufen sind, einschließlich sämtlicher ausstehenden Zinsrückstände.

(2) Rückzahlung aus Steuergründen

Bei Eintritt eines gross-up Ereignisses oder eines Steuerereignisses vor dem 14. März 2011 können die Schuldverschreibungen nach Wahl der Emittentin an einem fest verzinslichen Zinszahlungstag vollständig und nicht in Teilbeträgen nach Benachrichtigung der Anleihegläubiger unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen durch Veröffentlichung gemäß § 12 (wobei eine solche Mitteilung unwiderruflich ist und die Emittentin verpflichtet ist, die Schuldverschreibungen zu ihrem vorzeitigen Rückzahlungsbetrag zurückzuzahlen) zurück gezahlt werden. Dabei gilt im Falle eines gross-up Ereignisses folgendes:

- (a) eine solche Rückzahlungsmittelteilung darf nicht früher als 90 Tage vor dem ersten Tag erfolgen, an dem die Emittentin oder die Garantin verpflichtet wären, die jeweiligen zusätzlichen Beträge zu zahlen, wenn eine Zahlung in bezug auf die Schuldverschreibungen dann fällig wäre, bzw. wenn eine ordnungsgemäße Zahlungsaufforderung unter der Garantie erfolgen würde; und
- (b) vor Abgabe einer solchen Rückzahlungsmittelteilung wird die Emittentin der Emissionsstelle folgende Dokumente übergeben oder für deren Übergabe sorgen:
 - (i) eine von zwei Vorstandsmitgliedern der Emittentin unterzeichnete Bescheinigung, aus der hervorgeht, daß die Emittentin berechtigt ist, diese Rückzahlung durchzuführen, und in der die Tatsachen dargelegt sind, aus denen deutlich wird, daß die Vorbedingungen hinsichtlich des Rechts der Emittentin auf Durchführung dieser Rückzahlung eingetreten sind; und
 - (ii) ein Gutachten unabhängiger Rechtsberater von angesehenem Ruf, aus dem hervorgeht, daß die Emittentin bzw. die Garantin verpflichtet ist oder verpflichtet sein wird, die betreffenden zusätzlichen Beträge als Folge der entsprechenden Änderung zu zahlen.

Bei Ablauf einer solchen in der Rückzahlungsmittelteilung angegebenen Frist ist die Emittentin verpflichtet, die Schuldverschreibungen gemäß diesem § 5 (2) zurückzuzahlen.

(3) In § 5 (2) haben die folgenden Begriffe die ihnen nachstehend zugewiesene Bedeutung:

- (a) ein „gross-up Ereignis“ liegt vor, wenn
 - (i) (aa) die Emittentin verpflichtet ist oder verpflichtet sein wird, zusätzliche Beträge, wie in § 7

(4) The Bonds shall cease to bear interest from the beginning of the day they are due for redemption. If the issuer shall fail to redeem the Bonds when due, interest shall continue to accrue on the outstanding principal amount of the Bonds beyond the due date until actual redemption of the Bonds. The applicable rate of interest will be determined in accordance with this § 4.

§ 5

Redemption and Purchase

(1) Scheduled redemption

Unless previously redeemed, or purchased and cancelled as provided below, the Bonds will be redeemed at their principal amount on the Floating Interest Payment Date falling in March 2031, together with interest accrued to that date including all outstanding Arrears of Interest.

(2) Redemption for tax reasons

If prior to 14 March 2011 either a Gross-up Event or a Tax Event occurs, the Bonds may be redeemed at the option of the Issuer (in whole but not in part) on any Fixed Interest Payment Date, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with § 12 (which notice will be irrevocable and will oblige the Issuer to redeem the Bonds at their Early Redemption Amount) provided that in the case of a Gross-up Event:

- (a) no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay the additional amounts in question if a payment in respect of the Bonds were then due or (as the case may be) a demand for payment was then duly made under the Guarantee; and
- (b) prior to the giving of any such notice of redemption, the Issuer will deliver or procure that there is delivered to the Fiscal Agent:
 - (i) a certificate signed by any two directors of the Issuer stating that the Issuer is entitled to effect that redemption and setting out a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
 - (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or the Guarantor (as the case may be) has or will become obliged to pay the additional amounts in question as a result of the relevant change or amendment.

Upon the expiry of any such notice of redemption, the Issuer will be bound to redeem the Bonds in accordance with this § 5 (2).

(3) In § 5 (2):

- (a) "Gross-up Event" means:
 - (i) (aa) the Issuer has or will become obliged to pay additional amounts as provided or referred

beschrieben, als Folge einer Änderung der Gesetze (oder von Bestimmungen und Vorschriften unter diesen Gesetzen) des Großherzogtums Luxemburg oder einer seiner Gebietskörperschaften oder Behörden mit der Befugnis zur Erhebung von Steuern, oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung dieser Gesetze, Bestimmungen oder Vorschriften zu zahlen, wenn diese Änderung oder Durchführung an oder nach dem 14. März 2001 wirksam wird; und

(bb) die Emittentin diese Verpflichtung nicht durch das Ergreifen angemessener Maßnahmen vermeiden kann; oder

(ii) (aa) die Garantin verpflichtet ist oder verpflichtet sein wird, zusätzliche Beträge als Folge einer Änderung der Gesetze (oder von Bestimmungen und Vorschriften unter diesen Gesetzen) der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder Behörden mit der Befugnis zur Erhebung von Steuern, oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung dieser Gesetze, Bestimmungen oder Vorschriften zu zahlen, wenn diese Änderung oder Durchführung an oder nach dem 14. März 2001 wirksam wird; und

(bb) die Garantin diese Verpflichtung nicht durch das Ergreifen angemessener Maßnahmen vermeiden kann.

(b) Ein „Steuerereignis“ liegt vor, wenn

(i) (aa) der Emissionsstelle ein Gutachten eines anerkannten Steuerberaters, der über Erfahrung in diesen Angelegenheiten verfügt, übergeben worden ist, aus dem hervorgeht, daß an oder nach dem 14. März 2001 als Folge von:

(aaa) einer Änderung der Gesetze (oder von Vorschriften unter diesen Gesetzen) des Großherzogtums Luxemburg oder einer seiner Steuerbehörden, die an oder nach dem 14. März 2001 erlassen, verkündet oder wirksam wird;

(bbb) einer Änderung der offiziellen Auslegung solcher Gesetze oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht, eine Regierungsstelle oder eine Aufsichtsbehörde (einschließlich des Erlasses von Gesetzen sowie der Bekanntmachung gerichtlicher oder aufsichtsrechtlicher Entscheidungen), die an oder nach dem 14. März 2001 erlassen, verkündet oder wirksam wird; oder

(ccc) einer allgemein anwendbaren offiziellen Auslegung oder Verkündung, die an oder nach dem 14. März 2001 erlassen oder verkündet wird, und nach der die Rechtslage im Hinblick auf diese Gesetze oder Vorschriften von der früheren allgemein anerkannten Rechtslage abweicht,

Zinsen, die von der Emittentin in bezug auf die Schuldverschreibungen zahlbar sind, von der Emittentin nicht mehr für die Zwecke der Luxemburger Einkommensteuer abzugsfähig sind, bzw. innerhalb von 90 Tagen nach

to in § 7 as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of the Grand-Duchy of Luxembourg or any political subdivision or any authority of or in the Grand-Duchy of Luxembourg that has power to tax, or any change in or amendment to any official interpretation or application of those laws or rules or regulations which amendment, change or execution is enacted, promulgated, issued or becomes effective on or after 14 March 2001; and

(bb) that obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (aa) the Guarantor has or will become obliged to pay additional amounts as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of the Federal Republic of Germany or any political subdivision or any authority of or in the Federal Republic of Germany that has power to tax, or any change in or amendment to any official interpretation or application of those laws or rules or regulations which amendment, change or execution is enacted, promulgated, issued or becomes effective on or after 14 March 2001; and

(bb) that obligation cannot be avoided by the Guarantor taking reasonable measures available to it.

(b) “Tax Event” means:

(i) (aa) an opinion of a recognised independent tax counsel experienced in such matters has been delivered to the Fiscal Agent, stating that on or after 14 March 2001, as a result of:

(aaa) any amendment to, or change in, the laws (or any regulations thereunder) of the Grand-Duchy of Luxembourg or any taxing authority thereof or therein which is enacted, promulgated, issued or effective on or after 14 March 2001;

(bbb) any amendment to, or change in, an official interpretation of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or effective on or after 14 March 2001; or

(ccc) any generally applicable official interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the previous generally accepted position which is issued or announced on or after 14 March 2001,

interest payable by the Issuer in respect of the Bonds is no longer, or within 90 days of the date of that opinion will no longer be, deductible by the Issuer for Luxembourg income tax purposes; and

- dem Datum dieses Gutachtens nicht mehr abzugsfähig sein werden; und
- (bb) die Emittentin dieses Risiko nicht durch das Ergreifen angemessener Maßnahmen vermeiden kann; oder
- (ii) (aa) der Emissionsstelle ein Gutachten eines anerkannten Steuerberaters, der über Erfahrung in diesen Angelegenheiten verfügt, übergeben worden ist, aus dem hervorgeht, daß an oder nach dem 14. März 2001 als Folge von:
- (aaa) einer Änderung der Gesetze (oder von Vorschriften unter diesen Gesetzen) der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder Steuerbehörden, die an oder nach dem 14. März 2001 erlassen, verkündet oder wirksam wird;
- (bbb) einer Änderung der offiziellen Auslegung solcher Gesetze oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht, eine Regierungsstelle oder eine Aufsichtsbehörde (einschließlich des Erlasses von Gesetzen sowie der Bekanntmachung gerichtlicher oder aufsichtsrechtlicher Entscheidungen), die an oder nach dem 14. März 2001 erlassen, verkündet oder wirksam wird; oder
- (ccc) einer allgemein anwendbaren offiziellen Auslegung oder Verkündung, die an oder nach dem 14. März 2001 erlassen oder verkündet wird, und nach der die Rechtslage im Hinblick auf diese Gesetze oder Vorschriften von der früheren allgemein anerkannten Rechtslage abweicht,
- daß Beträge, die von der Garantin unter der Garantie in bezug auf Zinsen auf die Schuldverschreibungen zahlbar sind, von der Garantin nicht mehr für die Zwecke der deutschen Einkommensteuer abzugsfähig sind, bzw. innerhalb von 90 Tagen nach dem Datum dieses Gutachtens nicht mehr abzugsfähig sein werden; und
- (bb) die Garantin dieses Risiko nicht durch das Ergreifen angemessener Maßnahmen vermeiden kann.
- (c) Der „vorzeitige Rückzahlungsbetrag“ ist entweder der Nennbetrag der Schuldverschreibungen oder der abgezinste Marktpreis (wie nachstehend definiert) der Schuldverschreibungen (wobei jeweils auf den größeren Betrag abzustellen ist), in jedem dieser Fälle zugänglich bis zum Rückzahlungstag (ausschließlich) aufgelaufener Zinsen, und sämtlicher ausstehender Zinsrückstände.
- Der „abgezinste Marktpreis“ wird von der Berechnungsstelle errechnet und entspricht der Summe der auf den Rückzahlungstag abgezinsten Werte (i) des Nennbetrags der Schuldverschreibungen und (ii) der bis 14. März 2011 (ausschließlich) noch erfolgenden Zinszahlungen.
- Die „abgezinsten Werte“ werden von der Berechnungsstelle errechnet, indem der Nennbetrag der Schuldverschreibungen und bis 14. März 2011 verbleibende Zinszahlungen auf die Schuldverschreibungen auf jährlicher Basis abgezinst werden, unter der Zinsgrundelegung eines Jahres mit 360 Tagen bestehend
- (bb) that risk cannot be avoided by the Issuer taking reasonable measures available to it; or
- (ii) (aa) an opinion of a recognised independent tax counsel experienced in such matters has been delivered to the Fiscal Agent, stating that on or after 14 March 2001, as a result of:
- (aaa) any amendment to, or change in, the laws (or any regulations thereunder) of the Federal Republic of Germany or any political subdivision or taxing authority thereof or therein which is enacted, promulgated, issued or effective on or after 14 March 2001;
- (bbb) any amendment to, or change in, an official interpretation or application of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or effective on or after 14 March 2001; or
- (ccc) any generally applicable official interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the previous generally accepted position which is issued or announced on or after 14 March 2001,
- any amount payable by the Guarantor under the Guarantee in respect of interest on the Bonds is no longer, or within 90 days of the date of that opinion will no longer be, deductible by the Guarantor for German income tax purposes; and
- (bb) that risk cannot be avoided by the Guarantor taking reasonable measures available to it.
- (c) The “Early Redemption Amount” will be calculated as the greater of the principal amount of the Bonds and the Make-Whole Amount (as defined below) of the Bonds, in each case plus accrued interest until the date of redemption (exclusive) and all outstanding Arrears of Interest.
- The “Make-Whole Amount” will be calculated by the Calculation Agent, and will equal the sum of the Present Values on the date of redemption of (i) the principal amount of the Bonds and (ii) the remaining scheduled payments of interest on the Bonds to 14 March 2011 (exclusive).
- The “Present Values” will be calculated by the Calculation Agent by discounting the principal amount of the Bonds and the remaining interest payments to 14 March 2011 on an annual basis, assuming a 360-day year consisting of twelve 30-day months and using the Adjusted Comparable Yield (as defined below) plus 0.80 %.

aus 12 Monaten zu 30 Tagen und der angepaßten vergleichbaren Rendite (wie nachstehend definiert) zuzüglich 0,80 %.

Die „angepaßte vergleichbare Rendite“ entspricht der am Rückzahlungstag bestehenden Rendite einer von der Berechnungsstelle ausgewählten Euro Benchmark Anleihe mit einer mit dem verbleibenden Zeitraum bis 14. März 2011 vergleichbaren Laufzeit. Dabei handelt es sich um die Rendite einer Euro Benchmark Anleihe, die im Zeitpunkt der Auswahlentscheidung und entsprechend der üblichen Finanzmarktpraxis zur Preisbestimmung bei Neuemissionen von Unternehmensanleihen mit einer mit dem Zeitraum bis 14. März 2011 vergleichbaren Laufzeit verwendet würde.

(4) Rückzahlung nach Wahl der Emittentin

Die Emittentin kann die Schuldverschreibungen am 14. März 2011 oder an jedem nachfolgenden variabel verzinslichen Zinszahlungstag vollständig und nicht in Teilbeträgen nach Benachrichtigung der Anleihegläubiger gemäß § 12 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 45 Tagen zum Nennbetrag zuzüglich sämtlicher bis zum Rückzahlungstag (ausschließlich) aufgelaufener Zinsen und sämtlicher ausstehenden Zinsrückstände zurückzahlen.

Eine solche Mitteilung gemäß § 12 ist unwiderruflich, und verpflichtet die Emittentin, die Schuldverschreibungen an dem in dieser Mitteilung angegebenen fest oder variabel verzinslichen Zinszahlungstag zu ihrem Nennbetrag, nebst Zinsen, die bis zu diesem Tag aufgelaufen sind, einschließlich sämtlicher ausstehenden Zinsrückstände zurückzahlen.

(5) Keine sonstige Rückzahlung

Die Emittentin ist nicht berechtigt, die Schuldverschreibungen auf eine andere als auf die in den § 5 (1), 5 (2) oder 5 (4) beschriebene Weise zurückzuzahlen.

(6) Rückkauf

Die Emittentin, die Garantin oder jede ihrer jeweiligen Tochtergesellschaften kann jederzeit Schuldverschreibungen auf dem freien Markt oder anderweitig sowie zu jedem beliebigen Preis zurückkaufen.

§ 6 Zahlungen

(1) Die Emittentin verpflichtet sich, Kapital und Zinsen bei Fälligkeit in Euro zu zahlen. Die Zahlung von Kapital und Zinsen erfolgt an die Emissionsstelle zur Weiterleitung an die Clearing-Systeme oder deren Order zur Gutschrift für die jeweiligen Kontoinhaber gegen Vorlage und (sofern es sich um die Kapitalrückzahlung handelt) Einreichung der endgültigen Globalurkunde. Die Zahlung an die Clearing-Systeme oder deren Order befreit die Emittentin in Höhe der geleisteten Zahlung von ihren entsprechenden Verbindlichkeiten aus den Schuldverschreibungen.

(2) Falls ein Fälligkeitstag für die Zahlung von Kapital und/oder Zinsen kein Geschäftstag ist, erfolgt Zahlung erst am nächstfolgenden Geschäftstag; der Anleihegläubiger ist nicht berechtigt, Zinsen oder eine andere Entschädigung wegen eines solchen Zahlungsaufschubs zu verlangen.

In diesen Anleihebedingungen bezeichnet „Geschäftstag“ einen Tag (außer einem Samstag oder Sonntag), an dem Banken in Frankfurt am Main sowie die Clearing-Systeme Zahlungen abwickeln.

§ 7 Besteuerung

Sämtliche Zahlungen von Kapital und Zinsen in Bezug auf die Schuldverschreibungen (einschließlich Zahlungen der

The “Adjusted Comparable Yield” will be the yield at the date of redemption on the euro benchmark security selected by the Calculation Agent as having a maturity comparable to the remaining term of the Bonds to 14 March 2011 that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to 14 March 2011.

(4) Redemption at the option of the Issuer

The Issuer may redeem the Bonds (in whole but not in part) on 14 March 2011 or on any subsequent Floating Interest Payment Date at their principal amount plus any interest accrued until the redemption date (exclusive) and all outstanding Arrears of Interest to the date of redemption on giving not less than 30 nor more than 45 days’ notice to the Bondholders in accordance with § 12.

Such notice pursuant to § 12 will be irrevocable and will oblige the Issuer to redeem the Bonds on the Fixed Interest Payment Date or Floating Interest Payment Date specified in that notice at the principal amount plus accrued interest to that date, including all outstanding Arrears of Interest.

(5) No other redemption

The Issuer will not be entitled to redeem the Bonds otherwise than as provided in § 5 (1), 5 (2) or 5 (4).

(6) Purchase

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price.

§ 6 Payments

(1) The Issuer undertakes to pay, as and when due, principal and interest on the Bonds in euro. Payment of principal and interest on the Bonds shall be made to the Fiscal Agents for on-payment to the Clearing Systems or to their order for credit to the respective account holders upon presentation and (in the case of the payment of principal) surrender of the Permanent Global Bond. Payments to the Clearing Systems or to their order shall to the extent of amounts so paid constitute the discharge of the Issuer from its corresponding liabilities under the Bonds.

(2) If the due date for any payment of principal and/or interest is not a Business Day, payment shall be effected only on the next Business Day, and the Bondholder shall have no right to claim payment of any interest or other indemnity in respect of such delay in payment.

In these Terms and Conditions of the Bonds “Business Day” means a day (other than a Saturday or a Sunday) on which banks in Frankfurt am Main as well as the Clearing Systems settle payments.

§ 7 Taxation

All payments of principal and interest in respect of the Bonds (including payments by the Guarantor under the

Garantin unter der Garantie) werden ohne Einbehalt oder Abzug von Steuern, Abgaben, Festsetzungen oder behördlicher Gebühren jedweder Art geleistet, die vom Großherzogtum Luxemburg bzw. der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder Behörden mit der Befugnis zur Erhebung von Steuern auferlegt, erhoben, eingezogen, einbehalten oder festgesetzt werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In einem solchen Falle wird die Emittentin bzw. die Garantin solche zusätzlichen Beträge zahlen, die dazu führen, daß die Anleihegläubiger die Beträge erhalten, die sie erhalten hätten, wenn kein solcher Einbehalt oder Abzug erforderlich gewesen wäre. Diese zusätzlichen Beträge sind jedoch nicht in bezug auf Schuldverschreibungen zahlbar, die

- (a) von einem Anleihegläubiger oder in dessen Namen zur Zahlung vorgelegt werden, der solchen Steuern, Abgaben, Festsetzungen oder behördlichen Gebühren in bezug auf diese Schuldverschreibungen dadurch unterliegt, daß er eine Verbindung zum Großherzogtum Luxemburg oder der Bundesrepublik Deutschland hat, die nicht nur aus der bloßen Inhaberschaft von Schuldverschreibungen besteht; oder
- (b) einer Zahlstelle zur Zahlung vorgelegt werden, wenn die Vorlegung bei einer anderen Zahlstelle nicht zu einem solchen Einbehalt oder Abzug geführt hätte; oder
- (c) später als 30 Tage nach dem Stichtag vorgelegt werden, nicht jedoch soweit der jeweilige Anleihegläubiger Anspruch auf solche zusätzlichen Beträge gehabt hätte, wenn er die Schuldverschreibungen oder Zinscheine am letzten Tage dieses 30-Tage-Zeitraums vorgelegt hätte; oder
- (d) für den Fall von Einbehalten und Abzügen bei Zahlungen an Einzelpersonen, die aufgrund einer Richtlinie der Europäischen Union zur Besteuerung privater Zinserträge erfolgen, die die Beschlüsse der Versammlung des Rates der Wirtschaft- und Finanzminister der Europäischen Union (ECOFIN) vom 26. bis 27. November 2000 umsetzt oder einem Gesetz, das aufgrund dieser Richtlinie erlassen wurde, ihr entspricht oder eingeführt wurde, um dieser Richtlinie nachzukommen.

In diesen Anleihebedingungen ist der „Stichtag“ entweder der Tag, an dem die betreffende Zahlung erstmals fällig wird, oder, falls nicht der gesamte zahlbare Betrag an oder vor diesem Fälligkeitstag bei der Emissionsstelle eingegangen ist, der Tag, an dem (nach Erhalt des Gesamtbetrages) den Anleihegläubigern eine entsprechende Mitteilung in Übereinstimmung mit § 12 gemacht worden ist, wobei der später eintretende Tag maßgeblich ist.

Eine Bezugnahme in diesen Anleihebedingungen auf Kapital oder Zinsen schließt jegliche zusätzlichen Beträge im Hinblick auf Kapital bzw. Zinsen ein, die gemäß diesem § 7 zahlbar sind.

§ 8 Kündigungsgründe

Bei Eintritt eines der nachstehenden Ereignisse kann ein Anleihegläubiger seine Schuldverschreibungen durch schriftliche Mitteilung an die Emittentin und die Garantin, die bei der Emittentin und der Garantin oder bei der angegebenen Geschäftsstelle der Emissionsstelle abgegeben wird, sofort fällig und zahlbar erklären, woraufhin seine Schuldverschreibungen sofort zu ihrem Nennbetrag, zusammen mit aufgelaufenen Zinsen und allen ausstehenden Zinsrückständen, ohne weitere Handlungen oder Formalitäten fällig und zahlbar werden.

Guarantee) will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Grand-Duchy of Luxembourg or the Federal Republic of Germany (as the case may be) or any political subdivision or any authority of or in the Grand-Duchy of Luxembourg or the Federal Republic of Germany (as the case may be) that has power to tax, unless that withholding or deduction is required by law. In that event, the Issuer or the Guarantor (as the case may be) will pay such additional amounts as will result in receipt by the Bondholders of the same amounts as they would have received if no such withholding or deduction had been required, except that no additional amounts will be payable in respect of any Bond if it is presented for payment:

- (a) by or on behalf of a Bondholder which is liable to such taxes, duties, assessments or governmental charges in respect of that Bond by reason of its having some connection with the Grand-Duchy of Luxembourg or the Federal Republic of Germany (as the case may be) other than the mere holding of that Bond; or
- (b) to a Paying Agent where presentation to another Paying Agent would not have resulted in such withholding or deduction; or
- (c) more than 30 days after the Relevant Date except to the extent that the relevant Bondholder would have been entitled to such additional amounts if it had presented that Bond on the last day of that period of 30 days; or
- (d) if such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the European Union's Economic and Finance Ministers (ECOFIN) Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

In these Terms and Conditions of the Bonds, "Relevant Date" means whichever is the later of the date on which the payment in question first becomes due and, if the full amount payable has not been received by the Fiscal Agent on or prior to that due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders in accordance with § 12.

Any reference in these Terms and Conditions of the Bonds to principal or interest will be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this § 7.

§ 8 Events of Default

If any of the events below occurs then any Bond may, by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the specified office of the Fiscal Agent, be declared immediately due and payable, whereupon such Bonds will become immediately due and payable at their principal amount together with accrued interest including all outstanding Arrears of Interest without further action or formality.

(a) Nichtzahlung

Die Emittentin zahlt Zinsbeträge in bezug auf die Schuldverschreibungen nicht innerhalb von fünf Geschäftstagen (wie in § 6 (2) definiert) nach Fälligkeit oder zahlt Kapitalbeträge in bezug auf die Schuldverschreibungen nicht bei Fälligkeit; oder

(b) Insolvenz, etc.:

- (i) Ein Insolvenzverfahren wird gegen die Emittentin oder die Garantin eröffnet und nicht innerhalb von 30 Tagen eingestellt oder ausgesetzt, oder die Emittentin oder die Garantin die Eröffnung eines solchen Verfahrens beantragt oder ihre Zahlungen einstellt oder einen allgemeinen Vergleich zugunsten ihrer Gläubiger anbietet oder einen solchen durchführt; oder
- (ii) die Emittentin oder die Garantin geht in die Liquidation (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. der die Emittentin oder die Garantin noch zahlungsfähig sind); oder

(c) Entsprechende Ereignisse

Ein Ereignis tritt ein, das nach dem Recht eines zuständigen Staates jenen der in obiger Bestimmung des § 8 (b) beschriebenen entspricht; oder

(d) Unwirksamkeit der Garantie

Die Garantie ist nicht vollumfänglich wirksam (oder die Garantin behauptet dies).

(a) Non-payment

Failure to pay any amount of interest in respect of the Bonds within five Business Days (as defined in § 6 (2)) of the due date for payment of that amount or failure to pay any amount of principal in respect of the Bonds on the due date for payment of that amount; or

(b) Bankruptcy etc:

- (i) bankruptcy or insolvency proceedings are commenced against the Issuer or the Guarantor and are not dismissed or stayed within 30 days or the Issuer or the Guarantor institutes such proceedings or suspends payments or offers or makes a general arrangement for the benefit of its creditors; or
- (ii) the Issuer or the Guarantor enters into liquidation (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(c) Analogous event

Any event occurs which under the laws of any competent jurisdiction has an analogous effect to any of the events referred to in § 8 (b); or

(d) Guarantee not in force

The Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect.

**§ 9
Verjährung**

Die Vorlegungsfrist für die Schuldverschreibungen wird auf zehn Jahre verkürzt. Die Emittentin kann bei dem Amtsgericht in Frankfurt am Main innerhalb eines Jahres nach dem Stichtag unwiderruflich sämtliche Beträge hinterlegen, die nicht von Anleihegläubigern beansprucht worden sind. Die Gefahr sowie die Kosten für diese Hinterlegung werden von den betreffenden Anleihegläubigern getragen. Die Emittentin hat keine weiteren Verpflichtungen in bezug auf diese Beträge.

**§ 9
Prescription**

The period for presentation of the Bonds will be reduced to 10 years. The Issuer may irrevocably deposit with the local court (*Amtsgericht*) in Frankfurt am Main any amounts not claimed by the Bondholders within one year of the Relevant Date. The deposit will be at the risk and expense of those Bondholders and the Issuer will have no further obligation in respect of those amounts.

**§ 10
Zahl- und Berechnungsstellen**

Die Zahlstellen und die Berechnungsstelle handeln ausschließlich als Vertreter der Emittentin und der Garantin und übernehmen keine Verpflichtungen gegenüber den Anleihegläubigern; es wird kein Vertrags-, Auftrags- oder Treuhandverhältnis zwischen ihnen und den Anleihegläubigern begründet.

Die anfänglichen Zahlstellen und die Berechnungsstelle und ihre anfänglich angegebenen Geschäftsstellen sind nachfolgend aufgeführt. Die Emittentin und die Garantin behalten sich das Recht vor, jederzeit die Ernennung einer Zahlstelle oder der Berechnungsstelle zu verändern oder zu beenden und zusätzliche oder Nachfolge-Zahlstellen zu ernennen. Dies setzt jedoch voraus, daß die Emittentin und die Garantin jederzeit eine Emissionsstelle oder eine Zahlstelle (bei der es sich um die Emissionsstelle handeln kann) in Luxemburg unterhalten. Den Anleihegläubigern werden Änderungen in bezug auf die Zahlstellen oder die Berechnungsstelle oder ihre angegebenen Geschäftsstellen umgehend gemäß § 12 mitgeteilt.

**§ 10
Paying and Calculation Agents**

The Paying Agents and Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of contract, agency or trust for or with any of the Bondholders.

The initial Paying Agents and Calculation Agent and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying or Calculation Agent and to appoint successor or additional Paying Agents; provided that the Issuer and the Guarantor will at all times maintain a Fiscal Agent or a Paying Agent in Luxembourg (which may be the Fiscal Agent). Notice of any change in the Paying Agents or in the specified office of any Paying or Calculation Agent will promptly be given to the Bondholders in accordance with § 12.

§ 11
Weitere Emissionen

Die Emittentin kann ohne Zustimmung der Anleihegläubiger weitere Schuldverschreibungen begeben, die in jeder Hinsicht die gleichen Bedingungen wie die Schuldverschreibungen dieser Anleihe haben (oder in jeder Hinsicht mit Ausnahme der ersten Zinszahlung), die zusammen mit den Schuldverschreibungen dieser Anleihe eine einzige Serie bilden.

§ 12
Mitteilungen

Sämtliche Mitteilungen an die Anleihegläubiger gelten als rechtsgültig bekanntgegeben, wenn sie in einer führenden Tageszeitung mit allgemeiner Verbreitung in Luxemburg (die voraussichtlich das Luxemburger Wort sein wird) veröffentlicht werden.

§ 13
Anwendbares Recht und Gerichtsstand

(1) Anwendbares Recht

Die Schuldverschreibungen und die Garantie unterliegen dem Recht der Bundesrepublik Deutschland, mit Ausnahme des § 3 (1) der dem Luxemburger Recht unterliegt. Die Bestimmungen der Artikel 86 bis 94-8 des Luxemburger Gesetzes vom 10. August 1915 über Handelsunternehmen in seiner derzeit gültigen Fassung sind nicht anwendbar.

(2) Gerichtsstand

Gerichtsstand für Klagen gegen die Emittentin oder die Garantin, die aus oder im Zusammenhang mit den Schuldverschreibungen bzw. der Garantie entstehen (jeweils „Verfahren“ bzw. „Streitigkeiten“) ist Frankfurt am Main. Dessen ungeachtet bestätigt die Emittentin hiermit ausdrücklich ihr Einverständnis mit diesem § 13 hinsichtlich und in Übereinstimmung mit Artikel 1 des als Anlage zum Brüsseler Übereinkommen über die gerichtliche Zuständigkeit und die Vollstreckung gerichtlicher Entscheidungen in Zivil- und Handelssachen vom 27. September 1968 (in der derzeit gültigen Fassung) beigefügten Luxemburger Protokolls.

(3) Geeigneter Gerichtsstand

Die Emittentin und die Garantin verzichten unwiderruflich darauf, Einwände oder Einreden geltend zu machen, die jetzt oder in Zukunft gegen die Gerichtsstandsvereinbarung vorgebracht werden könnten, und verpflichten sich, nicht zu bestreiten, daß diese Gerichte geeignet oder zuständig sind.

(4) Zustellungsbevollmächtigter

Die Emittentin stimmt zu, daß ihr gerichtliche Verfügungen, durch die Verfahren eingeleitet werden, durch Übergabe am gegenwärtigen Geschäftssitz der Garantin in Deutschland zugestellt werden können.

(5) Nichtausschließlichkeit

Diese Gerichtsstandsvereinbarung beschränkt nicht das Recht eines Anleihegläubigers (und wird auch nicht dahingehend ausgelegt), Verfahren vor einem anderen zuständigen Gericht anzustrengen. Ebensowenig schließt die Einleitung von Verfahren an einem oder mehreren Gerichtsständen die Einleitung von Verfahren an einem anderen Gerichtsstand aus (gleichgültig, ob diese gleichzeitig geführt werden oder nicht), falls und soweit dies rechtlich zulässig ist.

§ 11
Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Bonds.

§ 12
Notices

Notices to the Bondholders will be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort).

§ 13
Governing Law and Jurisdiction

(1) Governing law

The Bonds and the Guarantee are governed by the laws of the Federal Republic of Germany, except that § 3 (1) is governed by the laws of Luxembourg. The provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 concerning commercial companies, as amended, shall not apply to the Bonds.

(2) Jurisdiction

The Issuer and the Guarantor, respectively, agree for the benefit of the Bondholders that the courts of Frankfurt am Main will have jurisdiction to hear and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with the Bonds or the Guarantee (respectively, „Proceedings“ and „Disputes“) and, for that purpose, the Issuer and the Guarantor irrevocably submit to the jurisdiction of the courts of Frankfurt am Main. Without prejudice to the foregoing, the Issuer expressly confirms its agreement with this § 13 for the purposes of, and in accordance with, article 1 of the Luxembourg Protocol annexed to the Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters signed at Brussels on 27 September 1968, as amended.

(3) Appropriate forum

The Issuer and the Guarantor, respectively, irrevocably waive any objection which it might now or hereafter have to the courts of Frankfurt am Main being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any of those courts is not a convenient or appropriate forum.

(4) Process agent

The Issuer agrees that the process by which any Proceedings are begun may be served on it by being delivered to the Guarantor at its principal office in Germany for the time being.

(5) Non-exclusivity

These submissions to the jurisdiction of the courts of Frankfurt am Main will not (and will not be construed so as to) limit the right of any Bondholder to take Proceedings in any other court of competent jurisdiction, nor will the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

EMISSIONS-/BERECHNUNGSSTELLE

Deutsche Bank Aktiengesellschaft
Große Gallusstraße 10–14
D-60272 Frankfurt am Main

FISCAL AGENT/CALCULATION AGENT

Deutsche Bank Aktiengesellschaft
Grosse Gallusstrasse 10–14
D-60272 Frankfurt am Main

ZAHLSTELLEN

Deutsche Bank Aktiengesellschaft
Große Gallusstraße 10–14
D-60272 Frankfurt am Main

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg

PAYING AGENTS

Deutsche Bank Aktiengesellschaft
Grosse Gallusstrasse 10–14
D-60272 Frankfurt am Main

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg

Der nachfolgende Text ist der rechtsverbindliche Text der Garantie. Änderungen und Ergänzungen dieser Garantie bleiben vorbehalten.

The following is the non-binding translation, subject to completion and amendment, of the Guarantee:

Garantie
(auf nachrangiger Basis)

der

Hannover Rückversicherungs-Aktiengesellschaft
Hannover, Bundesrepublik Deutschland,
zugunsten der Gläubiger der
garantierten nachrangigen fest bzw. variabel
verzinslichen Anleihe von 2001/2031
im Gesamtnennbetrag von € 350,000,000.–
(die „**Schuldverschreibungen**“)

der

Hannover Finance (Luxembourg) S.A.
(die „**Emittentin**“)

Die Hannover Rückversicherungs-Aktiengesellschaft (die „**Garantin**“) gewährleistet hiermit auf nachrangiger Basis unbedingt und unwiderruflich die ordnungsgemäße Zahlung in Euro der Beträge, die dem Kapital und den Zinsen der Schuldverschreibungen entsprechen, nach Maßgabe der Anleihebedingungen (die „**Garantie**“). Die Garantie erfolgt dergestalt, daß die Anleihegläubiger durch diese Garantie unmittelbar das Recht erwerben, von der Garantin die Erfüllung der in dieser Garantie übernommenen Verpflichtungen zu verlangen (echter Vertrag zugunsten Dritter gemäß § 328 BGB). Zahlungen im Zusammenhang mit dieser Garantie erfolgen insbesondere gemäß § 7 der Anleihebedingungen.

Die Verpflichtungen der Garantin aus dieser Garantie sind mit allen anderen nachrangigen Verbindlichkeiten der Garantin zumindest gleichrangig. Im Fall der Auflösung, der Liquidation oder der Insolvenz der Garantin, oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz dienenden Verfahrens gegen die Garantin, gehen die Verbindlichkeiten der Garantin aus dieser Garantie den Ansprüchen dritter Gläubiger der Garantin aus nicht nachrangigen Verbindlichkeiten im Range nach, so daß Zahlungen auf diese Garantie solange nicht erfolgen, wie die Ansprüche dritter Gläubiger der Garantin aus nicht nachrangigen Verbindlichkeiten nicht vollständig befriedigt sind. Kein Anleihegläubiger ist berechtigt, Ansprüche aus den Schuldverschreibungen oder aus dieser Garantie gegen Ansprüche der Garantin aufzurechnen.

Guarantee
(given on a subordinated basis)

by

Hannover Rückversicherungs-Aktiengesellschaft
Hannover, Federal Republic of Germany,
in favour of the holders of the
Guaranteed Subordinated Fixed to Floating Rate
Bonds of 2001/2031 in the
aggregate principal amount of € 350,000,000.–
(the „**Bonds**“)

of

Hannover Finance (Luxembourg) S.A.
(the „**Issuer**“)

Hannover Rückversicherungs-Aktiengesellschaft (the „**Guarantor**“) hereby unconditionally and irrevocably guarantees on a subordinated basis the due payment in euro of the amounts corresponding to the principal of and interest on the Bonds in accordance with the Terms and Conditions of the Bonds (the „**Guarantee**“). This Guarantee is given in such manner that the Bondholders will have a direct right, by virtue of this Guarantee, to demand from the Guarantor the performance of the obligations assumed under this Guarantee (contract for the benefit of a third party pursuant to § 328 BGB (German Civil Code)). Payments under this Guarantee are subject to (without limitation) the provisions of § 7 of the Terms and Conditions of the Bonds.

The obligations of the Guarantor under this Guarantee rank at least *pari passu* with all other subordinated obligations of the Guarantor. In the event of the dissolution, liquidation, bankruptcy, composition or of other proceedings for the avoidance of bankruptcy of the Guarantor, the obligations of the Guarantor under this Guarantee will be subordinated to the claims of all unsubordinated creditors of the Guarantor so that in any such event no amounts shall be payable under the obligations of the Guarantor under this Guarantee until the claims of all unsubordinated creditors of the Guarantor shall have been satisfied in full. No Bondholder may set off its claims arising under the Bonds or under this Guarantee against any claims of the Guarantor.

Für die Rechte der Anleihegläubiger aus den Schuldverschreibungen oder aus dieser Garantie ist diesen keine Sicherheit irgendwelcher Art durch die Garantin oder durch Dritte gestellt; eine solche Sicherheit wird auch zu keinem Zeitpunkt gestellt werden. Nachträglich können weder der Nachrang beschränkt noch die Laufzeit der Garantie auf ein Datum vor dem Fälligkeitstag der nachrangigen Schuldverschreibungen verkürzt werden.

Die Garantin ist nicht berechtigt, Forderungen gegenüber Anleihegläubigern mit den Verpflichtungen aus dieser Garantie aufzurechnen.

Die Garantin erklärt, daß für den Fall von Zahlungen der Emittentin an Anleihegläubiger, die nach erfolgter Zahlung insgesamt oder zum Teil für unwirksam, mißbräuchlich oder anfechtbar erklärt werden und/oder an die Emittentin, die Insolvenzmasse, den Insolvenzverwalter oder an eine andere Partei aufgrund irgendeines Insolvenzrechts oder dessen Auslegung zurückgezahlt werden, diese Garantie in vollem Umfang wie vor dem Zeitpunkt der Zahlungen fortbesteht.

Die Deutsche Bank Aktiengesellschaft, Frankfurt am Main, die diese Garantie annimmt, handelt nicht als Treuhänderin oder in ähnlicher Eigenschaft für die Anleihegläubiger. Die Deutsche Bank Aktiengesellschaft verpflichtet sich, das Original dieser Garantie bis zur Erfüllung der Verpflichtungen aus den Schuldverschreibungen und dieser Garantie in Verwahrung zu halten.

Die Rechte und Pflichten aus dieser Garantie bestimmen sich in jeder Hinsicht nach deutschem Recht. Erfüllungsort und nicht-ausschließlicher Gerichtsstand ist Frankfurt am Main.

Hannover, im März 2001

Hannover Rückversicherungs-Aktiengesellschaft

Deutsche Bank Aktiengesellschaft

No security of whatever kind is, or shall at any time be, provided by the Guarantor or any other person securing rights of the Bondholders under the Bonds or under this Guarantee. No subsequent agreement may limit the subordination pursuant to the provisions set out in this paragraph or shorten the term of this Guarantee to a date prior to the maturity of the Subordinated Bonds.

The Guarantor may not set off any claims it may have against any Bondholder against any of its obligations under this Guarantee.

The Guarantor further agrees that to the extent that the Issuer makes a payment or payments to the Bondholders, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, and/or required to be repaid to the Issuer or its estate, trustee, receiver, or any other party under any bankruptcy law, or officially binding interpretation thereof, then to the extent of such payment or repayment, this Guarantee and the advances or part thereof that have been paid, reduced, or satisfied by such amount shall be reinstated and continued in full force and effect as of the date such initial payment, reduction, or satisfaction occurred.

Deutsche Bank Aktiengesellschaft, Frankfurt am Main, which accepts this Guarantee, does not act in a fiduciary or similar capacity for the Bondholders. Deutsche Bank Aktiengesellschaft agrees to hold the original copy of this Guarantee in custody until all obligations under the Bonds and this Guarantee have been fulfilled.

The rights and obligations arising from this Guarantee shall in all respects be determined in accordance with German law. Place of performance and non-exclusive place of jurisdiction shall be Frankfurt am Main.

Hannover, in March 2001

Hannover Rückversicherungs-Aktiengesellschaft

Deutsche Bank Aktiengesellschaft

Description of the Issuer

Hannover Finance (Luxembourg) S.A. (the "Issuer") was incorporated as a public limited liability company (*société anonyme*) for an unlimited duration on 8 February 2001 in the Grand-Duchy of Luxembourg. It has its registered office at 25A, Boulevard Royal, L-2449 Luxembourg.

The Issuer is registered with the trade and companies register at the district court of Luxembourg under number B 80692 and its articles of incorporation are in the process of being published in the *Mémorial C, Recueil des Sociétés et Associations* of the Grand-Duchy of Luxembourg.

According to its articles of incorporation, the main corporate objects of the Issuer are the holding of participations in Luxembourg or foreign companies and the issue of debt securities of any kind (including on a subordinated basis) and the taking of loans under whatever form.

The annual general meeting of the shareholders of the Issuer takes place on the second Wednesday of June at 11.00 a. m. at the registered office of the Issuer.

The financial year of the Issuer is the calendar year.

The company has a board of directors ("*Verwaltungsrat*") consisting of three directors. The Issuer has no employees.

The board of directors consists of:

- a. Mr. Wilhelm Zeller,
- b. Mr. Herbert Haas, and
- c. Mr. Dietmar Stenzel.

In addition to being the directors of the Issuer, Wilhelm Zeller and Herbert Haas are also members of the Executive Boards of the Guarantor and of certain other members of the Hannover Re Group.

KPMG Audit have been appointed to act as statutory auditors ("*Kommissar*") to the Issuer.

The issued paid-in capital of Hannover Finance (Luxembourg) S.A. of EUR 200,000 consists of 200 registered shares with par value of EUR 1,000 per share. Together with a capital reserve (*Emissions-agio*) of EUR 300,000, the total capital amounts to EUR 500,000. 199 of the 200 shares are held by the Guarantor, one share is held by Dietmar Stenzel, who is one of the three directors of the Issuer.

The following table sets forth:

(i) the capitalisation of the Issuer (unaudited) as at 8 February 2001; and

(ii) the pro forma capitalisation of the Issuer adjusted to reflect the issuance of the Bonds and the application of the proceeds thereof:

Capitalisation as of 8 February 2001 ⁽¹⁾

	(i) Actual	(ii) Pro forma as adjusted
	(€ thousand)	
Paid-in capital	200	200
Capital reserve	300	300
Bonds to be issued	—	350,000
	<u>500</u>	<u>350,500</u>

⁽¹⁾ Save as disclosed above, there has been no material change to the capitalisation of the Issuer since 8 February 2001.

Description of the Guarantor

Hannover Rückversicherungs-Aktiengesellschaft and its subsidiaries (together the “Hannover Re Group”), is the fifth largest professional reinsurer in the world based upon net premiums written. It transacts all lines of property/casualty and life/health reinsurance and maintains business relations with over 2,000 insurance companies in more than 100 countries.

Hannover Rückversicherungs-Aktiengesellschaft

Incorporation, Corporate Seat, Duration Corporate Purpose and Regulation

Hannover Rückversicherungs-Aktiengesellschaft (“Hannover Re”) was founded as a stock corporation in 1966 in Bochum under the name “Aktiengesellschaft für Transport- und Rückversicherung”. The founders of Hannover Re were Feuerschadenverband Rheinisch-Westfälischer Zechen V.a.G., Haftpflichtverband der Deutschen Industrie V.a.G., Haftpflicht-Unterstützungs-Kasse kraftfahrender Beamter Deutschlands a.G., Schadensschutzverband GmbH and Westfalen Bank AG. The major shareholders of Hannover Re, namely Feuerschadenverband Rheinisch-Westfälischer Zechen V.a.G. and Haftpflichtverband der Deutschen Industrie V.a.G., later merged to form HDI Haftpflichtverband der Deutschen Industrie V.a.G. (“HDI”), which now indirectly holds the shares of Hannover Re through Talanx Aktiengesellschaft.

The registered office of Hannover Re is at Karl-Wiechert-Allee 50, 30625 Hannover, Germany. Hannover Re is registered with the Commercial Register of the Local Court (Amtsgericht) Hannover under the registration number HRB 6778. The corporate purpose of Hannover Re, as stated in its Articles of Association, is to pursue activities in the reinsurance business. Hannover Re may also engage in other insurance businesses.

The duration of Hannover Re is unlimited.

Announcements of Hannover Re are published in the Federal Gazette of Germany (*Bundesanzeiger*).

Insurance companies which exclusively transact reinsurance business and which are not mutual companies are, to a limited extent, subject to the supervision of the *Bundesaufsichtsamt für das Versicherungswesen* (BAV). Their duties towards the BAV mainly consist of the provision of information.

Share Capital, Shares and Dividends

Share Capital

As of 30 June 2000, the issued share capital of Hannover Re amounted to € 75,492,795.90, consisting of 29,530,215 ordinary registered shares without par value (*Stückaktien*). All shares are fully paid up and have the same voting right.

Hannover Re has an aggregate authorised share capital (*genehmigtes Kapital*) of € 20,766,937.82. In general, the shareholders have pre-emptive rights with respect to newly issued shares under the authorised share capital. However, the Board of Management, with the consent of the Supervisory Board, may exclude the pre-emptive rights with respect to an amount of € 766,937.82 as well as with respect to fractional amounts.

Hannover Re also has issued *Genussscheine* (surplus debentures) in an aggregate principal amount of DM 150 million (€ 76.7 million). The holders of the *Genussscheine* have a claim for an annual distribution of 7.55% on the principal amount, payable out of the profits of Hannover Re. The distribution on the *Genussscheine* for a specific financial year as well as any arrears on the *Genussscheine* both have to be paid before a dividend may be distributed to the shareholders.

The ordinary shareholders' meeting of 20 July 2000, authorised Hannover Re to acquire up to 10 % of its own shares.

Shares

75 % of the issued share capital of Hannover Re is held by Talanx Aktiengesellschaft. The remaining 25 % is publicly held. The shares of Hannover Re are listed for trading on the Frankfurt and Hannover Stock Exchanges. The shares are represented by a global share certificate which has been deposited with Clearstream Banking AG, Frankfurt am Main. The shareholders are not entitled to request the delivery of share certificates. In December 2000 Talanx Aktiengesellschaft has issued Notes exchangeable for ordinary registered shares with no par value of Hannover Re. If the Noteholders exercise their exchange option in full, only 70 % of Hannover Re's shares will be held by Talanx Aktiengesellschaft.

The ordinary annual general meeting of Hannover Re's shareholders takes place at least once a year and passes resolutions regarding the allocation and distribution of profits and the discharge of responsibilities of the Board of Management and the Supervisory Board. The meeting takes place within the first fourteen months after the end of the financial year and is called by the Board of Management. To attend and vote, shareholders must be registered in the share register of Hannover Re and give advanced notice of their intention to attend and vote. The announcement of a shareholders' meeting must be published in the Federal Gazette of Germany (*Bundesanzeiger*).

Dividends

Dividends are proposed by the Supervisory Board and Board of Management, and are approved at the annual general meeting of shareholders. If approved, dividends are paid once a year promptly following the general meeting. Dividends may be declared and paid from the balance sheet profit (*Bilanzgewinn*) only, as shown in the annual financial statements. The annual financial statements are adopted and approved by resolution of the Board of Management and the Supervisory Board. In determining the distributable balance sheet profits, the Board of Management and the Supervisory Board are authorised to allocate to other revenue reserves (*andere Gewinnrücklagen*) up to 50 % of the net income (*Jahresüberschuss*) that remains after deduction of amounts to be allocated to the statutory reserves and losses carried forward. The annual general meeting which resolves on the distribution of profits is entitled to allocate additional amounts to the profit reserves and to carry forward the profits in part or in full.

For the last three financial years, Hannover Re has paid the following dividends on fully paid up shares (1997 and 1998 figures have been converted to Euro at the official conversion rate fixed in accordance with the EC Treaty):

Dividends per share (Hannover Re)	Dividend €
1997.....	1.74
1998.....	1.94
1999.....	2.05

Capitalisation

The following table shows the unaudited capitalisation of Hannover Re Group as of 30 June 2000:

	30 June 2000 US GAAP € '000s
Capitalisation (Hannover Re Group) ⁽¹⁾	
Subscribed capital	75,493
Capital reserves	201,794
Revenue reserves	956,740
Balance sheet profit	46,285
Total shareholders' equity	1,280,312
Surplus debentures	117,597
Notes payable	415,909
Total capitalisation	1,813,818

⁽¹⁾ Save as disclosed above, there has been no material change to the capitalisation of Hannover Re since 30 June 2000.

The Hannover Re Group

The Hannover Re Group consists of Hannover Re and its subsidiary holdings. Hannover Re conducts its own reinsurance business and also operates as a holding company, performing management and control functions within the Hannover Re Group. As of 31 December 1999, total assets of the Hannover Re Group amounted to € 19.4 billion (1998: € 14.3 billion). As of 30 June 2000, total assets of the Hannover Re Group amounted to € 21.2 billion. The average total number of the Hannover Re Group's employees in 1999 was 1,518 (1998: 1,081). The increase by 437 employees was mainly due to the acquisition of the Clarendon Insurance Group, New York ("Clarendon"), which became effective on 1 January 1999. As of 31 December 1999, the Hannover Re Group globally employed a total of 1,534 employees, consisting of 696 in Germany, 407 in the US, 149 in South Africa, 49 in the UK and Ireland and 233 in other countries.

All major domestic and foreign subsidiaries of Hannover Re are included in the Hannover Re Group's consolidated financial statements. Two minority-owned foreign subsidiaries are accounted for "at equity" in the 1999 financial statements.

Business of the Hannover Re Group

Overview

With gross written premiums in excess of € 6.7 billion in 1999, the Hannover Re Group is the fifth-largest professional reinsurance group in the world. It transacts all lines of property/casualty, life/health and financial reinsurance as well as program business. The Hannover Re Group's worldwide network consists of more than 100 subsidiaries, branches and representative offices in 20 countries. The Hannover Re Group's German business is conducted by its subsidiary E+S Rückversicherungs-AG. The rating agencies Standard & Poor's and A.M. Best have awarded each of Hannover Re and E+S Rückversicherungs-AG ratings of AA+ (negative outlook) and A+. Hannover Re is rated Aa3 (negative watch) by Moody's Investors Service, Inc.

The Hannover Re Group has established four business segments: property and casualty reinsurance, which in 1999 contributed 39% to the Hannover Re Group's gross written premiums, life and health reinsurance (33%), financial reinsurance (8%) and program business (20%).

As a result of the diversification strategy pursued by the Hannover Re Group in recent years, the business activities have increasingly focused on life and health reinsurance. This segment is deemed attractive by Hannover Re for several reasons. In contrast to property and casualty reinsurance, life and health reinsurance has seen sustained growth as a consequence of both the progressive ageing of the population in the developed world and the continued reduction of government health and pension benefits. Moreover, life and health reinsurance requires lower capital allocation than property and casualty reinsurance, whilst offering a less volatile earnings stream.

While increasing its presence in the life and health reinsurance business segment, the Hannover Re Group has enacted increasingly stringent and uniform underwriting guidelines in property and casualty reinsurance in order to reduce its exposure to the most competitive business lines, particularly with regard to the motor business. However, the Hannover Re Group continues to seek to increase its presence in defined areas of property and casualty reinsurance which offer profitable growth opportunities such as in space, aviation, credit and surety.

Due to the increasing saturation and declining profitability of the German non-life reinsurance market, the Hannover Re Group has been reducing its presence in its domestic market and increasing its international activities. Reflecting the importance assigned to the US market, in 1999 the Hannover Re Group completed the acquisition of Clarendon, a leading US writer of program business. Clarendon significantly expanded Hannover Re's presence in the US market, while simultaneously providing a new earnings source to counterbalance weak insurance and reinsurance market conditions in property and casualty. While program business is technically primary insurance, it is heavily reinsured via quota share agreements. Hannover Re retains only a residual risk in this business segment, typically ceding approximately 90 % of total gross written premiums.

In 1999, Hannover Re Group generated 48 % of its total gross written premiums in the US, 18 % in Germany, 19 % in the rest of Europe and the remaining 15 % in Australia, Asia, Africa and Latin America.

The Hannover Re Group operates through several distribution channels, writing predominantly directly and through brokers, depending on the specific requirements of the individual client and the characteristics of the country in which the exposures are underwritten. Whilst the majority of gross written premiums are accepted in the form of treaty business, management is focused on expanding non-proportional treaty as well as facultative business in the property and casualty reinsurance business segment. These two types of businesses offer more attractive pricing opportunities and the scope for Hannover Re to leverage its financial strength and international presence. In order to protect itself from major losses, the Hannover Re Group has established an elaborate retrocession program with highly rated reinsurers and a selected number of Lloyds syndicates.

Property and Casualty Reinsurance

Ten years ago the property and casualty reinsurance business segment of the Hannover Re Group accounted for more than 95 % of gross written premiums. This figure has decreased to 39 % in 1999 (1998: 61 %). The relative significance of this business segment for the Hannover Re Group declined due to the group's strategy of diversifying into higher growth business segments. Whereas the life and health reinsurance business segment grew on average by more than 50 % per annum over the last five years, the property and casualty reinsurance business segment only increased by 19 % per annum over the same period of time.

In 1999, the property and casualty reinsurance business segment of the Hannover Re Group had gross written premiums of € 2.6 billion (1998: € 2.7 billion) and achieved a net income of € 128 million (1998: € 129 million).

In the property and casualty reinsurance business segment, the Hannover Re Group pursues a clearly defined underwriting strategy with a focus on developing specialty lines, such as natural catastrophes and aviation as well as credit and surety. The Hannover Re Group has no growth or market share targets but strives to assume risks on a strictly profit oriented basis. Costs of capital allocated to each business segment determine the respective pricing. In soft market phases, when conditions and premium rates deteriorate, the Hannover Re Group is therefore prepared to reduce its business volume in the property and casualty reinsurance business segment as long as risks cannot be priced adequately. Geographically, in 1999 40 % of the gross written premiums in this business segment were generated in Germany, 19 % in North America and 26 % in other European countries. Asia and Africa account for an additional 5 % each. Hannover Re's German business is written exclusively by E+S Rückversicherungs-AG, which is 50.1 % owned by Hannover Re. The reinsurance activities of E+S Rückversicherungs-AG are still dominated by business ceded by the HDI Group and the minority shareholders of E+S Rückversicherungs-AG. A considerable portion of these activities relates to the German motor business.

Business in the US is written either by Hannover Re directly or via its subsidiary Insurance Corporation of Hannover, Los Angeles, which is exclusively responsible for agricultural risks in the US (such

as crop failure and hail) within the Hannover Re Group. In addition, Hannover Re also has a special focus on risks arising from natural catastrophes. However, in recent years the Hannover Re Group has scaled back its US portfolio due to the competitive pressure on premium rates in the US property and casualty market.

Europe (excluding Germany) is covered by Hannover Re itself which operates from its headquarters in Hanover, Germany and from branches or offices in Sweden, Italy, France and Spain as well as through its subsidiary International Insurance Corporation of Hannover, London.

Life and Health Reinsurance

The life and health reinsurance business segment accounted for approximately 33% of the Hannover Re Group's total gross written premiums in 1999 (1998: 31%); gross written premiums increased to € 2.2 billion (1998: € 1.4 billion) and the net income rose to € 22 million (1998: € 3 million). Of these premiums, 47% were generated in the US, 22% in Australia/New Zealand, 7% in the UK and 6% in Germany. 55% of gross written premiums were attributable to life reinsurance, 35% to health insurance, 6% to annuity business and 4% to pre-financing of personal accident insurance business.

In 1999, the Hannover Re Group pooled all of its activities in the life and health reinsurance business segment under uniform management and one global brand, "Hannover Life Re". By selectively targeting new markets, the company intends to become a leading reinsurer for transactions, primarily in the pre-financing of acquisition costs, and to be a product partner for the development of tailor-made coverages. This business is typically written directly, and thus the services of intermediaries are rarely called on. Hannover Life Re's client base is relatively concentrated; 90% of gross written premiums in 1999 were generated by the 80 most significant clients.

With the intention to start developing activities in the rapidly growing Asian markets, particularly those of China, Thailand and Malaysia, the Hannover Re Group performs consulting tasks in the areas of product development, IT systems support and distribution strategies.

In order to refinance the significant growth experienced in the life and health reinsurance business segment, the Hannover Re Group securitised acquisition costs relating to specific life insurance portfolios through four separate capital markets transactions over the last two years.

Financial Reinsurance

The financial reinsurance business segment accounted for 8% of the Hannover Re Group's gross written premiums in 1999 (1998: 8%); gross written premiums in this business segment increased to € 509 million (1998: € 368 million) while net income decreased to € 36 million (1998: € 40 million).

The primary objective of financial reinsurance is to stabilise key items and ratios of the balance sheet and profit and loss accounts of the primary insurance companies in both the short and the long term. Although financial reinsurance transactions are mainly forms of self-financing, some also involve a degree of risk transfer. The US accounted for roughly two-thirds of the Hannover Re Group's total premium volume in this business segment and is likely to continue to be the Hannover Re Group's priority market over the next years. The remaining one third of the gross written premiums were mainly generated in Germany and Australia.

The Hannover Re Group conducts its activities in the financial reinsurance business segment from the International Financial Services Centre in Dublin. Business is written by the two Irish subsidiaries of the Hannover Re Group, Hannover Re (Ireland) and E+S Re (Ireland). These companies have obtained a financial strength rating of A+ ("Superior") from A.M. Best.

Program Business

The program business segment accounted for 20% of the Hannover Re Group's gross written premiums in 1999. The Hannover Re Group entered the program business through its acquisition of Clarendon which became effective on 1 January 1999.

In 1999, gross written premiums of program business were € 1.4 billion, however, 89 % of these gross written premiums were retroceded to other reinsurers. As a result, the net written premiums were € 163 million. The program business segment recorded a net income of € 16 million.

Clarendon is a market leader in the US program business. With a network comprising several subsidiaries, Clarendon is licensed to operate in all states of the US. Additionally, the Hannover Re Group has begun to develop a European program business with one of its UK subsidiaries, International Insurance Company of Hannover, London.

The program business is a special segment of the US market which technically constitutes primary insurance business. Program business is written in very close cooperation with highly specialised managing general agents and reinsurers. Under the business model for program insurance, a “managing general agent” (MGA) specialises in niche and non-standard business risks (such as windstorm risks in Florida and earthquake risks in California). As a program insurer, Clarendon itself assumes only a small part (typically approximately 10 %) of the underwriting risk whilst – in cooperation with the MGA – handling the placement of reinsurance. Within the limits permitted by supervisory regulations, the underwriting risk is retroceded to other international reinsurers, who are normally integrated into the entire underwriting process. Clarendon receives a fee for the risk transfer service that it provides between the MGA and the reinsurers. These placement fees constitute the main source of income for the program business segment.

Investments

The Hannover Re Group’s financial performance is also dependent upon the income generated and gains realised from its investment portfolio. In 1999, the Hannover Re Group’s investments (including cash) increased by 14.7 % to € 9.9 billion (1998: € 8.6 billion). The initial consolidation of Clarendon contributed approximately 3.7 % (or € 317 million) to the growth of the Hannover Re Group’s investment portfolio.

Due to the geographic distribution of its business, the Hannover Re Group holds most of its investments in foreign currencies. As a result of a changed market environment at the beginning of 1999, the Hannover Re Group slightly shortened the maturity pattern of the portfolio. At year-end 1999, the Hannover Re Group had 66.6 % of its investment portfolio invested in fixed-income instruments, a large portion of which was invested in bonds of AAA rated issuers. The Hannover Re Group hold significant funds in short-term investments to guarantee the prompt settlement of its clients’ payment requests.

At the end of 1999, equity investments accounted for approximately 14 % of the total investment portfolio and were largely invested in liquid “blue chip” stocks listed on US, Continental European and British stock exchanges. The Hannover Re Group also has, through some of its subsidiaries, minor equity positions in South African and Australian companies. The market value of the stock portfolio amounted to € 1.4 billion at the end of 1999 (1998: € 1.0 billion). In recent years, the Hannover Re Group has built up a portfolio of private equity investments amounting to € 537.2 million at year end 1999 (1998: € 344.0 million), which is recorded on the balance sheet under “Other Invested Assets”.

Overall, the unrealised price gains on the Hannover Re Group’s investment portfolio decreased from € 314.9 million (31 December 1998) to € 118.1 million (31 December 1999) while ordinary income on the investment portfolio increased by approximately 5 % to € 624.9 million in 1999 (1998: € 596.6 million).

Major Operating Subsidiaries of Hannover Re

Hannover Re engages in the reinsurance business directly as well as through subsidiaries. Gross written premiums of Hannover Re on a non-consolidated basis were € 3.6 billion in 1999 (1998: € 2.9 billion). The 1999 net income was € 95.8 million (1998: € 47.8 million). Major operating subsidiaries of Hannover Re are:

E+S Rückversicherungs-AG

E+S Rückversicherungs-AG, Hannover, is a 50.1 % owned subsidiary of Hannover Re. The majority of the remaining shares are held by nine German mutual insurance companies. E+S Rückversicherungs-AG has various subsidiaries in several countries. Within the Hannover Re Group, E+S Rückversicherungs-AG is exclusively responsible for the German business and operates in both the property and casualty reinsurance and life and health reinsurance segments.

Total gross written premiums of E+S Rückversicherungs-AG were € 1.3 billion in 1999 (1998: € 1.2 billion). The net income in 1999 was € 9.8 million (1998: loss of € 7.4 million).

Clarendon Insurance Group

Clarendon is an indirect subsidiary of Hannover Re, which is held through Hannover Finance Inc., US. It was acquired by the Hannover Re Group as of 1 January 1999 and specialises in program business, particularly in the US.

Total gross written premiums of Clarendon were US\$ 1.5 billion in 1999 and net income (on a stand alone basis) amounted to US\$ 33.8 million.

Hannover Life Reassurance Company of America

Hannover Life Reassurance Company of America (formerly "Reassurance Company of Hannover") is a 100 % owned subsidiary of Hannover Re. With its strategic focus on block assumption transactions (i.e. acquisition of existing portfolios of insurance policies), the company increased its gross written premiums to US\$ 1.1 billion in 1999. The reported loss of US\$ 9.8 million was due to one-time commissions paid for block assumption transactions.

Other operating subsidiaries of the Hannover Re Group include:

Insurance Corporation of Hannover, Chicago
International Insurance Company of Hannover Ltd., London
Hannover Reinsurance Company (Ireland), Dublin
E+S Reinsurance (Ireland) Ltd., Dublin
Hannover Life Re of Australasia Ltd, Sydney
Hannover Life Reassurance (UK) Ltd., Virginia Water
Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg
Hannover Life Reassurance (Ireland) Ltd., Dublin

Recent Business Developments and Outlook

The expectations of the Hannover Re Group regarding the performance in 2000 differed for each business segment. In property and casualty reinsurance, the worldwide downward trend in premium rates and conditions has been halted, not only in those markets which suffered heavy losses in the previous years. Nevertheless, there is still significant overcapacity in some markets, and a high level of competitive pressure still remains. The devastating 1999 winter storms "Lothar" and "Martin" in Europe, however, have had a favourable impact on treaty negotiations during 2000 and are expected to continue to have a positive effect on the recent renewal season. The treaty renewals in the UK, US, Latin America and, to a lesser extent, Continental Europe showed an improvement in premium rates while those in Germany developed below expectations. In contrast to this, significant positive corrections can be anticipated for 2001.

Hannover Re Group anticipates that its 2000 results will show a premium growth of more than € 3 billion in the property and casualty reinsurance business segment. Despite the reduction in major losses (natural and man made catastrophies), the Hannover Re Group does not expect a significant improvement in its combined ratio (incurred losses plus expenses divided by net premiums) due to the prevailing competitive conditions.

The life and health reinsurance business segment of the Hannover Re Group is based on strong relationships with a number of long-term customers. Although competition has also intensified, premium rates are far less cyclical than in property and casualty reinsurance. Hannover Re Group expects its 2000 results to reflect an increase in gross written premiums in the life and health reinsurance business segment of more than 10%. To finance the anticipated growth, the Hannover Re Group plans to continue using securitisation instruments.

The Hannover Re Group's portfolio of financial reinsurance consists of a comparatively small number of large-volume treaties, some of which relate to one time occurrences. Consequently, the development of gross written premiums in this business segment is substantially more volatile in comparison to other business segments. The Hannover Re Group expects to generate further above-average growth in its portfolio of financial reinsurance and it anticipates a stable growth in profits. Hannover Re Group expects that its 2000 results will show a significant growth in gross written premiums as compared to 1999.

Following its integration into the Hannover Re Group, Clarendon will remain focused on expanding its client relationships in the program business. Based on its improved credit rating, Clarendon is expected by the Hannover Re Group to be well on course to position itself as a market leader in the program business sector in the US. Overall, the Hannover Re Group expects an increase in gross written premiums in its program business segment of over 10% as compared to 1999. It also intends to develop activities in the program business in the United Kingdom, Canada, Brazil and South Africa, together with Australia and Continental Europe.

In 2000 Clarendon increased its gross premium income by 15% over 1999, to US\$ 1.7 billion. However, for 2000, Clarendon's after-tax profit fell from US\$ 33.8 million for 1999 to US\$ 1 million. Nevertheless, the after-tax result for the Hannover Re Group as a whole for the year 2000 is expected to be higher than for the year 1999.

The Hannover Re Group does not anticipate that the substantial increase in its pre-tax result for the first six months of 2000 will be sustained for the whole year. On the other hand, the reduction of the German corporate tax rate on retained profits from 40% to 25% has resulted in a re-calculation of deferred taxes that will generate additional after tax income. The Hannover Re Group therefore expects that the net income for the year 2000 will be considerably higher than it was in 1999.

Board of Management

The Board of Management (*Vorstand*) of Hannover Re consists of seven members. The current members of the Board of Management and their respective responsibilities are:

Name	Position
Wilhelm Zeller	Chairman; Controlling and Information, Underwriting Service, Corporate Development, Human Resources
Dr. Andreas-Peter Hecker	Deputy Chairman; Non-Life Reinsurance, Retrocessions, Facility Management
Dr. Wolf Becke	Life and Health Reinsurance worldwide
Jürgen Gräber	Property and Casualty Reinsurance in English-speaking Africa, Asia and Australia, Facultative Reinsurance worldwide, Aviation, Space and Marine business worldwide, Financial Reinsurance
Herbert K. Haas	Finance and Accounting, Capital Markets, Information Technology, Credit and Surety worldwide
Dr. Detlef Steiner	Property and Casualty Reinsurance in North America, Southern Europe, America, Arab countries, Northern and Eastern Europe, the United Kingdom and Ireland, Program Business
Dr. Michael Pickel	Property and Casualty Reinsurance in Germany, Austria, Italy and Switzerland, Claims Handling, Legal Department

The business address of the members of the Board of Management is Karl-Wiechert-Allee 50, D-30625 Hannover.

Supervisory Board

The following individuals are currently members of the Supervisory Board (*Aufsichtsrat*):

Name	Position within Supervisory Board	Principal Outside Activity
Wolf-Dieter Baumgartl	Chairman	Chairman of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G.
Dr. Paul Wieandt	Deputy Chairman	Member of the Supervisory Boards of Lentjes AG, HPL Holding B.V., Trespa International B.V.; former Chairman of the Board of Management of BfG Bank AG
Karola Böhme	Member (employee representative)	
Dr.-Ing. Horst Dietz	Member	Chairman of the Board of Management of ABB AG
Karl Heinz Midunsky	Member	Director of the Corporate Finance, Participations, Investments and Insurance Division of Siemens AG
Dr. Erwin Möller	Member	Member of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G.
Otto Müller	Member (employee representative)	
Renate Schaper-Stewart	Member (employee representative)	
Dr. Klaus Sturany	Member	Member of the Board of Management of RWE AG

Financial Year

The financial year of Hannover Re runs from 1 January to 31 December.

Auditors

The auditors of Hannover Re and the Hannover Re Group are KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hans-Böckler-Allee 5, D-30173 Hannover. The financial statements of Hannover Re as of 31 December 1997, 31 December 1998 and 31 December 1999 and the consolidated financial statements of the Hannover Re Group as of 31 December 1997, 31 December 1998 and 31 December 1999 were audited by the auditors and the auditors have in each case issued an unqualified auditors' certificate. The 1998 financial statements prepared in accordance with US GAAP have not been audited.

Overview on the Business Development of the Hannover Re Group

1999 Compared to 1998

The following is an overview of the Hannover Re Group's business development over the last two financial years 1999 and 1998, as reflected in its consolidated financial statements prepared in accord-

ance with US GAAP (U.S. Generally Accepted Accounting Principles). A comparison to the results of 1997 is not presented since there are no comparable financial statements prepared according to US GAAP.

€ million/US GAAP	Property/Casualty		Life/Health		Financial Reinsurance		Program Business		Hannover Re Group	
	31/12/99	31/12/98 ⁽³⁾	31/12/99	31/12/98 ⁽³⁾	31/12/99	31/12/98 ⁽³⁾	31/12/99	31/12/98 ⁽³⁾	31/12/99	31/12/98 ⁽³⁾
Gross written premiums	2,613.6	2,734.2	2,220.4	1,402.5	508.7	367.9	1,363.7	na	6,706.4	4,504.6
Net earned premiums	2,068.9	2,038.5	1,485.0	1,158.9	462.6	351.3	163.5	na	4,180.0	3,548.7
Underwriting result	-228.5	-192.4	46.4 ⁽¹⁾	22.7 ⁽¹⁾	-37.2	-36.7	41.9	na	-394.7 ⁽²⁾	-350.4 ⁽²⁾
Investment income	525.7	591.5	217.4 ⁽¹⁾	144.0 ⁽¹⁾	75.1	79.2	9.9	na	828.1	814.7
Operating result before other expenses	297.3	399.1	46.4	22.7	37.9	42.5	51.9	na	433.5	464.3
Net income after tax and minorities	128.0	128.7	21.7	3.3	36.1	39.5	15.8	na	201.6	171.5

⁽¹⁾ Life/health investment income is also included in the underwriting result.

⁽²⁾ Due to the inclusion of investment income in the life/health segment in the underwriting result the numbers in the corresponding row do not add up.

⁽³⁾ Unaudited.

In 1999, gross written premiums of the Hannover Re Group increased by 49% to € 6.7 billion (1998: € 4.5 billion). This growth relates primarily to the consolidation of Clarendon (which accounted for 30% of the premium growth), strong organic growth in the existing operations worldwide (12% of the premium growth) and to exchange-rate fluctuations which had favourable implications for Hannover Re's international business activities (7% of the premium growth).

In contrast to the strong growth in gross written premiums, net earned premiums increased more moderately by 18% to € 4.2 billion (1998: € 3.6 billion). This reflects both, the high retrocession levels in the program business (where typically 90% of gross written premiums are retroceded to other reinsurance companies) and the use of securitisation transactions in life and health reinsurance.

Mainly as a consequence of the atypical high incidence of natural catastrophes and other major losses experienced during 1999, the underwriting result decreased by more than 12% to € -394.7 million (1998: € -350.4 million).

Despite lower interest rates, total investment income increased by 2% to € 828.1 million in 1999 (1998: € 814.7 million). The low average yield on fixed-income securities was counterbalanced by the availability of an increased investment portfolio (€ 8.7 billion in 1999 excluding short-term investments and cash compared to € 7.6 billion in 1998) and by the realisation of capital gains totalling € 286.4 million (1998: € 295.3 million).

However, this moderate increase in investment income could not counterbalance the reduction in the underwriting result and consequently the operating result before other expenses decreased by 7% to € 433.5 million in 1999 (1998: € 464.3 million). Other expenses increased due to interest expenses relating to the financing of the Clarendon acquisition.

In 1999, Hannover Re benefitted from the reduction of the corporate income tax rate pursuant to the Tax Relief Act 1999/2000/2002. Overall, taxes decreased to € 80.3 million (1998: € 241.6 million) and consequently net income after tax and minorities increased by 18% to € 201.6 million in 1999 (1998: € 171.5 million).

Overview of the Business Development in Each Business Segment

With 39% of total gross written premiums in 1999, property and casualty reinsurance remained the largest business segment of the Hannover Re Group. The property and casualty reinsurance market continued to suffer from intense competition over premium rates. Due to a strict focus on profitable underwriting, the Hannover Re Group intentionally reduced new business activity in this business segment, particularly in the German industrial and motor reinsurance business. Therefore total gross written premiums decreased by approximately 5% to € 2.6 billion in 1999 (1998: € 2.7 billion).

In 1999, the reinsurance business segment was exposed to a high incidence of natural catastrophes worldwide and an atypical accumulation of other major losses. Although Hannover Re significantly scaled back its exposure in these business lines over the recent years, it remained exposed to significant catastrophes such as the hailstorm in Sydney, the earthquakes in Turkey, Greece and Taiwan, the typhoon "Bart" in Japan, the winter storms in Western Europe as well as numerous major fire losses and aircraft crashes. Together, these events led to an increase in the combined ratio to 111 % (1998: 109 %), and a decrease in the underwriting result of € 36.1 million to € -228.5 million (1998: € -192.4 million).

The decline in the underwriting result could not be compensated by the investment income amounting to € 525.7 million (1998: € 591.5 million), and consequently the operating result before other expenses fell by 27 % to € 297.3 million (1998: € 399.1 million). However, following a sharp reduction in tax charges due to the reduction in the corporate income tax rate, net income after tax and minorities remained almost unchanged at € 128.0 million in 1999 (1998: € 128.7 million).

Life and health reinsurance continued – in line with the strategic plans – to be the most significant growth segment for the Hannover Re Group. Gross written premiums in this business segment increased by 58 % to € 2.2 billion (1998: € 1.4 billion) and accounted for approximately 33 % of Hannover Re's total gross written premiums in 1999. This development was mainly driven by the strong performance of the Hannover Re Group's activities in the US, Australia, Germany and Asia, by the increased focus on treaties with a strong pre-financing component and by a one-time transaction with a major Australian life insurer, which accounted for almost 10 % of total gross written premiums in 1999. The operating result before other expenses more than doubled to € 46.4 million (1998: € 22.7 million) and net income after tax and minorities increased more than sixfold to € 21.7 million in 1999 (1998: € 3.3 million).

Financial reinsurance experienced very strong growth in 1999. This business segment was able to benefit from a strong growth in its US client base and from a strong increase in the sums insured of existing policies. Together these factors led to a strong growth of more than 38 % in gross written premiums to € 508.7 million in 1999 (1998: € 367.9 million). The operating result before other expenses declined to € 37.9 million (1998: € 42.5 million) due to an increase in claims under financial reinsurance contracts relating to natural catastrophes and other major losses. Since this reduction could not be counterbalanced by the strong reduction in taxes, net income after tax and minorities declined to € 36.1 million in 1999 (1998: € 39.5 million).

Due to the acquisition of Clarendon in 1999, no 1998 figures for program business are available. Clarendon operated in a favourable market environment in 1999 and the company achieved, with a combined ratio of 75 %, an operating result of the program business segment before other expenses and before total cost allocation of € 51.9 million and a net income after tax and minorities of € 15.8 million.

Six Months Ended 30 June 2000, Compared to the Six Months Ended 30 June 1999

Presented below are unaudited financial figures for the first six months of 2000, which have been prepared in accordance with US GAAP and for the first six months of 1999, which are 50 % of the full-year 1999 figures, which have been prepared in accordance with US GAAP.

€ million/US GAAP	Property/Casualty		Life/Health		Financial Reinsurance		Program Business		Hannover Re Group	
	30/06/00	30/06/99	30/06/00	30/06/99	30/06/00	30/06/99	30/06/00	30/06/99	30/06/00	30/06/99
Gross written premiums	1,421.6	1,306.8	1,155.4	1,110.2	284.4	254.3	891.5	681.9	3,753.9	3,353.2
Net earned premiums	1,046.8	1,034.4	896.0	742.5	255.0	231.3	111.8	81.7	2,309.6	2,090.0
Underwriting result	-92.4	-114.2	32.3 ⁽¹⁾	23.2 ⁽¹⁾	-28.8	-18.6	26.3	21.0	-159.0 ⁽²⁾	-197.0 ⁽²⁾
Investment income	275.2	262.9	97.0 ⁽¹⁾	108.7 ⁽¹⁾	57.8	37.5	14.3	5.0	444.3	414.1
Operating result before other expenses ..	182.8	148.6	32.3	23.2	29.0	19.0	40.7	25.9	284.8	216.7
Net income after tax and minorities	59.6	64.0	10.8	10.8	21.7	18.1	11.0	7.9	103.1	100.8

⁽¹⁾ Life/health investment income is also included in the underwriting result.

⁽²⁾ Due to the inclusion of investment income in the life/health segment in the underwriting result the numbers in the corresponding row do not add up.

In the first six months of 2000, gross written premiums grew by 12 % to € 3.8 billion (50 % of 1999: € 3.4 billion), which was mainly driven by strong organic growth (which contributed 9 % of total growth) and by a favourable exchange rate development (3 % of total growth).

After suffering from exceptionally high claims in the first six months of 1999, the Hannover Re Group benefitted from a more stable claims development in the first six months of 2000 and consequently underwriting losses were reduced by 29% to € –62.6 million (50% of 1999: € – 88.7 million). In addition to the positive development in the underwriting result, the Hannover Re Group realised capital gains in the amount of € 156 million, leading to an increase in the investment income by more than 7% to € 444.3 million in the first six months of 2000 (50% of 1999: € 414.1 million).

Benefitting from an increase in the underwriting result and from a higher investment income, the operating result before other expenses rose by 31% to € 284.8 million (50% of 1999: € 216.7 million). However, due to the non-recurring favourable special tax effect in 1999, taxes increased by more than 130% to € 94.5 million (50% of 1999: € 40.1 million) and therefore the net income after tax and minorities increased only slightly by 2% to € 103.1 million (50% of 1999: € 100.8 million).

Overview of the Business Development in Each Business Segment

Supported by the favourable development in premium rates in selected geographic markets, **property and casualty reinsurance** increased its gross written premiums by 9% to € 1.4 billion (50% of 1999: € 1.3 billion). This segment remained the largest business segment of the Hannover Re Group with 38% of total gross written premiums in the first six months of 2000. The sector benefitted from fewer catastrophes and a decrease in major losses. Despite initial signs of improved premium rates in selected markets, the property and casualty reinsurance market remains under intense competition. On balance, the Hannover Re Group experienced a positive development in claims, resulting in a reduction of the loss in the underwriting result to € – 92.4 million (50% of 1999: € – 114.2 million). The combined ratio of the first six months of 2000 compared to 50% of 1999 decreased from 111% to 109%. Additionally, the investment income grew by more than 4% to € 275.2 million (50% of 1999: € 262.9 million) and consequently the operating result before other expenses increased by 23% to € 182.8 million (50% of 1999: € 148.6 million). Due to the non-recurring favourable special tax effect in 1999, in the first six months of 2000 taxes more than doubled to € 80.2 million (50% of 1999: € 36.5 million). As a result, the net income after tax and minorities decreased by more than 6% to € 59.6 million (50% of 1999: € 64.0 million).

Despite the relatively low increase of 4% in total gross written premiums to € 1.2 billion in the first six months of 2000 (50% of 1999: € 1.1 billion), life and health reinsurance continued to develop very favourably. Excluding the one-time transaction with a major Australian life insurer in the 50% of 1999, gross written premiums increased by 14%. Further, the Hannover Re Group expected to benefit from substantial new business volumes at the end of the year, when large volume transactions are frequently concluded. Despite the slight decrease in the investment income by 12% to € 97.0 million in the first six months of 2000 (50% of 1999: € 108.7 million), the Hannover Re Group improved the underwriting result to € 32.3 million (50% of 1999: € 23.2 million). Consequently, the operating result before expenses increased by 39% to € 32.3 million. Due to the non-recurring favourable special tax effect in 1999, taxes amounted to € – 5.3 million in the first six months of 2000 (50% of 1999: € –3.6 million) and consequently the net income after tax and minorities remained stable at € 10.8 million.

Supported by improved premium rates in the property and casualty reinsurance market and by significant new business activities in the emerging markets, predominantly in Asia, financial reinsurance was able to increase gross written premiums by 12% to € 284.4 million in the first six months of 2000 (50% of 1999: € 254.3 million). This segment contributed 8% to the total gross written premiums of the Hannover Re Group. As for life and health reinsurance, this business segment is also expected to benefit from additional new business at the end of the year, when a significant amount of new treaties are typically concluded. Based on the premium growth and a decrease in claims under financial reinsurance contracts relating to natural catastrophes and other major losses, the operating result before other expenses increased by more than 50% to € 29.0 million in the first six months of 2000 (50% of 1999: € 19.0 million). Despite the increase in taxes by 29% to € 2.6 million (50% of 1999: € 2.0 million), net income after tax and minorities grew by 20% to € 21.7 million (50% of 1999: € 18.1 million).

In **program business**, Clarendon continued to expand its market leadership in the US. In the first six months of 2000, gross written premiums increased by more than 30% to € 891.5 million (50% of 1999: € 681.9 million) and this segment contributed 23% to the Hannover Re Group's gross written pre-

miums in the first six months of 2000. Due to the marginal risk retention in this business, Clarendon benefitted substantially from the fee income originated by this strong growth in gross written premiums and the underwriting result improved by 24% to € 26.3 million (50% of 1999: € 21.0 million). Further, the investment income almost tripled to € 14.3 million (50% of 1999: £ 5.0 million), mainly due to the realisation of capital gains associated with the sale of a participation in the first six months of 2000. Consequently, the operating result before other expenses increased by 57% to € 40.7 million (50% of 1999: € 25.9 million). Despite the increase in taxes by 24% to € 6.4 million (50% of 1999: € 5.2 million), the net income after taxes and minorities grew by 39% to € 11.0 million (50% of 1999: € 7.9 million).

Summary of Selected Financial Information of the Hannover Re Group

The following table sets forth selected consolidated financial information and certain other data for the Hannover Re Group for the financial years ended 31 December 1999 and 1998 and the six-months periods ended 30 June 2000 and 1999. The annual consolidated financial information of the Hannover Re Group for the financial years 1999 and 1998 is derived from, and is qualified by reference to, the Hannover Re Group's consolidated financial statements for the financial year 1999 including notes thereto audited by KPMG, independent auditors, incorporated by reference in this Offering Circular. The Hannover Re Group also discloses interim results of operations for the six-months periods ended 30 June set out below. The results of operations for the six-months interim periods are not necessarily indicative for the results for the full year.

The consolidated financial statements for the financial year 1999 have for the first time been prepared in accordance with US GAAP, which differs in certain respects from German GAAP. In contrast thereto, the consolidated financial statements for the financial year 1998 have been prepared in accordance with German GAAP. For reasons of comparability, the figures for 1998 in the following table have been restated in line with US GAAP, but the restated figures are not audited.

Financial Year (Hannover Re)

	31 December	
	1999 US-GAAP € million	1998 US-GAAP ⁽¹⁾ € million
Gross written premiums	6,706.3	4,504.6
Net premiums earned	4,179.9	3,548.7
Underwriting result	- 394.7	- 350.4
Investment income	828.2	814.7
Profit or loss on ordinary activities	433.4	464.2
Net income	201.6	171.4
Investments	9,855.1	8,592.2
Total shareholders' equity	1,235.7	1,122.4
Net underwriting provisions	10,703.1	8,759.5
Present value of future profits (life/health)	609	468
Earnings per share (diluted) in EUR	6.86	5.83
Dividend (incl. corporation tax credit) in EUR million	71.5	53.4
Dividend (incl. corporation tax credit) per share in EUR	2.91	2.18

⁽¹⁾ Not audited

	31 December	
	1999 %	1998 %
Return on equity (after tax)	17.1 %	14.0 %
Retention	62.0 %	80.3 %
Loss ratio ⁽¹⁾ ⁽²⁾	83.3 %	83.1 %
Expense ratio ⁽¹⁾ ⁽³⁾	25.0 %	26.5 %
Combined loss/expense ratio ⁽¹⁾ ⁽⁴⁾	108.3 %	109.6 %

⁽¹⁾ Excluding life and health reinsurance

⁽²⁾ Ratio: loss divided by net premiums earned

⁽³⁾ Ratio: expense divided by net premiums written

⁽⁴⁾ Addition of loss ratio and expense ratio

Six months ended 30 June (Hannover Re)

	30 June	
	2000 US-GAAP ⁽¹⁾ € million	1999 US- GAAP ⁽¹⁾ ⁽²⁾ € million
Gross written premiums	3,753	3,353
Net premiums earned	2,310	2,090
Underwriting result	-160	-197
Investment income	444	414
Net income before tax	226	165
Net income	103	101
Earnings per share (diluted) in EUR	3.51	3.43

⁽¹⁾ Not audited

⁽²⁾ Hannover Re published its consolidated financial statements for the full year 1999 for the first time on US-GAAP basis. Consequently, there are no figures available for the first half-year 1999. Thus, the figures for the first half-year 1999 shown in the table are one half of the year-end figures for 1999

Incorporation by Reference

The audited financial statements of the Guarantor and the Group (consolidated and non-consolidated) for the year ended 31 December 1999 and the interim report of the Group for the first six months of 2000 are incorporated by reference into this Offering Circular. Copies thereof may be obtained free of charge at the offices of the Paying Agent in the City of Luxembourg.

Use of Proceeds

The net proceeds of the issuance of the Bonds, amounting to approximately € 346 million, will be used to strengthen the Guarantor's capital base.

Unaudited Consolidated Financial Statements

Unaudited Consolidated balance sheet

Assets

Figures in EUR thousand	30 June 2000	31 December 1999 ⁽¹⁾
Fixed-income securities – held to maturity	264,932	258,414
Fixed-income securities – available for sale	6,371,857	6,307,706
Equity securities – available for sale	1,631,467	1,382,151
Real estate	225,113	223,735
Other invested assets	635,835	537,223
Short-term investments	452,761	708,592
Total investments without cash	9,581,965	9,417,821
Cash	453,474	437,266
Total investments and cash	10,035,439	9,855,087
Prepaid reinsurance premiums	726,323	686,185
Reinsurance recoverables on benefit reserve	256,840	240,720
Reinsurance recoverables on unpaid claims	3,623,281	2,896,441
Deferred acquisition costs	573,566	480,567
Accounts receivables	2,285,056	1,585,521
Funds held by ceding companies	2,992,837	2,955,629
Contract deposits	–	37,907
Goodwill	254,514	265,555
Other assets	215,209	225,110
Accrued interest and rent	205,096	126,094
	<u>21,168,161</u>	<u>19,354,816</u>

⁽¹⁾ audited

of Hannover Re Group for the first six months of 2000

for the first six months of 2000

Liabilities

Figures in EUR thousand	30 June 2000	31 December 1999 ⁽¹⁾
Loss and loss adjustment expense reserve	12,029,197	10,776,704
Policy benefits for life and health contracts	2,429,128	2,279,870
Unearned premium reserve	1,594,903	1,369,731
Provision for contingent commission	147,784	99,754
Other technical provisions	7,588	296
Reinsurance payable	615,188	570,536
Funds held under reinsurance treaties	662,198	719,511
Funds held from financing activities	14,880	–
Minorities	279,387	294,800
Other liabilities	405,279	340,217
Taxes	193,243	168,065
Provision for deferred taxes	975,568	985,033
Notes payable	415,909	396,972
Surplus debenture	117,597	117,597
Total liabilities	<u>19,887,849</u>	<u>18,119,086</u>
Stockholders' equity		
Common stock	75,493	62,711
Nominal value 75,493 Authorised capital 20,767		
Additional paid-in capital	201,794	201,794
Cumulative comprehensive income		
Unrealized appreciation/depreciation of investments, net of deferred taxes	22,993	48,733
Cumulative foreign currency translation adjustment, net of deferred taxes	21,241	19,137
Other changes in cumulative comprehensive income	2,051	2,955
Total comprehensive income	<u>46,285</u>	<u>70,825</u>
Treasury stock	–	(230)
Retained earnings		
Beginning of period	900,630	730,578
Net income	103,113	201,559
Dividends paid	(47,003)	(50,360)
Other changes	–	18,853
	<u>956,740</u>	<u>900,630</u>
Total stockholders' equity	<u>1,280,312</u>	<u>1,235,730</u>
	<u>21,168,161</u>	<u>19,354,816</u>

⁽¹⁾ audited

Unaudited Consolidated Statement of Income for the first six months of 2000

in EUR thousand	30 June 2000	30 June 1999 ⁽¹⁾	31 December 1999 ⁽²⁾
Gross written premiums	3,752,903	3,353,161	6,706,322
Ceded written premiums	1,292,158	1,275,777	2,551,553
Change in gross unearned premiums	(150,799)	(47,624)	(95,248)
Change in ceded unearned premiums	(380)	60,214	120,427
Net premiums earned	2,309,566	2,089,974	4,179,948
Ordinary investment income	323,824	312,472	624,943
Realised gains on investments	155,987	143,218	286,436
Realised losses on investments	19,075	34,561	69,121
Unrealised gains and losses on investments		17,742	35,483
Investment expenses	16,457	24,794	49,588
Net investment income	444,279	414,077	828,153
Other technical income	7,965	4,627	9,255
Total revenues	2,761,810	2,508,678	5,017,356
Claims and claims expenses	1,783,044	1,486,304	2,972,609
Change in policy benefits for life and health contracts	(33,870)	(248,062)	(496,124)
Commission and brokerage	518,450	442,378	884,757
Other acquisition costs	25,784	8,974	17,948
Other technical expenses	36,976	33,194	66,387
Administrative expenses	78,929	73,055	146,109
Total technical expenses	2,477,053	2,291,967	4,583,934
Operating result before general expenses	284,757	216,711	433,422
Amortisation of goodwill	5,318	5,036	10,072
Other income/expenses	(53,376)	(46,708)	(93,416)
Taxes	94,475	40,134	80,267
Minority interest	(28,475)	(24,054)	(48,108)
Net income	103,113	100,779	201,559
Other comprehensive income			
Net unrealised appreciation/depreciation of investments	(25,740)	(51,411)	(102,822)
Cumulative foreign currency conversion adjustments	2,104	21,098	42,196
Other comprehensive income	(904)	1,951	3,901
Net comprehensive income	78,573	72,417	144,834
Diluted earnings per share in EUR	3.51	3.43	6.86
Average number of fully-paid shares	29,378,425	29,367,071	29,367,071

⁽¹⁾ half of the year-end figures for 1999

⁽²⁾ audited

Unaudited Statements of Income per Segment for the first six months of 2000

Figures in EUR thousand	Property/ casualty reinsurance 30.6.2000	Property/ casualty reinsurance 30.6.1999(*)	Life/health reinsurance 30.6.2000	Life/health reinsurance 30.6.1999(*)	Financial reinsurance 30.6.2000	Financial reinsurance 30.6.1999*	Program business 30.6.2000	Program business 30.6.1999(*)	Total 30.6.2000	Total 30.6.1999*
Gross written premiums	1,421,588	1,306,789	1,155,398	1,110,182	284,398	254,322	891,519	681,868	3,752,903	3,353,161
Net premiums earned ..	1,046,779	1,034,431	895,967	742,491	254,993	231,315	111,827	81,737	2,309,566	2,089,974
Investment income and interest from deposits	–	–	96,957	108,719	–	–	–	–	96,957	108,719
Claims and claims expenses	858,057	915,575	677,043	363,995	158,077	142,393	89,867	64,341	1,783,044	1,486,304
Change in policy benefits for life and health contracts	–	–	(33,870)	(248,062)	–	–	–	–	(33,870)	(248,062)
Commission and brokerage and other technical expenses	248,494	200,648	230,946	195,527	122,458	105,282	(20,688)	(16,911)	581,210	484,546
Other technical income	392	156	7,573	4,421	–	50	–	–	7,965	4,627
Other investment income	275,159	262,857	–	–	57,820	37,535	14,343	4,966	347,322	305,358
Administrative expenses	33,027	32,596	26,335	24,834	3,235	2,280	16,332	13,345	78,929	73,055
Operating result before general expenses	182,752	148,625	32,303	23,213	29,043	18,945	40,659	25,928	284,757	216,711
Other expenses	19,694	31,676	15,776	11,725	1,003	(3,752)	22,221	12,095	58,694	51,744
Net income before tax ..	163,058	116,949	16,527	11,488	28,040	22,697	18,438	13,833	226,063	164,967
Taxes	80,176	36,533	5,285	(3,590)	2,627	2,033	6,387	5,158	94,475	40,134
Minority interests	(23,260)	(16,434)	(477)	(4,235)	(3,658)	(2,597)	(1,080)	(788)	(28,475)	(24,054)
Net income	59,622	63,982	10,765	10,843	21,755	18,067	10,971	7,887	103,113	100,779

(*) half of the year-end figures for 1999

Consolidated balance sheet for the financial year 1999

38

Liabilities				1999	1998
<i>Figures in EUR thousand</i>					(unaudited)
Loss and loss adjustment expense reserve				10 776 704	7 583 531
Policy benefits for life and health contracts				2 279 870	1 814 330
Unearned premium reserve				1 369 731	599 510
Provision for contingent commission				99 754	155 045
Other technical provisions				296	–
Reinsurance payable				570 536	732 445
Funds held under reinsurance treaties				719 511	455 719
Minorities				294 800	217 931
Other liabilities				340 217	243 308
Taxes				168 065	80 680
Provision for deferred taxes				985 033	1 171 953
Notes payable				396 972	–
Surplus debenture				117 597	117 597
Total liabilities				18 119 086	13 172 049
Stockholders' equity					
Common stock				62 711	62 711
Nominal value	75 493	Authorised capital	20 767		
Outstanding capital	12 782	Of which called up in 2000:	12 782		
Additional paid-in capital				201 794	201 794
Cumulative comprehensive income					
Unrealized appreciation/depreciation of investments, net of deferred taxes				48 733	151 555
Cumulative foreign currency translation adjustment, net of deferred taxes				19 137	-23 059
Other changes in cumulative comprehensive income				2 955	-946
Total comprehensive income				70 825	127 550
Treasury stock				-230	-272
Retained earnings					
Beginning of period				730 578	617 228
Net income				201 559	171 448
Dividends paid				-50 360	-42 127
Other changes				18 853	-15 971
				900 630	730 578
Total stockholders' equity				1 235 730	1 122 361
				19 354 816	14 294 410

Consolidated statement of income for the financial year 1999

<i>Figures in EUR thousand</i>	1999	1998 (unaudited)
Gross written premiums	6 706 322	4 504 582
Ceded written premiums	2 551 553	885 451
Change in gross unearned premiums	-95 248	-107 511
Change in ceded unearned premiums	120 427	37 075
Net premiums earned	4 179 948	3 548 695
Ordinary investment income	624 943	596 594
Realized gains on investments	286 436	295 321
Realized losses on investments	69 121	25 332
Unrealized gains and losses on investments	35 483	-8 393
Investment expenses	49 588	43 523
Net investment income	828 153	814 667
Other technical income	9 255	10 967
Total revenues	5 017 356	4 374 329
Claims and claims expenses	2 972 609	2 626 215
Change in policy benefits for life and health contracts	496 124	255 235
Commission and brokerage	884 757	882 516
Other acquisition costs	17 948	26 944
Other technical expenses	66 387	4 827
Administrative expenses	146 109	114 344
Total technical expenses	4 583 934	3 910 081
Profit or loss on ordinary activities	433 422	464 248
Amortization of goodwill	10 072	6 176
Taxes	80 267	241 562
Minority interest	-48 108	-13 598
Other income/expenses	-93 416	-31 464
Net income	201 559	171 448

<i>Figures in EUR thousand</i>	<i>1999</i>	<i>1998</i>
		(unaudited)
Other comprehensive income		
Net unrealised appreciation/depreciation of investments	-102 822	-25 624
Cumulative foreign currency conversion adjustments	42 196	-41 554
Other comprehensive income	3 901	-477
Net comprehensive income	144 834	103 793
Earnings per share		
Earnings per share in EUR	8.22	6.99
Diluted earnings per share in EUR	6.86	5.83
Average number of issued shares	24 530 215	24 530 215
Average number of fully-paid shares	29 367 071	29 405 631

Cash flow statement for the financial year 1999

Figures in EUR thousand		1999
I. Cash flows from operating activities		
Consolidated net income (after tax)		201 559
Appreciation/depreciation		-1 441
Net realized gains and losses on investments		-217 315
Amortization of investments		-24 930
Changes in funds held		-34 732
Changes in prepaid reinsurance premiums (net)		139 249
Changes in tax assets/provisions for taxes		-76 083
Changes in benefit reserves (net)		323 944
Changes in claims reserves (net)		1 073 071
Changes in deferred acquisition costs		-48 007
Changes in other technical provisions		-65 762
Changes in other assets and liabilities (net)		-587 379
Cash flows from operating activities		682 174
Income taxes paid (-) / refunded (+)		-97 116
Interest paid		-24 827
II. Cash flows from investing activities		
Fixed income securities – held to maturity		
Maturities		7 160
Purchases		-986
Fixed income securities – available for sale		
Maturities, sales		2 552 561
Purchases		-2 760 916
Equity securities – available for sale		
Sales		349 635
Purchases		-404 796
Other invested assets		
Sales		95 760
Purchases		-88 719
Affiliated companies and participating interests		
Sales		488
Acquisitions		-65 125
Change in goodwill		-195 785
Real estate		
Sales		12 209
Acquisitions		-20 161
Short-term investments		
Decrease		19 509 205
Increase		-19 876 776
Other changes (net)		-54 060
Cash flows from investing activities		-940 306

Figures in EUR thousand

1999

III. Cash flows from financing activities	
Changes in minority interest in capital	76 556
Treasury stock	43
Net changes in contract deposits	- 28 034
Dividends paid	- 50 360
Changes in notes payable	387 111
Other changes	23 122
Cash flows from financing activities	408 438
IV. Exchange rate differences on cash	35 887
Changes in cash and cash equivalents (I.+II.+III.+IV.)	186 193
Cash and cash equivalents at the beginning of the period	251 073
Change in cash and cash equivalents according to cash flow statement	186 193
Cash and cash equivalents at the end of the period	437 266

Audited Individual Financial Statements of Hannover Re for the year 1999
in accordance with German GAAP

BALANCE SHEET as at 31 December 1999

Assets					
Figures in EUR thousand					
	1999			1998	
A. Subscribed capital unpaid				12 782	12 782
- called-up capital					
- (1998: -)					
B. Intangible assets:					
Other intangible assets				22 220	33 565
C. Investments					
I. Land and buildings, rights to land and buildings, leasehold			48 663		52 697
II. Investments in affiliated companies and participating interests					
1. Shares in affiliated companies		949 725			642 434
2. Loans to affiliated companies		158 994			125 851
3. Participating interests		111 204			95 237
			1 219 923		863 522
III. Other financial investments					
1. Shares, units in unit trusts and other variable-yield securities		1 221 508			1 229 884
2. Bearer debt securities and other fixed-income securities		1 932 882			1 728 167
3. Mortgages and loans secured on land and buildings		3 050			4 137
4. Other loans					
a) Registered debt securities	295 047				267 945
b) Debentures and loans	98 486				97 200
c) Sundry loans	28 121				28 121
		421 654			393 266
5. Deposits with banks		269 688			299 886
6. Other investments		5			5
			3 848 787		3 655 345
IV. Deposits with ceding companies			2 142 481		1 430 760
				7 259 854	6 002 324

Liabilities
Figures in EUR thousand

1999

1998

A. Capital and reserves				
I. Subscribed capital			75 493	75 493
II. Capital reserve			201 794	201 794
III. Retained earnings				
1. Statutory reserve		511		511
2. Reserve for own shares				
as at 1.1.1999	272			
Withdrawal	-42	230		272
3. Other retained earnings				
as at 1.1.1999	5 557			
Allocation	45 745	51 302		5 557
			52 043	6 340
IV. Disposable profit			50 300	47 806
				379 630
				331 433
B. Surplus debenture (Genussrechtskapital)				76 694
C. Technical provisions				
I. Provision for unearned premiums				
1. Gross		422 025		386 811
2. Less:				
reinsurance ceded		105 348		92 757
			316 677	294 054
II. Life assurance provision				
1. Gross		1 485 704		1 231 038
2. Less:				
reinsurance ceded		479 473		412 473
			1 006 231	818 565
III. Provisions for outstanding claims				
1. Gross		5 515 993		4 238 691
2. Less:				
reinsurance ceded		1 464 099		834 210
			4 051 894	3 404 481
IV. Provision for bonuses and rebates				
1. Gross		2 268		3 062
2. Less:				
reinsurance ceded		937		1 636
			1 331	1 426
V. Equalisation reserve and similar provisions			746 637	692 718
VI. Other technical provisions				
1. Gross		63 098		69 663
2. Less:				
reinsurance ceded		25 429		12 485
			37 669	57 178
				6 160 439
				5 268 422

Assets
Figures in EUR thousand

1999

1998

D. Receivables					
I. Accounts receivable arising out of reinsurance operations			684 811		700 414
- from affiliated companies:					
78 167 (1998: 106 984)					
II. Other receivables			59 174		57 557
- from affiliated companies:				743 985	757 971
54 686 (1998: 48 560)					
E. Other assets					
I. Tangible assets and stocks			7 734		7 795
II. Current accounts with banks, cheques and cash in hand			66 098		72 857
III. Own shares			230		272
Nominal or par value:				74 062	80 924
8 (1998: 8)					
F. Prepayments and accrued income					
I. Accrued interest and rent			52 636		46 994
II. Other accrued income			885		942
				53 521	47 936
G. Probable tax relief in subsequent financial years in accordance with § 274 (2) of the Commercial Code (HGB)				45 746	–
				8 212 170	6 935 502

Liabilities

Figures in EUR thousand

1999

1998

D. Provisions for other risks and charges					
I. Provisions for pensions and			19 330		17 231
II. Provisions for taxation			88 808		52 227
III. Other provisions			43 522		41 382
				151 660	110 840
E. Deposits received from retrocessionaires				846 308	513 995
F. Other liabilities					
I. Accounts payable arising out of reinsurance operations			505 773		534 183
- to affiliated companies:					
242 156 (1998: 206 537)					
II. Liabilities to banks			–		13 458
III. Miscellaneous liabilities			86 792		80 837
- from taxes:				592 565	628 478
270 (1998: 309)					
- for social security :					
524 (1998: 485)					
- to affiliated companies :					
61 658 (1998: 49 493)					
G. Accruals and deferred income				4 874	5 640
				8 212 170	6 935 502

Audited Individual Financial Statements of Hannover Re for the year 1999
in accordance with German GAAP

PROFIT AND LOSS ACCOUNT

Figures in EUR thousand	1999	1998
I. Technical account		
1. Earned premiums, net of retrocession		
a) Gross written premiums	3 611 278	2 907 192
b) Retrocession premiums	1 408 931	1 008 808
	2 202 347	1 898 384
c) Change in the gross provision for unearned premiums (+/-)	11 896	-72 485
d) Change in the provision for unearned premiums, retrocessionaires' share (+/-)	2 285	29 940
	14 181	-42 545
		2 216 528
		1 855 839
2. Allocated investment return transferred from the non-technical account, net of retrocession		95 582
3. Other technical income, net of retrocession		3
4. Claims incurred, net of retrocession		
a) Claims paid		
aa) Gross	2 269 405	1 379 245
bb) Retrocessionaires' share	833 239	502 914
	1 436 166	876 331
b) Change in provisions for outstanding claims		
aa) Gross	-755 371	-728 109
bb) Retrocessionaires' share	549 157	389 041
	-206 214	-339 068
		1 642 380
		1 215 399
5. Changes in other technical provisions, net of retrocession		
a) Net life assurance provision	-206 814	-163 789
b) Other net technical provisions	-833	598
		-207 647
6. Bonuses and rebates, net of retrocession		866
7. Operating expenses, net of retrocession		
a) Gross acquisition expenses	1 147 646	872 684
b) Less: commissions and profit commissions received on retrocession	532 603	294 904
		615 043
		577 780
8. Other technical charges, net of retrocession		2 785
9. Subtotal		-156 608
10. Change in the equalisation reserve and similar provisions		-53 919
11. Net technical result		-210 527
		-151 496

Balance brought forward:				-210 527	-151 496
II. Non-technical account					
1. Investment income					
a) Income from participating interest		58 717			39 448
- affiliated companies:					
54 143 (1998: 35 468)					
b) Income from other investments					
- affiliated companies:					
46 813 (1998: 14 834)					
aa) Income from land and buildings, rights to land and buildings, leasehold	4 833				4 756
bb) Income from other investments	292 413				272 827
		297 246			277 583
c) Appreciation on investments		28 504			1 100
d) Gains on the realisation of investments		225 703			102 501
			610 170		420 632
2. Investment charges					
a) Investment management charges, including interest		10 278			8 765
b) Depreciation		47 008			22 108
- extraordinary depreciation in accordance with § 253 (2) item 3 of the Commercial Code (HGB)					
3 168 (1998: 3 191)					
c) Losses on the realisation of investments		28 461			15 473
			85 747		46 346
			524 423		374 286
3. Allocated investment return transferred to the technical account			-108 910		-65 420
				415 513	308 866
4. Other income			52 685		31 748
5. Other charges					
a) Special allocation to provisions for outstanding claims		58 387			54 810
b) Miscellaneous charges		90 507			62 838
			148 894		117 648
				-96 209	-85 900
6. Profit or loss on ordinary activities before tax				108 777	71 470

Balance brought forward:				108 777	71 470
7. Taxes on profit and income		8 792			15 828
plus allocation for group assessment		3 134			7 295
			11 926		23 123
8. Other taxes		1 058			714
plus allocation for group assessment		-52			-123
			1 006		591
				12 932	23 714
9. Profit or loss for the financial year				95 845	47 756
10. Profit brought forward from previous year				158	50
11. Withdrawal from retained earnings:					
a) from the reserve for own shares				42	–
b) from other retained earnings				–	272
12. Allocation to retained earnings:					
a) to the reserve for own shares				–	272
b) to other retained earnings				45 745	–
13. Disposable profit				50 300	47 806

Taxation

The following is a general description of certain tax considerations relating to the Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Bonds. Prospective purchasers of Bonds should consult their tax advisers as to the consequences, under the tax laws of the country in which they are resident for tax purposes and under the tax laws of the Grand-Duchy of Luxembourg and Federal Republic of Germany, of acquiring, holding and disposing of Bonds and receiving payments of principal, interest and other amounts under the Bonds. This summary is based upon the laws in force and their interpretation on the date of this Offering Circular and is subject to any change in law or interpretation that may take effect after such date.

Grand-Duchy of Luxembourg

The following information is of a general nature only and is based on the laws presently in force in the Grand-Duchy of Luxembourg ("Luxembourg"). It does not purport to be a comprehensive description of all the tax implications that might be relevant to an investment decision. It is included solely for information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Bonds should consult their professional advisers with respect to their particular circumstances and the effects of state, local or foreign laws to which they may be subject. Holders of Bonds who are in doubt as to their tax position should consult their professional advisers.

Withholding tax, income tax

A holder of Bonds who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Bonds are attributable, is subject to Luxembourg income tax in respect of the interest paid or accrued on the Bonds.

Under Luxembourg domestic tax law, gains realised by an individual holder of Bonds, who acts in the course of the management of his private wealth and who is a resident of Luxembourg for tax purposes, on the sale or disposal, in any form whatsoever, of Bonds, are not subject to Luxembourg income tax, provided the sale or disposal took place more than six months after the acquisition of the Bonds. An individual holder of Bonds, who acts in the course of the management of his private wealth and who is a resident of Luxembourg for tax purposes, has to include the portion of the gain corresponding to accrued but unpaid income in respect of the Bonds in his taxable income. Gains realised by a corporate holder of Bonds or by an individual holder of Bonds, who acts in the course of the management of a professional or business undertaking, who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Bonds are attributable, on the sale or disposal, in any form whatsoever, of Bonds are subject to Luxembourg income tax. Interest on the Bonds payable to, and gains on the sale or disposal of Bonds realised by a non resident holder of Bonds, who does not have a permanent establishment or fixed place of business in Luxembourg to which the Bonds are attributable, are not subject to Luxembourg income or withholding tax.

A Luxembourg holder of Bonds that is governed by the law of 31 July 1929 on pure holding companies or by the law of 30 March 1988 on investment funds will not be subject to any Luxembourg income tax in respect of interest received or accrued on the Bonds, or on gains realised on the sale or disposal of the Bonds.

Registration taxes

The issue of the Bonds by the Issuer will not be subject to Luxembourg registration or stamp duty. The sale or disposal of the Bonds will not be subject to a Luxembourg registration or stamp duty.

Other taxes

Under present Luxembourg tax law, a holder of Bonds, who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg to which the Bonds are attributable, has to take into account the Bonds for the purposes of the Luxembourg wealth tax.

Under present Luxembourg tax law, where a holder of Bonds is a resident for tax purposes of Luxembourg at the time of his death, the Bonds are included in his taxable estate for inheritance tax purposes and gift tax may be due on a gift or donation of the Bonds.

Federal Republic of Germany

The following is a discussion of certain German tax considerations that may be relevant to an investor who is a resident of Germany or otherwise subject to German taxation on a net income basis in respect of the Bonds. The information contained in this section "Taxation in the Federal Republic of Germany" must not be understood as tax advice. It is based on an interpretation of the German tax laws as of the date hereof and is subject to change. Any such change may be applied retroactively and may adversely affect the tax consequences described herein. This summary does not purport to deal with all aspects of taxation that may be relevant to investors in the light of their individual circumstances. Prospective investors are advised to consult their own tax advisors with respect to the tax consequences of purchasing, holding, redeeming or disposing of the Bonds.

Taxation of Interest Income

Interest and *Stückzinsen* (as defined below) paid on the Bonds to an investor who is resident in the Federal Republic of Germany is subject to personal or corporate income tax (plus a solidarity surcharge thereon which is currently levied at a rate of 5.5%). For purposes of German taxation, the term "resident" includes an individual having a residence or his or her habitual abode, and a body corporate having its statutory seat or place of management, in the Federal Republic of Germany. An investor who is a non-resident in Germany is only subject to German income tax with respect to interest received on the Bonds, if such interest income falls into a category of income from German sources, i.e. income attributable to a German permanent establishment. Interest income from the Bonds may also be subject to German trade tax on income if the Bonds form part of the property of a German business establishment for trade tax purposes.

Withholding Tax on Interest Income

In case the Bonds are kept in a custody account maintained with a German bank or a German financial services institution (including a German branch of a non-German bank or a non-German financial services institution, but excluding a non-German branch of a German bank or a German financial services institution) ("*inländische Depotverwahrung*"), such bank or financial services institution is generally required to withhold tax ("*Zinsabschlagsteuer*") at a rate of 30% (plus solidarity surcharge thereon, resulting in an effective rate of withholding of 31.65%) on interest paid to an investor whose income is subject to German income tax.

In case an investor sells the Bonds between interest payment dates and interest accrued until the date of sale is separately stated ("*Stückzinsen*"), such *Stückzinsen* will also be treated as interest income in the year of receipt and, therefore, be subject to *Zinsabschlagsteuer*. *Stückzinsen* paid by an investor upon the purchase of the Bonds may be offset in the year of payment against the amount of interest income received by such investor and, under certain circumstances, may reduce the amount subject to *Zinsabschlagsteuer*.

Zinsabschlagsteuer and solidarity surcharge thereon are later credited as prepayments against the investor's liability for German personal or corporate income tax and the respective solidarity surcharge or, if in excess of such liability, refunded.

Special Regulation concerning Financial Innovation Instruments

The Bonds are characterized by the fact that they bear fixed interest in the first ten years and thereafter – unless previously redeemed in accordance with the Terms and Conditions of the Bonds – floating interest until maturity depending on the development of the 3-month Euribor rate. The floating interest rate equals the Euribor rate plus a margin. Under certain circumstances referred to in the Terms and Conditions of the Bonds interest payments may be deferred. Deferred interest will be paid in arrears.

The financial authorities classify bonds, whose amount of income depends on an uncertain event, as financial innovation instruments pursuant to Section 20 (2) sentence 1 No. 4, sentence 1 lit. c of the German Income Tax Act. This shall also apply to floating rate bonds that provide for a premium or discount margin on the reference interest rate because of its uncertain development (see publications from the German Federal Ministry of Finance of 20 January 1994, FR, page 206, no. 4; of 21 April 1994 – IV B 4 – S 2400 – 45/94 and of 19 May 1994 – IV B 4 – S 2400 – 57/94). In its judgment of 24 October 2000 (VIII R 28/99, BFH/NV 2001, page 259), the Supreme Tax Court decided that securities with a floating interest rate which do not provide for a predeterminable issuance yield do not fall within the categories of Section 20 (2) sentence 1 No. 4, sentence 1 lit. c of the German Income Tax Code. The finance authorities for their part announced that they will not apply this judgment to any cases other than the particular case that has been decided upon. Notwithstanding the foregoing, the Bonds may be treated as financial innovation instruments for tax purposes, due to the option to temporarily defer interest payments under certain circumstances as provided in the Terms and Conditions of the Bonds. This also may be interpreted as payment of capital income depending on an uncertain event, pursuant to Section 20 (2) sentence 1 No. 4, sentence 1 lit. c of the German Income Tax Code.

The following explanations are therefore based on the assumption that the financial authorities are of the opinion that the Bonds should be treated as financial innovations within the meaning of Section 20 (2) sentence 1 no. 4, sentence 1 lit. c of the German Income Tax Code.

In the event of the disposal or redemption of the Bonds, as the case may be, the *Stückzinsen* received and the difference between the fee for the acquisition and the income from the disposal or redemption ("market yield") are deemed to be interest income. If the Bonds are maintained in a custody account by a German financial services institution (*inländische Depotverwahrung*) such institution is therefore also obligated to levy withholding tax (plus the solidarity surcharge levied thereon) on the (positive) market yield in the event of the sale or disposal of the Bonds, if the Bonds were acquired or sold by the German financial services institution maintaining such Bonds in a custody account and have been maintained or managed since that. If this is not the case, the bank or German financial services institution is obligated to levy withholding tax (plus the solidarity surcharge levied thereon) at an assessment rate of 30% of the income from the disposal or redemption of the Bonds (flat assessment rate: *Pauschalbemessungsgrundlage*). The flat assessment rate only pertains to the levying of withholding tax, not to the assessment of personal or corporate income tax.

EU proposal with regard to the taxation of savings income

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments.

Subscription and Sale

Deutsche Bank AG London, UBS AG, acting through its business group UBS Warburg and Société Générale (together, the “Managers”) have entered into a subscription agreement dated 9 March 2001 (the “Subscription Agreement”) with the Issuer and the Guarantor and, subject to the terms thereof, the Managers have severally agreed to subscribe and pay for the Bonds at their issue price of 99.276 % of their principal amount less a total commission of 0.55 % of their principal amount. The Issuer has also agreed to reimburse the Managers for certain of their expenses incurred in connection with the management of the issue of the Bonds. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issuance of the Bonds. The Subscription Agreement is governed by German law.

Luxembourg

The Managers have represented and agreed that the Bonds may not be offered or sold to the public in the Grand-Duchy of Luxembourg, directly or indirectly, and except for Bonds listed on the Luxembourg Stock Exchange, neither the Offering Circular nor any form of application, advertisement or other material may be distributed or published in the Grand-Duchy of Luxembourg, unless the requirements of Luxembourg law concerning public offerings of securities have first been met and provided (if applicable) the relevant conditions of the Luxembourg act relating to the financial sector dated 5 April 1993, as amended, have been observed.

Germany

Each of the Managers has acknowledged that offers and sales of the Bonds are subject to the restrictions provided in the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) with respect to Euro-securities (*Euro-Wertpapiere*); in particular, they may not be offered by way of public promotion.

United States of America

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States of America (the “**United States**”) or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell the Bonds (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the settlement date, except in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act. Accordingly, each Manager has confirmed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds.

Terms used in this subparagraph have the meanings given to them by Regulation S.

Each of the Managers has represented and agreed, that at or prior to confirmation of a sale of Bonds, such Manager will send to each distributor or any other third party receiving a selling concession, fee or other remuneration that purchases Bonds from such Manager during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Bonds offered and/or sold hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in accordance with Regulation S under the Securities Act. Terms used herein have the meaning given to them by Regulation S.”

In addition, under U.S. Treas. Reg. § 1.163-5 (c) (2) (i) (D) (the “D Rules”), Bonds in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Manager has represented and agreed that:

- (a) except to the extent permitted under U.S. Treas. Reg. § 1.163-5 (c) (2) (i) (D), (i) it has not offered or sold, and during the restricted period will not offer or sell, Bonds in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) such Manager has not delivered and will not deliver within the United States or its possessions definitive Bonds in bearer form that are sold during the restricted period;
- (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bonds in bearer form are aware that such Bonds may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if such Manager is a United States person, it has represented that it is acquiring Bonds in bearer form for purposes of resale in connection with their original issuance and if such Manager retains Bonds in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. § 1.163-5 (c) (2) (i) (D) (6); and
- (d) with respect to each affiliate that acquires from such Manager Bonds in bearer form for the purpose of offering or selling such Bonds during the restricted period, such Manager either (i) has repeated and confirmed the agreements contained in sub-clauses (a), (b) and (c) on such affiliate's behalf or (ii) has agreed that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (a), (b) and (c), and
- (e) it has not entered and will not enter into any contractual arrangements with any distributors (as that term is defined for purposes of Regulation S and the D Rules) with respect to the distribution of the Bonds, except with its affiliates or with the prior written consent of the Issuer.

Terms used in this subparagraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

Each of the Issuer and the Guarantor has represented and warranted that neither it nor any of its affiliates have engaged or will engage in any directed selling efforts (as defined in Regulation S under the Securities Act) in respect of the Bonds.

United Kingdom

Each of the Managers has represented and agreed that:

- a) it has not offered or sold and, prior to the expiry of the period of six months from the Issue Date, will not offer or sell any Bonds to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended;
- b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom;
- c) it has only issued or passed on and will only issue or pass on any in the United Kingdom any document received by it in connection with the issue of any Bonds to a person who is of a kind described in Article 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, as amended, or is a person to whom such document may otherwise lawfully be issued or passed on.

General

In addition to the specific restrictions set out above, each Manager has agreed that it will observe all applicable provisions of law in each jurisdiction in or from which it may offer or sell Bonds or distribute any offering material in relation to the Bonds.

No action has been or will be taken in any jurisdiction by the Issuer or any Manager that would, or is intended to, permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and each of the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Bonds, in all cases at their own expense.

General Information

(1) The creation and issue of the Bonds has been authorised by a resolution of the Board of Directors of the Issuer dated 6 March 2001. The giving of the Guarantee of the Bonds has been authorised by a resolution of the Supervisory Board (*Aufsichtsrat*) of the Guarantor dated 20 February 2001.

(2) Save as disclosed in this Offering Circular, there are no litigation or arbitration proceedings against or affecting the Issuer, the Guarantor or any of its subsidiaries or any of their respective assets, nor is the Issuer or the Guarantor aware of any pending or threatened proceedings, which (in either case) are or might be material in the context of the issue of the Bonds.

(3) Save as disclosed in this Offering Circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuer since the date of its incorporation or in the condition (financial or otherwise) or general affairs of the Guarantor since 31 December 1999 that is material in the context of the issue of the Bonds.

(4) For so long as any Bond is outstanding, copies of the following documents may be inspected during normal business hours at the specified office of each Paying Agent:

(a) the Agency Agreement.

(b) the Guarantee.

(c) the Subscription Agreement.

(d) the articles of association (*Satzung*) of the Issuer.

(e) the Articles of Association (*Satzung*) of the Guarantor.

(5) For so long as any of the Bonds are outstanding, a copy of the audited financial statements of the Issuer for each period since its incorporation may be obtained during normal business hours at the specified office of each Paying Agent. The Issuer has not yet produced any financial statements. It is anticipated that the first published annual financial statements of the Issuer will be in respect of the year ending 31 December 2001. The Issuer does not publish interim financial statements.

(6) For so long as any of the Bonds are outstanding, a copy of the latest audited financial statements of the Guarantor and the Group (consolidated and non-consolidated) for each period since their respective financial years ended 31 December 1997 as well as any interim reports (for the first six months of each year on a consolidated basis) may be obtained during normal business hours at the specified office of each Paying Agent.

(7) In connection with the application for the Bonds to be listed on the Luxembourg Stock Exchange, copies of the articles of association (*Satzung*) of the Issuer and the Articles of Association (*Satzung*) of the Guarantor and a legal notice relating to the issue of the Bonds will be deposited prior to listing with the trade and companies register at the *Tribunal d'Arrondissement de et à Luxembourg*, where they may be inspected and copies obtained upon request.

(8) The Temporary Global Bond and the Permanent Global Bond will each bear the following legend:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

(9) The Bonds have been accepted for clearance by Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank N.V./S.A., as operator of the Euroclear System. The Common Code for the Bonds is 012606338, the ISIN is XS 0126063386 and the German Security Code is 611 699.

REGISTERED OFFICE OF THE ISSUER

25 A, Boulevard Royal
L-2449 Luxembourg

REGISTERED OFFICE OF THE GUARANTOR

Karl-Wiechert-Allee 50
D-30625 Hanover

FISCAL AGENT

Deutsche Bank Aktiengesellschaft

Grosse Gallusstrasse 10–14
D-60272 Frankfurt am Main

LISTING AND PAYING AGENT

Deutsche Bank Luxembourg S.A.

2, Boulevard Konrad Adenauer
L-1115 Luxembourg

LEGAL ADVISERS

To the Issuer and the Guarantor

as to German law:

Allen & Overy
Taunustor 2
D-60311 Frankfurt am Main

as to Luxembourg law:

**Beghin & Feider en association
avec Allen & Overy**
58, Rue Charles Martel
L-2134 Luxembourg

To the Managers as to German law:

Cleary, Gottlieb, Steen & Hamilton

Neue Mainzer Strasse 52
D-60311 Frankfurt am Main

AUDITORS TO THE GUARANTOR

KPMG

Hans-Böckler-Allee 5
D-30173 Hanover

AUDITORS TO THE ISSUER

KPMG Audit

31, Allée Scheffer
L-2520 Luxembourg