Annual Report 2005

Setting targets, achieving targets.

Annual Report 2005

MLP

MLP

Exceptional clients, exceptional commitment.

MLP's clients are people who make a real difference – not least due to the peace of mind that MLP gives them in the vital areas of health, provision and wealth management. This provides them with a solid foundation to shape their lives any way they wish.

In this annual report we introduce you to five MLP clients. These are people that are already embracing the values of the future. They combine specialised skills and personal success with a high level of commitment – and live their values both for themselves and others.

This kind of confident and motivated individuality is a key aspect that the trend researcher and futurologist Matthias Horx talks about in an interview on page 14. He encourages companies to focus more on the needs of individual clients. Tailor-made solutions are set to become increasingly important as clients move away from standard offers in search of personalised concepts.

We are prepared for this. MLP's business model and the quality of our consulting are aligned in such a way that we can meet the needs of the huge trend for individualisation and long-term provision with individual client-based concepts. We help exceptional clients achieve exceptional results. This is where MLP excels – just like our customers excel in their professional and personal commitment and their high demands.

The MLP Group

Key figures in EUR million	2005	2004	Change in %
Continuing operations*			
Total income	566.2	622.8	–9.1 %
Income from brokerage business	470.0	543.7	–13.6 %
Income from banking business	54.3	48.5	12.0 %
Other income	41.9	30.6	36.9 %
Profit from operations (EBIT)	69.7	88.3	–21.1 %
Profit before tax (EBT)	68.7	77.6	–11.5 %
Net profit from continuing operations	40.4	43.0	–6.0 %
Discontinued operations			
Profit before tax (EBT)	51.2	9.0	> 100 %
Operating result	33.9	7.3	> 100 %
Profit from the sale of discontinued operations after tax	125.4	–	
Net profit from discontinued operations	159.3	7.3	> 100 %
MLP Group			
Group profit before tax (EBT) (without profit from the sale of discontinued operations)	119.9	86.6	38.5 %
Net profit (total)	199.7	50.3	> 100 %
Earnings per share in EUR	1.84	0.46	> 100 %
Capital expenditure	16.7	25.3	–34.0 %
Shareholders' equity	455.2	289.6	57.2 %
Clients	659,000	618,500	6.5 %
Consultants	2,564	2,546	0.7 %
Branch offices	293	300	–2.3 %
Employees (continuing operations)	1,524	1,478	3.1 %
Arranged new business			
Pension provision (premium sum in billion EUR)	6.7	11.2	–40.2 %
Health insurance (annual premium)	56.4	60.4	–6.6 %
Loans and mortgages	1,016.1	806.4	26.0 %
Inflows into funds	917.9	575.0	59.6 %
Funds under management (in billion EUR)	2.9	2.6	11.5 %

* As the two subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG were sold during the financial year 2005, they are both recorded as discontinued operations in line with IFRS 5. Due to the restructuring of the Group, it is not possible to perform a full comparison with figures from years further back than 2004.

Profile

MLP is an independent financial advisor with a unique business model. Since being founded in 1971, we have focussed on advising academics and other discerning clients in all matters of personal financial management. We advise companies on occupational pension schemes and non-life insurance. In close cooperation with the market's best product suppliers, our consultants develop financial plans tailored to meet the precise personal needs of each of our clients.

Our mission

Whether health and old-age provision, insurance cover, financial investments or loans and mortgages – MLP stands for the highest quality of consulting across all segments and in every stage of its clients' lives. Academics and other discerning clients can rely on our expertise and independence in all aspects of integrated financial plans.

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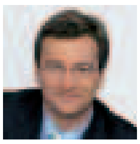
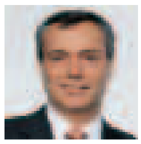
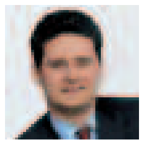
MLP's Executive Board (left to right): Eugen Bucher, Dr. Uwe Schroeder-Wildberg, Gerhard Frieg, Nils Frowein

The Executive Board



Members of the Executive Board

Dr. Uwe Schroeder-Wildberg (41), Chairman and CEO
Planning and strategy, human resources,
communication, legal affairs, audit and IT;
appointed until 31 December 2007

Eugen Bucher (48)
Sales;
appointed until 18 May 2007

Gerhard Frieg (49)
Product management and purchasing;
appointed until 18 May 2007

Nils Frowein (41)
Controlling, accounting, tax,
treasury, general administration;
appointed until 31 March 2009

Letter to our shareholders

Dear shareholders,

MLP showed great strength in the financial year 2005. Despite profound changes in the market for financial services, we exceeded our operating results target and continued on our stable course of growth. At the same time we increased our independence even further through the sale of the two subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG thereby completing the major part of the Group's strategic realignment process.

In the past financial year, MLP significantly improved its KPIs. Profit before tax and sales proceeds increased by 39 percent year on year to € 119.9 million. This is significantly above the € 100 million forecast at the start of 2005. Excluding the sale of the two insurance subsidiaries, net profit for the period increased to € 74.3 million (€ 50.3 million) – a plus of 48 percent. If we include the one-off effect from the sale of these companies (€ 125.4 million), the net profit for the period is € 199.7 million. As anticipated and announced at the start of the financial year, total income dropped slightly compared to the previous year's high level, with figures falling nine percent to € 566.2 million (€ 622.8 million). The income from the two subsidiaries sold are no longer included in this figure.

The MLP Best Value strategy and value enhancement programme initiated in 2004 was consistently continued in 2005. We remained on track with the significant milestones of this programme – further expanding wealth management, strengthening the corporate client business, including the occupational pension provision field, securing the MLP Corporate University's high level of training and increasing client satisfaction.

The principal basis for operative strength in the past year was the most comprehensive training initiative in the history of MLP. With the reduction of the tax privilege for life insurance policies and the introduction of the new "three-layer model" of old-age provision, the legislator created a completely new world of old-age provision at the start of 2005. With various tax break options, the topics of financial security as well as health and old-age provision are more complex than ever before. 2005 was clearly going to be a particularly important year for the industry as a whole. Quite intentionally and with focus on a long-term client-oriented company policy, we therefore decided to intensively prepare all consultants for the new framework conditions in the market with a training campaign that ran over several weeks. With this further training we created the prerequisites to ensure that our clients continue to receive high-grade consulting in the future. The decision to follow this strategic direction paid off after just a few months. One example of this is our market share of 40 percent in the field of basic pensions – a new yet highly complex state-supported old-age provision product. In this way MLP has further built on its already strong market position.

The advantages of MLP's business model have once again become clear in this context, in particular the strategy of concentrating on academics and other discerning clients. There are two key factors here. Firstly, our clientele is acutely aware of the need for private health and old-age provision and is therefore prepared to get involved in this complex topic. Secondly, due to their above-average income compared to the general public, our clients require extra health and old-age provision.

The sale of our insurance subsidiaries was a strategically important step in increasing our independence in the long term. With this far-reaching reshuffle of the Group, we can now concentrate on our core business and thereby on the company's key area of added value: independent consulting for our clients.

The sales price is around €334 million, of which approximately €40 million result from a subsequent profit component in the years 2005 to 2008. Our shareholders also participated in the success of this transaction. Alongside the current share buyback programme, the Executive Board and Supervisory Board are to suggest paying an extra dividend of €0.30 per share at the Annual General Meeting. In addition we are keen to involve our shareholders in the success of the financial year 2005 and intend to increase the standard dividend from €0.22 to €0.30. These measures are an indication of our trust in MLP's excellent future prospects. At the same time MLP also retains sufficient means for targeted investments and for actively shaping its further growth.

One particular target of this growth is the expansion of the wealth management business unit. Clients over forty years of age are a key group that can benefit greatly from diversification and systematic expansion of their wealth. Around one quarter of MLP clients today fall into this age group. And in the next five years the figure is likely to double, offering excellent opportunities to tap into a previously unused source of revenue.

Strengthening foreign operations, which were somewhat disappointing again in 2005, is another item at the top of the management agenda. While the negative pre-tax profit contribution (EBT) dopped 15 percent compared to the previous year to –€8.0 million (–€9.4 million), we have not yet been able to achieve our goal of reaching the breakeven point. For this reason we have decided to implement changes at our Swiss subsidiary, which would entail a discontinuation of the operative business and a focus on supporting existing clients. Furthermore, there was a change in management at our British subsidiary. These measures will lead to a significant improvement of our results abroad.

In last year's report we had already mentioned the expansion of the occupational pension provision segment. This process has since been completed. In the course of 2005 we were commissioned by renowned companies to advise their employees. This underlines the trust in MLP's high-grade consulting. So all the conditions are set for us to profit from the great growth expected in the occupational pension provision segment in the medium term.

The EU Insurance Mediation Directive, which is expected to be introduced as national legislation during this year, raises the demands on the qualification of consultants and the quality of the consulting itself. This will lead to a significant consolidation in the market. MLP will certainly be able to benefit from this, as the training on offer at the MLP Corporate University already greatly surpasses the minimum standards required. Our comprehensive training concept is also the key to fulfil our mission: Having satisfied clients is not enough – we want to impress them as well. And we intend to consistently pursue this course in future to guarantee top quality.

We have every reason to be confident going into 2006 and beyond. All fields of competency within our full-scope consulting approach – whether health and old-age provision, financial security, mutual funds or financing – offer excellent market prospects. There is also great potential for winning new clients, as some 110,000 new graduates fall into our target group in Germany every year. And although we failed to achieve our target of ten percent growth in 2005, instead winning some 41,000 new clients (+7 percent), we are sticking to our target of around 825,000 clients by the end of 2007. We also expect an increase in earnings before tax (EBT) in the same time period from € 69 to € 160 million. These figures demonstrate that MLP has an optimistic view of the future.

We would be delighted to have you, dear shareholders, at our side on the continuing road to qualitative growth. On behalf of the entire Executive Board I thank you for the trust you have shown over the last year. MLP will continue to do everything in its power to create substantial and lasting values for you as shareholders.

At this point I would also like to thank all employees and consultants for their dedication and commitment in the past year.

Yours sincerely,

Dr. Uwe Schroeder-Wildberg

Report by the Supervisory Board

In the financial year 2005, the Supervisory Board invested much time and effort in dealing with the development of the company and performed its duties of supervision in their entirety. The Supervisory Board regularly advised and monitored the Executive Board in its management of the company.

In the last financial year, the Supervisory Board also dealt intensively with the economic development, financial situation and prospects of the company. As part of the Group's strategic realignment, the subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG were sold in the financial year 2005. These significant transactions and the decision on how to use the funds generated by them constituted an important focus of the Supervisory Board's monitoring and advisory tasks. The Supervisory and Executive Boards met on numerous occasions to discuss business development, strategy and key events within the company. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. The Executive Board provided the Supervisory Board with timely and comprehensive reports, both written and oral, on a regular basis and on all relevant issues related to corporate planning, strategic development, the business situation and the position and development of the Group as a whole, including the risk situation and risk management.

In the financial year 2005, the Supervisory Board held five regular meetings and four extraordinary meetings, all of which were attended by all members, either in person or via conference call. The Supervisory Board was informed of particularly important or urgent projects outside of the regular meetings. When necessary, the resolutions were made via telephone conference or by connecting to Supervisory Board members who were unable to attend the meetings in person via telephone.

Five meetings of the Personnel Committee and three meetings of the Audit Committee were also held, all of which were attended by all members. Furthermore, the Chairman of the Supervisory Board met with the Executive Board on a regular basis to discuss specific issues. The Chairman of the Supervisory Board informed the other members of the Supervisory Board in detail about the content of the meetings with the Executive Board.

Members of the Supervisory Board:
- Manfred Lautenschläger (Chairman)
- Gerd Schmitz-Morkramer (Deputy Chairman)
- Dr. Peter Lütke-Bornefeld
- Johannes Maret
- Maria Bähr (Employees' representative)
- Norbert Kohler (Employees' representative)

Supervisory Board meetings and important resolutions

The first Supervisory Board meeting held in 2005 focused on the audit and approval of the financial statements and the consolidated financial statements of 31 December 2004. The auditors gave detailed reports on the course and outcome of their audit of the financial statements and consolidated financial statements. The Supervisory Board approved the financial statements and the consolidated financial statements of 31 December 2004. Other significant issues that figured on the agenda of this meeting were the Supervisory Board's proposals for resolutions to the regular Annual General Meeting of MLP AG on 21 June 2005.

In its regular meeting in May 2005, the Supervisory Board discussed the results of the first quarter and also dealt with the adaptation of the Compliance Directive of 16 December 2002 to comply with changes in the law which have since been made.

Furthermore, the Chairman and CEO also reported on the current status regarding the sale of the subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG. The further proceedings of the selling process were also discussed in depth at the extraordinary Supervisory Board meeting on 15 June 2005. On 17 June 2005, the Supervisory Board approved the sale of MLP Lebensversicherung AG to Clerical Medical International Holding B.V. and the sale of MLP Versicherung AG to Gothaer Allgemeine Versicherung AG.

Strategic expansion opportunities abroad were the object of an extraordinary meeting of the Supervisory Board in July 2005.

The results of the second quarter and the development of business in the first half of the year were on the agenda of the regular Supervisory Board meeting in August 2005.

At an extraordinary meeting on 11 November 2005, the Supervisory Board approved the share buyback programme proposed by the Executive Board. This was authorised by the Annual General Meeting on 21 June 2005. Furthermore, the Supervisory Board decided to propose to the Annual General Meeting of MLP AG in 2006 that the shareholders benefit from the successful sale of the subsidiaries through the payout of an extra dividend of €0.30 per share. The Executive Board's decision to use a total of around €120 million for the premature redemption of factoring agreements between MLP Finanzdienstleistungen AG and various reinsurers was acknowledged by the Supervisory Board.

Alongside the discussion of the third quarter results, a significant issue on the agenda of the regular Supervisory Board meeting in November 2005 was the resolution on an increase in capital stock at the subsidiary MLP Finanzdienstleistungen AG by an injection of up to € 32,774,162.38. The capital increase is linked to permission being granted on 15 March 2006 by the German Federal Financial Supervisory Authority (BaFin) to provide financial services for investment and acquisition brokerage by MLP Finanzdienstleistungen AG. At this meeting, the Supervisory Board also granted its approval regarding the plan presented for a Long-Term Incentive Programme and for issuing of performance share units to the Executive Board of MLP AG for 2005.

At the meeting in December 2005, resolutions were passed regarding the declaration of compliance pursuant to § 161 of the German Stock Corporation Act and on the issuing of performance shares units to the Executive Board of MLP AG for 2006.

Supervisory Board committees

The Supervisory Board was regularly informed of the work carried out by its committees in 2005.

Members of the Personnel Committee:
- Manfred Lautenschläger (Chairman)
- Gerd Schmitz-Morkramer (Deputy Chairman)
- Dr. Peter Lütke-Bornefeld

The Personnel Committee convened five times in the reporting period. A topic of discussion was the remuneration of the Executive Board. In its meeting in October 2005, the Personnel Committee gave its approval of the proposed plan for a Long-Term Incentive Programme, which is to involve Executive Board members and selected executive staff of the MLP Group.

Members of the Audit Committee:
- Manfred Lautenschläger (Chairman)
- Gerd Schmitz-Morkramer (Deputy Chairman)
- Dr. Peter Lütke-Bornefeld
- Johannes Maret

The Audit Committee held three regular meetings in the financial year 2005. Representatives of the auditor were also present at its meetings. In the presence of the auditors, the Chairman and CEO and the Chief Financial Officer, the Audit Committee discussed the financial statements of MLP AG and the Group as well as the proposed appropriation of earnings. Other objects of indepth review were the quarterly statements. The preparation of the extraordinary meeting of the Supervisory Board on 11 November 2005 was also dealt with at these consultation meetings. Furthermore, the agenda covered the relationships with the auditor, the proposal for electing the auditor for the financial year 2005, his remuneration, the audit engagement with specific auditing focal points and the monitoring of the auditor's independence. The Committee does not believe there to be any conflicts of interest with the auditor. The Audit Committee received regular reports on the work of the internal audit and on legal and regulatory risks and risks to reputation.

Corporate Governance

The Supervisory Board regularly deals with the application of the Corporate Governance principles.

Last year, the Supervisory Board dedicated its meeting in December 2005 to detailed discussions of the amendments of the German Corporate Governance Code ratified on 2 June 2005.

At this meeting and in the absence of the Executive Board, the Supervisory Board thoroughly examined the efficiency of its activities based on an evaluation questionnaire. The procedures in the Supervisory Board, the information flow between the Committees and the Supervisory Board plenary meeting, and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board were also discussed on this occasion. Measures aimed at increasing efficiency were analysed and discussed in detail.

Moreover, the Supervisory Board also satisfied itself that MLP AG had met the recommendations of the German Corporate Governance Code in line with its declaration of compliance pursuant to § 161 of the German Stock Corporation Act in the last financial year.

MLP AG complies strictly with the recommendations of the Government Commission on the German Corporate Governance Code (version of 2 June 2005). In December 2005, the Supervisory and Executive Boards issued a declaration of compliance pursuant to § 161 of the German Stock Corporation Act (AktG) for the financial year 2005 and made it permanently available to the shareholders via its website.

No conflicts of interest arose in the reporting period.

A summary of Corporate Governance at MLP, including the text of the declaration of compliance of December 2005, can be found in the Corporate Governance report by the Executive and Supervisory Boards in this annual report. All relevant information is also available on our homepage at www.mlp.de.

Audit of the annual financial statements and consolidated financial statements for 2005

The MLP AG annual financial statements of 31 December 2005 and the management report of MLP AG were prepared by the Executive Board in line with the principles of the German Commercial Code and audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Stuttgart, which issued an unqualified auditors' opinion. This was also the case with the consolidated financial statements and Group management report prepared in accordance with IFRS.

The financial statements, the auditors' reports and the Executive Board's proposal for use of the unappropriated profit were made available to all Supervisory Board members in good time. The Audit Committee examined these documents very thoroughly. The Supervisory Board also checked the documentation and reports in detail, providing comprehensive explanations of them. The audit reports from Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Stuttgart, were made available to all members of the Supervisory Board and were dealt with in full at the Supervisory Board balance sheet meeting on 27 March 2006 in the presence of the auditor, who reported on the most important results of his audit. At this meeting, the Executive Board explained the financial statements of MLP AG and of the Group, the risk management system, and gave detailed reports on the scope, focuses and costs of the audit.

The Supervisory Board concurred with the outcome of the auditors' audit and, on the basis of the Audit Committee's final report and its own inspection, found no grounds for raising an objection. Accordingly, the Supervisory Board approved the MLP AG annual financial statements prepared by the Executive Board and the consolidated financial statements in accordance with IFRS at its meeting of 27 March 2006. The annual financial statements are therefore adopted.

The Supervisory Board concurred with the Executive Board's proposal to pay out a dividend of €0.30 per share for the financial year 2005 in addition to the extra dividend of €0.30 per share.

The Supervisory Board would like to thank the Executive Board, the management of the respective Group companies, all employees and MLP consultants for their commitment and achievements in the financial year 2005.

Heidelberg, March 2006
The Supervisory Board
Manfred Lautenschläger
Chairman

DR. GERO BRUGMANN,
LAWYER AT UNVERZAGT VON HAVE IN HAMBURG,
32 YEARS OLD, MLP CLIENT SINCE 2001

Gero Brugmann has been a passionate sailor since the age of eight, and has since skippered a good number of regatta boats across the Atlantic. In his profession, the lawyer and cinema fan helps to put clients from the film and media industry on the right track. Brugmann's credo is to control the course of events himself. His most important characteristic here is his ability to make the right decisions quickly yet professionally, without making himself dependent on the opinions of others.

Independence is a quality that Brugmann also expects from his financial advisors. He doesn't want to be restricted to products from individual providers, instead preferring to get just what he needs from the best of everything available. With MLP, Gero Brugmann is backed by a crew that knows exactly when which sail needs to be hoisted to get up to full speed.

“Optimism creates values”

Trend researcher and futurologist Matthias Horx on the new world of work in the knowledge society

Mr. Horx, after many years of a general mood of depression, a faint glimmer of optimism has begun to creep in over the past months in Germany. Is this going to last?
“It’s difficult to say. In the past, positive future prospects have regularly been put to death in the feature columns. The pessimists have things firmly under control. It’s also less risky, because in a way the doom mongers are always right. If the worst doesn’t happen, then it is precisely because they gave such exemplary warning. Yet pessimism is dangerous, since people need an optimistic fundamental attitude – it’s necessary for creativity and productivity.”

What does optimism mean today?
“It means an attitude that loves to succeed and tries to reduce negativism. Optimism creates values, pessimism suppresses success. It all rests on politicians and society accepting and implementing this logic. But they must also remain pragmatic. In our current pathological state, we are simply not in a position to make a success of the future.”

One argument used by the modern-day Cassandras is globalisation and all its negative effects. How do you see this?
“The vast majority of society sees globalisation as a scourge, a removal of prosperity. Yet this has been the natural course of mankind for 500,000 years. Globalisation, or overcoming barriers, began when the first people from Africa set out on their travels to carry out primitive bartering. This process was refined during antiquity and more so during the Renaissance period. Take Venice, for example. Its whole splendour would be inconceivable without highly developed trade across all borders.”

What has changed since then?
“Since the 60s, the highly industrialised countries have gradually lost their affluent privileges while the traditionally poorer countries, particularly in Asia but also in Eastern Europe or Latin America, are accelerating their development. It is perfectly normal for privileges to break down over and again, it is not the apocalypse.”

But aren’t we losing out?
“Not in the long term. Globalisation is a win-win situation. A giant world market is emerging for all kinds of products, and our society is being forced to develop into a kind of knowledge society, the world’s think tank.”

What is the knowledge society?
“It’s very simple. MLP’s clients, well educated academics, will no longer be a minority, but rather the majority in society. In Germany today, only 40 percent of pupils attain university entrance qualifications. Finland, for example, educates 89 percent of its pupils to university entrance level.”

Does this strengthen the labour market or are we heading towards an academic proletariat?
“This is nonsense talk. The issue at hand is that even workmen can become better qualified, for example by taking a course to gain a marketing diploma. This helps make their job more secure. Academics, for example, are six times more secure in their positions than non-academic workers. But in the future it will no longer

be all about academia, about a certain title, but rather about the ability to learn throughout one's life. A highly educated person is not someone with lots of certificates hanging on the wall, but someone who remains inquisitive throughout their life."

Does this have consequences for the working world?
"It certainly does, but our perception of work is still strongly influenced by the industrial age, when workers slaved away monotonously under high stress. But work today is gradually breaking away from fixed workplaces, it is becoming mobile and is primarily brainwork. Having ideas, redesigning processes – the new German added value is creative work. And this generates more enjoyment and a greater desire to work. As such, the new world of work becomes our life's focus through free choice and increases the degree of self-determination. The old concept of the work-life balance is changing."

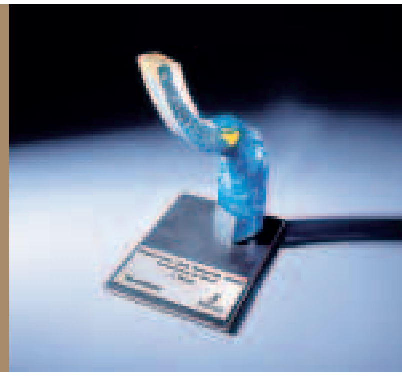
"We need to believe in people's potential."

But the masses, who are more interested in leisure than work, still see things quite differently.
"This will soon change. The new working world will be a mental revolution and thereby generate other life histories. In industrial work, which was characterised by production, people strove to keep working hours as short as possible in order to make the most of their free time and retirement. In future, more and more people will want to work longer of their own free will. And they will be able to do this, too, because they will enjoy good health for longer. Naturally, people will no longer work in the same job throughout their lives. Patchwork biographies will increase, more and more people will earn their livelihoods by combining several jobs which change over and over again throughout their lives."

Can the individual then also alter the focus of his life?
"Of course. Today, the decade between the ages of 40 and 50 is seen as being the zenith of one's career, a time of particularly intensive work. However, this often causes conflicts in the private sphere, as it is precisely the time at which children require particular attention. Yet there is nothing against rectifying the work-life balance in future. A performance peak is reached around 30, which could be followed by a long break for concentrating on one's private life and further training. The second career peak, involving intensive work, may then occur at the age of 55 and above. Life-long learning naturally means that our know-how constantly needs to be updated."

We would need to drastically change our image of old people then.
"The opportunities for structuring this new and older society are great, as long as we manage to keep people fit in mind and body up to the age of 80 and don't put them out to pasture at 55 or 60, as is the case today. This means greater preventive health measures. In Finland, for instance, the number of heart attacks was reduced by 60 percent in just ten years. Only four percent of Finns claim not to perform sport regularly; the same figure for Germany is 56 percent. Finnish employees can go jogging during working hours and it will be paid for by the employer. The Finns have realised that productivity is not generated through attendance, but through commitment. I maintain that extending health and fitness is our major project for the 21st century."

By calling for more personal responsibility, are we not sanctioning a growing egotism?
"In Germany, the ruling conservative circles predominantly equate individualisation with egoism. These critics consider this as narcissism and greed. Yet individualisation is nothing other than the internal shaping of ones own strengths and the external expression of personal responsibility. In the future institute we call this selfness, a wisdom of the self in work and partnership and society. However, individualisation alone is no fun at all. The self-aware individual seeks others, networks individuality, that is the effectual conception of man in the knowledge society."



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January February March April

Review of 2005

January

100,000th car policy

MLP Versicherung AG makes a good start to the new year. The company wins 12,000 new car clients in 2004. And in December it crowns this success by winning its 100,000th client, who is presented with a fuel voucher and a premium-free 2005.

February

Award-winning sales concept (1)

MLP becomes the first recipient of the “Excellence in Sales Award 2005” given out by financial daily Handelsblatt for the most efficient sales concepts. The jury was particularly impressed by the consistency with which MLP implements its business model. The award was given in recognition of aspects such as the sales structure and the value enhancement program, MLP Best Value.

Independent expert opinion (2)

With professors Bert Rürup and Bernd Raffelhüschen, MLP launches a series of lectures on current issues in pension and health provision. The 20 client events at MLP sites in Germany and Austria are attended by a total of 15,000 participants.

March

Making a self-assured appearance

MLP uses the new brand campaign “Quality costs money. Or makes money.” to raise its profile through selected print media. At the same time, a leading design agency develops a new corporate design for MLP. Both measures underline MLP’s mission to remain a premium brand.

April

Manfred Lautenschläger honoured

Manfred Lautenschläger receives the “Rhein-Neckar-Dreieck-Award 2005”. Among other projects, the MLP co-founder and Chairman of the Supervisory Board has supported the construction of the new Heidelberg children’s clinic and financed a cancer research study. His good works around the region also include providing a €250 thsd research prize.

May

Records set at the MLP Marathon in Mannheim (3)

The second marathon in Mannheim (Germany) with MLP as title sponsor is an even greater success than the previous year’s event. About 110,000 spectators turn out to cheer on almost 6,600 participants. Over 300 MLP employees take part in the run. There’s a brilliant atmosphere along the route and at Mannheim’s landmark water tower.

June

Setting standards in private wealth management

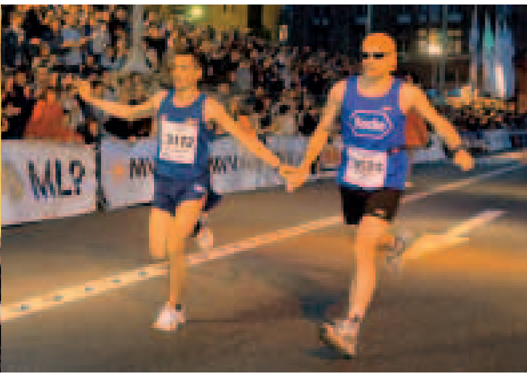
With the MLP absolute return portfolio, MLP sets new standards in private wealth management. The aim of the first professionally managed fund portfolio of its kind in Germany is to consistently generate positive returns, irrespective of the trend in the stock and bond markets. Clients can invest from just €25 thsd.

Insurance subsidiaries sold

MLP strengthens its strategically important independence and sells MLP Lebensversicherung AG to Clerical Medical International Holdings B.V., part of UK group HBOS. At the same time, the Cologne-based Gothaer Group takes over MLP Versicherung AG.

Satisfied shareholder representatives (4)

At the Annual General Meeting, the 1,400 shareholder representatives are full of commendation for the new strategic focus adopted by MLP. MLP



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May June July August September October November December

aims to be Europe's most profitable financial service provider by 2007. The Group will use the funds available to it for acquisitions and cooperative ventures as well as for investments in its IT infrastructure.

July

Global internship programme (5)

In cooperation with several global companies, MLP provides opportunities worldwide for students to gain their first workplace experience. MLP organises the second invitation to compete for internship stipends. 200 candidates make it to the final selection round of "Join the best"; ten of them then win an internship with leading companies in Europe, America and Asia. For MLP, the programme is a way of strengthening its contacts with potential clients.

20 years of Basis-Fonds I

MLP first ventured into the mutual funds sector in 1985 with the Basis-Fonds I fund, for which subscriptions were invited by Frankfurt-Trust. Since then the fund has grown to €500 million and is now part of the MLP titan portfolio which contains only the best funds. The Basis-Fonds I is exclusively available to MLP clients and continuously achieves above-average results.

August

Cooperation with universities

Universities are keen to make the transition to the workplace easier for their graduates by setting up Career Centres, which continue to provide help and support as the graduates' careers progress. With 30 years' experience in this area, MLP supports the setting-up of these facilities, thereby strengthening its position as a trusted partner to universities and their graduates. The first agreements with state universities are signed with the Mannheim University of Applied Sciences and the University of Heidelberg.

October

High-quality consulting

A test conducted by the magazine NEW INVESTOR confirms the high quality of MLP's consulting. S.W.I. Finance analysed 75 consultations in banks and sales organisations nationwide, assessing them on aspects such as punctuality and reliability, consulting atmosphere, the quality of the consultant, requirements analysis and the ability to provide suitable solutions. MLP consultants take second place, impressing the testers with their comprehensive and long-term consulting approach tailored to the current situation and plans of prospective clients. The testers are also impressed by the time the consultants invest. MLP comes top, spending an average of 71 minutes on each consultation.

November

Exclusive platinum credit card

MLP expands its range for high net wealth individuals by introducing the MLP American Express Platinum Card. As well as functioning as a credit card, it also offers a comprehensive range of services and attractive insurance options.

December

Basic pension:
MLP with 40 percent market share

2005 saw a sharp downturn in consumer interest in classic life insurance policies in Germany. The abolition of full tax exemption on life insurance policies poses a challenge for the entire sector, which must now develop new provision concepts in order to meet changing requirements. MLP responds very quickly to this change, adjusting its portfolio well ahead of time. Indeed, the company is able to win a 40 percent share of the market for Germany's new state-supported basic pension policies.

ANNE-MARIE FRANZ,
ENGINEER, BESPOKE TAILOR AND OWNER OF A
STUDIO FOR TAILOR-MADE CLOTHING IN MOERS,
38 YEARS OLD, MLP CLIENT SINCE 1993

Clothes make the man, so they say. For Anne-Marie Franz this also works the other way round, as she makes clothes. Even as a child she enjoyed sewing and was curious about how items of clothing can change a person. Today, Anne-Marie Franz is the owner of a studio for tailor-made clothing. And the focus of her work is on people, not fashion. Franz studies her clients, researches their personality and advises them at the highest level. Each person is unique. The items of clothing that Anne-Marie Franz makes for her clients are also one-offs – all of them individual designs which bring out the true nature of the wearer.

Franz accepts no compromises, whether in her career or in her choice of financial services provider. She expects her MLP consultant to be able to listen, get involved with the person they are talking to, and find the right solution. The result needs to be right. It should not be a standard, off-the-peg solution, but a contract and policy that fits the circumstances of the person perfectly.

Overall economic situation

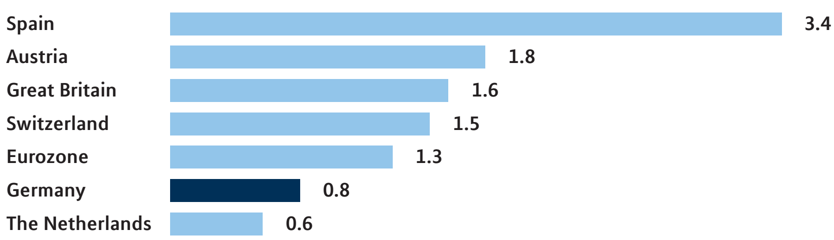
Robust world economy

The global economy lost some of its vitality in 2005, although it continued to grow. The world-wide gross domestic product (GDP) increased by 4.3 percent. The central banks were able to compensate the dampening effects caused by skyrocketing prices for crude oil and raw materials with an expansive monetary policy, which kept the capital market interest rate at a low level. The global centres of growth were the US and China, whose GDPs rose by 3.6 percent and 9.8 percent respectively. Japan overcame its period of stagnation and recorded growth of 1.7 percent.

Cautious development in the Eurozone

The Eurozone exhibited moderate economic growth of 1.3 percent. The countries in which MLP is represented saw varied development. While Great Britain, Austria and Spain showed a comparably high rate of growth, the Netherlands failed to meet expectations. Switzerland generated growth of 1.5 percent, largely due to exports.

Economic growth 2005 in markets targeted by MLP (in percent)



Source: Institut für Weltwirtschaft, Kiel, 2005

After inflation in the Eurozone rose from 1.9 percent at the start of 2005 to 2.5 percent by the end of October, the European Central Bank (ECB) raised the basic interest rate from two percent to 2.25 percent in December. The ECB's thinking here was to curb the increase in inflation without burdening the economy.

German economy in mid-table

Germany improved its GDP by 0.8 percent in 2005, placing it mid-table in the EU. Once again, the driving force of the German economy was export, which grew by 5.5 percent – supported by the improved competitive position of German companies, a robust global economy and the devaluation of the euro against the dollar and other currencies. On the other hand, stagnating private consumption in the face of declining real income and further increases in the savings rate inhibited growth. The wait-and-see behaviour of consumers was also attributable to the continued high level of unemployment, increased energy costs and uncertainty surrounding the success of the new government's reforms.

As our most important market, the overall economic situation in Germany remained difficult in 2005. However, this had no sustained effect on the development of business at MLP, as it is not so much the economic as the structural framework conditions which are important to us.

Industry situation and competitive environment

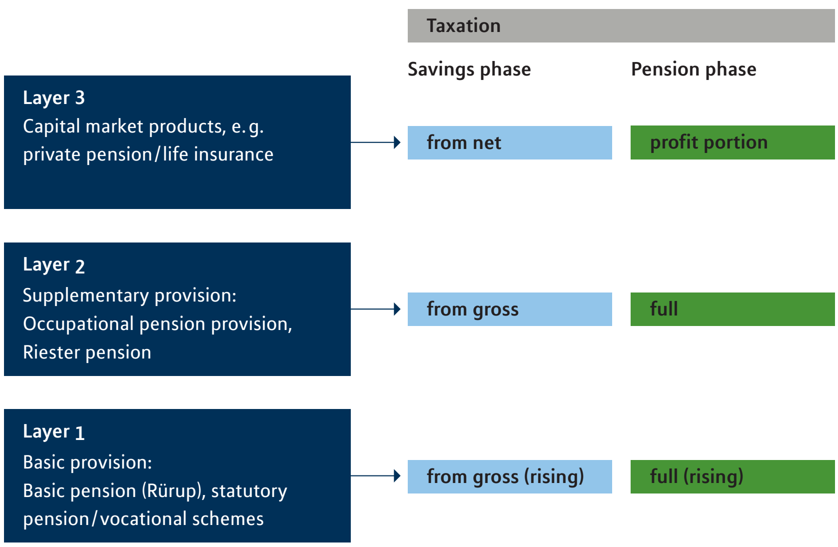
As an independent financial adviser, MLP's business is strongly influenced by legislation on old-age and health provision as well as development in the finance brokerage, insurance and banking sectors.

Old-age provision

Fundamental realignment of old-age provision

In old-age provision, the pay-as-you-go pension system (keyword: inter-generation contract) is being put under ever increasing pressure by demographic development and rising life expectancy. The legislator has therefore fundamentally realigned old-age provision and attached greater importance to private and occupational pension provision. And with the introduction of the sustainability factor, the level of pension has also been significantly lowered. In accordance with the German Retirement Income Law (AltEinkG), old-age provision has, since 2005, consisted of the three layers of basic provision (statutory pension, vocational schemes, and state-supported Basic or Rürup pension), supplementary provision (state-supported Riester pension and occupational pension provision) and capital market products (for example endowment life insurance, private pension insurance). Independent experts are predicting that the measures introduced will cause private and occupational pension provision – two of MLP's business segments – to become considerably more important.

Increasing complexity in old-age provision in Germany



Key factors of the German Retirement Income Law

The German Retirement Income Law (AltEinkG) has been in force since January 2005. With the introduction of this new law, the whole topic of old-age provision has become significantly more complex. The legislator has abolished the full tax exemption of lumpsum payouts from life insurance policies, yet the three-layer model offers varied tax break options. The basic pension is one new product that has been introduced here. This private basic provision allows some of the cuts in the statutory pension scheme (GRV) to be compensated. To promote saving with the basic pension, policy holders can deduct their premiums from their taxable income. In 2005, tax payers could claim 60 percent of the cost (up to a maximum of €20,000) from their taxable income. This figure will rise to 100 percent by 2025. In return for this, policy holders must then pay tax on part of the payment they later receive. In 2005 the taxable proportion was 50 percent, and this will be increased step by step to a level of 100 percent by 2040. Since the introduction of the German Retirement Income Law, retired persons have had to follow these same rules and pay tax on the money they receive from the statutory pension.

New business of life insurers in decline

In this radically altered situation, the boom in new business enjoyed by life insurers in 2004 has since gone down drastically. According to the German Insurance Association (GDV), the number of new policies amounted to 7.8 million (–39 percent). This corresponds to a slump of approximately 46 percent in regular premiums from new business. According to GDV, there is a current trend towards long-term provision plans among those signing new contracts. While the significance of endowment life insurance policies is dwindling, the number of pension policies is on the up. This also reflects the development of the Riester pension. While 2005 saw a total of around 1.13 million new contracts signed, the same figure for 2004 was only around 318,000.

Health provision

More personal responsibility, also in health provision

Two opposite trends can be observed in the health provision sector. Firstly, the number of new subscribers to private fully comprehensive insurance has dropped since the statutory obligation limit was raised on 1 January 2003. According to the Association of Private Health Insurance (PKV), by mid 2005 only 39,200 people had made the switch from public to private insurance. Compared to the same period of the previous year, this means that the growth rate has halved. A total of 8.3 million people were fully-covered by private health insurance in Germany in mid-2005. Secondly, a converse trend is evident in private supplementary insurance. At the end of 2004, some 16.1 million predominantly statutory policy holders held supplementary private insurance policies, yet this figure rose to around 17.1 million by mid-2005. According to PKV, the premium income from private health insurance rose from €24.5 billion to an estimated €25.5 billion in 2005. Depending on what effect the pending reform of the state health system has on private health insurance, the business of MLP, as a private health insurance and private supplementary insurance broker, will also be affected.

Financial investments

Savings ratio and acceptance of funds on the increase

The uncertainty surrounding further economic and social development in Germany and the need for greater private provision has caused the savings rate to rise slightly from 10.5 percent in the previous year to 10.6 percent in 2005. Yet the acceptance of funds as an investment form among private investors has grown. In total around €42 billion was newly invested in mutual funds. This means that inflows into mutual funds have increased more than six-fold compared to the previous year. The total value of assets under management in mutual funds in Germany reached €545.4 billion at the end of 2005.

Financing

Stagnating business

Development in the construction financing market was satisfactory. Thanks to the continued low rate of interest, new business in Germany hit € 160 billion in 2005. The pressure on loan margins continued in 2005, as did the restraint of the economy and consumers when it came to expenditure on investments, property or major purchases. Business with corporate and consumer loans stagnated as a result.

Competition

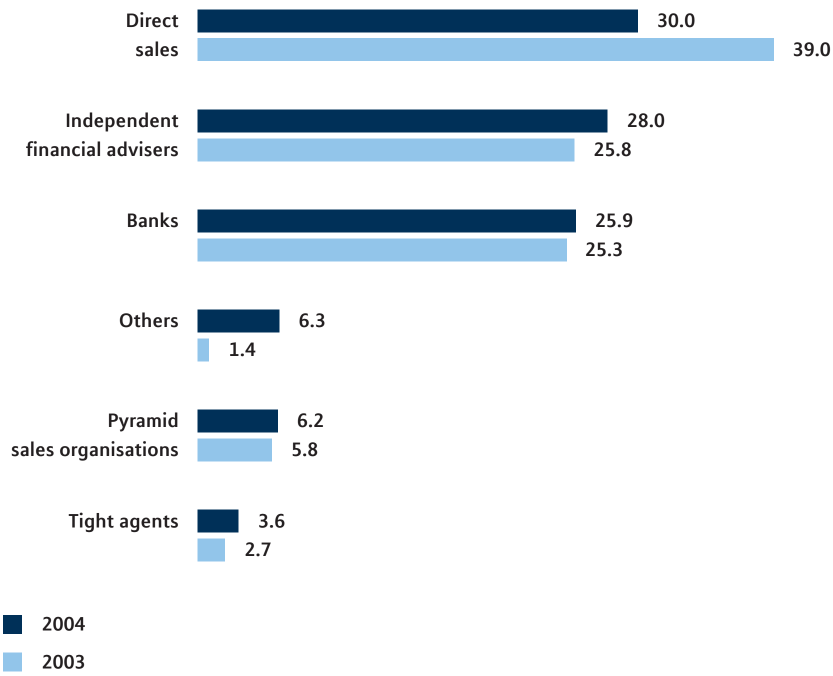
Consolidation in the market for independent financial advisers

Within its client group of academics and other discerning clients, MLP predominantly faces competition from the sales organisations of banks, insurances and savings banks which focus on private client business. Other independent brokers of financial products are only secondary competitors to MLP. Alongside large sales organisations, the independent brokers' market is characterised by a large number of small insurance brokers.

The new "three-layer-model" for old-age provision, new taxation principles and new products have made old-age pension provision even more complex. The growing demand for competent consultancy particularly benefits independent financial advisers such as MLP. A study on the German market carried out by the management consultancy Towers Perrin Tillinghast shows that the market share of independent brokers rose from 25.8 percent in 2003 to 28.0 percent in 2004.

Furthermore, the pending implementation of the EU Insurance Mediation Directive as national legislation is expected to cause consolidation in the fragmented financial brokerage market. This should also work in favour of the independent brokers.

Market share for financial advice in Germany (in percent)



Source: Börsen-Zeitung, 4 October 2005, Towers Perrin Tillinghast: "Vertriebswege-Survey"

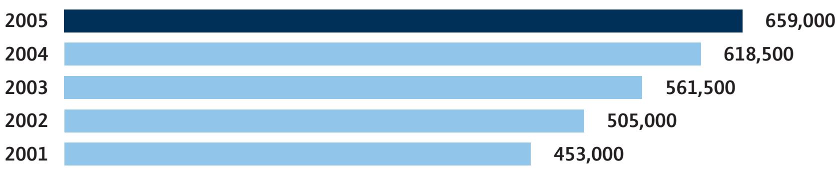
Business model and strategy

Business model

Clear client focus

MLP's business model, which is unique in the industry, has been the key to the company's success since 1971. As an independent financial adviser, we develop tailor-made solutions based on the best products and product components the market has to offer. We have a clear client focus and provide consultation exclusively to academics and other discerning clients. At the end of 2005, a total of 2,564 consultants were supporting 659,000 clients in the sectors of health and old-age provision, insurance cover, financial investments and loans and mortgages. Each of our consultants generally concentrates on one professional group. This means that they understand the economic objectives, questions and professional demands faced by their clients.

Number of clients

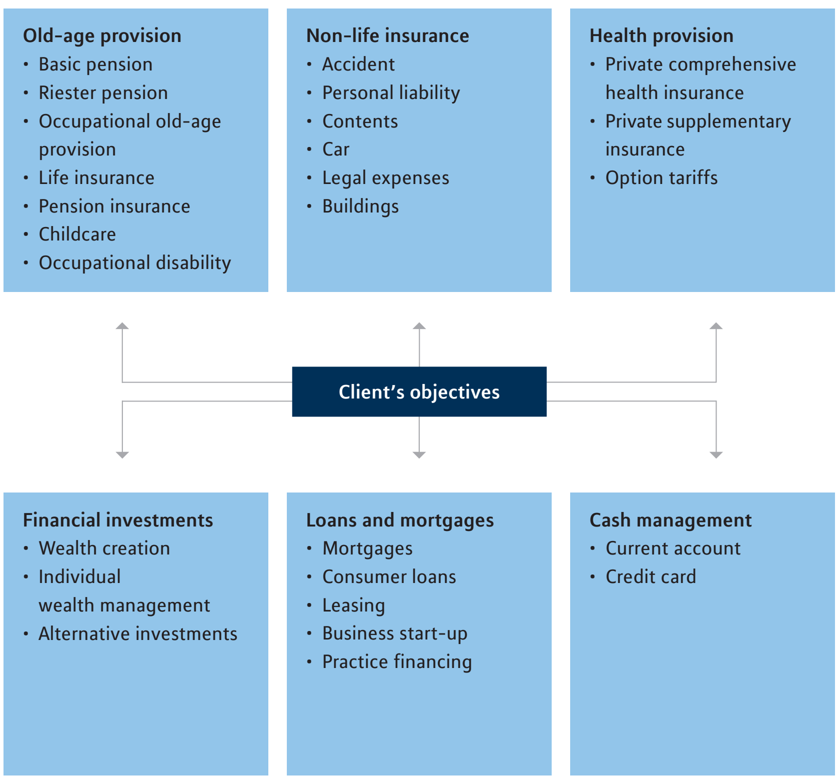


Sustainable and profitable growth

Strategy

MLP's business strategy is based on the success factors of target group focus, high-quality consulting and independence. Client consultation on matters of old-age provision is one of MLP's core competencies. In order to achieve sustainable and profitable growth, we concentrate on our knowledge and experience as independent brokers, consistently exploiting the growth opportunities offered primarily in the areas of private and occupational pension schemes, in wealth management and in foreign business operations.

Comprehensive financial services concept



Increased independence

As part of a strategic realignment of the MLP Group, the subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG were sold in mid-2005. This served to further strengthen the independence of our consulting activities and streamlined the structure of the Group.

The former company MLP Lebensversicherung AG now belongs to Clerical Medical International Holdings B.V., a company of the British HBOS Group, while the Cologne-based Gothaer Group took over MLP Versicherung AG. MLP has been working together with both companies successfully for many years. Our clients can therefore be confident that they will continue to receive the highest quality products and consulting in future. The sale of the MLP insurance companies has not only made our business more transparent, it has also reduced risks. Also, by concentrating on the brokerage business, MLP's traditional core competence, we have strengthened our ability to create added value.

Expansion of wealth management

MLP has a growing number of clients requiring independent consulting on capital accumulation, asset structuring and asset optimisation. For this reason, MLP plans to further expand its wealth management, making it a core competence on a par with old-age provision. MLP Bank AG is to act here as a competence centre for individual, high-quality capital accumulation plans. Consequently this will result in a considerable expansion of the product portfolio and human resources in wealth management. An acquisition or cooperation could complement the strategic positioning of MLP in this area.

Occupational pension provision provides new opportunities

Occupational pension schemes is becoming increasingly important, which is why MLP has made major expansions in this business segment. With several hundred specially trained consultants, we are well established in the market. MLP directs its services primarily at small and medium-sized companies with up to 1,000 employees. Based on sound advice we strive to achieve a rate of penetration (proportion of employees in a company opting for the company pension scheme) that is far above average. And we also see opportunities to offer other services and products (cross-selling potential).

Strengthening our business abroad

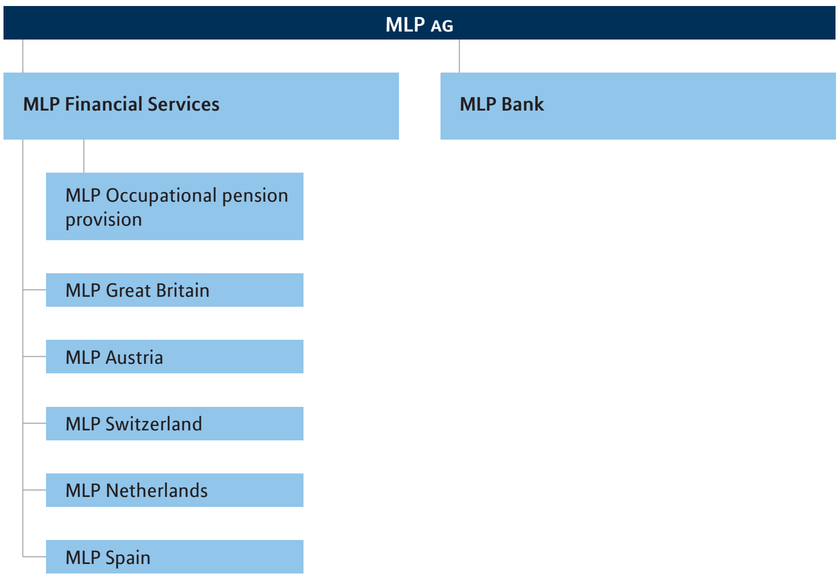
MLP's activities abroad are an important part of the business model, and one which we intend to build upon. Beyond the core market in Germany, MLP is present in Austria, Great Britain, Switzerland, the Netherlands and Spain. Each country is subject to individual framework conditions. MLP's aim is to sustainably strengthen these activities abroad through organic growth, cooperations or acquisitions, as far as the specific market and competitive positions allow this.

Legal structure of the Group

Simplified structure

The sale of the MLP insurance companies has simplified the structure of the MLP Group. It is now principally made up of MLP AG as holding company and MLP Finanzdienstleistungen AG with the further subsidiaries MLP Bank AG and MLP Login GmbH. The business activities are divided into the segments consulting and sales (MLP Finanzdienstleistungen AG), banking (MLP Bank AG) as well as internal services and administration (MLP AG and MLP Login GmbH).

Overview of areas of business and regions



MLP Finanzdienstleistungen AG, Heidelberg, is the sales subsidiary of the MLP Group in Germany and on the foreign markets. The corresponding offices and subsidiaries in Austria, Switzerland, Spain, the Netherlands and Great Britain are shareholdings of MLP Finanzdienstleistungen AG – as are MLP BAV GmbH, Heidelberg, BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH, Bremen, and BERAG Versicherungs-Makler GmbH, Bremen. Also under the MLP AG umbrella is MLP Bank AG, the provider of financial investments and financing concepts in the MLP Group. Through the close interaction between MLP Finanzdienstleistungen AG and MLP Bank AG, we deliver integrated banking and insurance services in the form of a financial plan tailored to our clients' current stage in life.

Organisation and administration

Decentralised structure ensures consulting quality

Following the sale of the MLP insurance companies, MLP increased the number of sales regions on the German market from two to four, further strengthening its client focus. As part of this organisational change, the Executive Board of MLP Finanzdienstleistungen AG was reduced from six to four members.

As a premium provider, MLP places great importance on a decentralised structure. Our organisation is characterised by the branch offices' high level of autonomy and the confidence of office managers and MLP consultants to act as self-employed businesspeople. In Germany, 265 offices operate across the country – including almost all German university locations. In our foreign markets, we have 28 offices at selected university locations.

With the exception of a few consultants in the occupational pension provision segment, all MLP consultants in Germany are freelance commercial agents. Abroad, they are either employed or operate as freelance commercial agents, depending on the respective legal framework conditions in place. All MLP consultants work full-time and exclusively for MLP. As commercial agents, MLP consultants receive performance-related commission.

Corporate management and company objectives

Value-based control concept

In order to increase the company value in the long term, MLP uses a sophisticated instrument for managing and controlling the company which covers all of the essential service provision processes.

In the reporting year, we consistently pursued the creation of a value-based control concept, to which we aligned our operational and strategic controlling. The main focus is on the company's medium to long-term development and the associated resource allocation issues, as well as the growth prospects of individual business segments and sales units. Under the value-based control concept, productivity (measured as revenue per consultant and client) and the operational margin (EBIT, profit before interest and taxes) are core figures for controlling.

Another important criterion is client satisfaction, which we regularly measure and analyse within the scope of our quality management. Of particular importance in this context is the cross-selling rate (number of products per client).

Productivity (revenue per consultant) hit around € 188,000 in the last financial year and is expected to reach over € 220,000 in the coming years. The EBIT margin of the consulting and sales segment in the financial year 2005 was 15 percent and is set to increase to over 20 percent in the coming years.

Key figures and medium-term target figures

	2005	Medium-term target figure
Productivity (revenue per consultant in €)	188,000	220,000
EBIT margin for consulting and sales segment	15 %	> 20 %

Net assets, financial position and results of operations

For the MLP Group, the financial year 2005 was marked both by the sale of the two subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG and by the changes to the regulatory framework for old-age provision in Germany.

Realignment of the MLP Group

As part of a strategic realignment of the MLP Group, the subsidiaries were sold in mid-2005. This served to further strengthen the independence of our consulting activities and streamlined the structure of the Group. The sale had considerable effects on the net assets, financial position and results of operations of the Group. We succeeded in agreeing a total sales price of approximately € 334 million for the two companies. Of this amount, € 293.8 million was paid in cash in 2005 and a further € 40 million results from a subsequent profit component in the years 2005 to 2008. We received € 9.3 million of this in 2005.

In accordance with the International Financial Reporting Standard 5 (IFRS 5), we presented the companies separately as discontinued operations as of the first quarter of 2005. Our brokerage and banking business and the internal services and administration segment are included in the continuing operations. Due to the restructuring of the Group in the last financial year, a comparison with past financial years makes little sense. We have adjusted the income statement of the financial year 2004 to the new structure. The two companies were deconsolidated in the third quarter of 2005.

Changes to the regulatory framework for old-age provision

Aside from the sale of the subsidiaries, the financial year 2005 for MLP was profoundly affected by the changes in the legal situation regarding old-age provision in Germany. The new "three-layer model" for old-age provision introduced by the Retirement Income Law has had a drastic impact on our client consulting requirements. In order to ensure the quality of our consulting in view of the new product spectrum and under the changed tax regulations, we implemented comprehensive training programmes for consultants in the first quarter of 2005. The success of these measures was demonstrated in the following months by the increasing dynamism of business development. Our swift and successful adjustment to the altered framework conditions was also reflected in our success in brokering the new basic pension introduced in 2005, when we achieved a market share of approximately 40 percent in this field.

Competitive and market position improved

All in all, we are more than satisfied with the development of business in the last financial year. The changes in the regulatory framework conditions for old-age provision in Germany made it a difficult transition year for the entire industry sector. Measured by premiums from new policies, business of German life insurance companies, for instance, dropped by 46 percent. Compared with the industry average, we fared very well with a drop of just 14 percent in our brokerage business. In our view, this makes it clear that we have succeeded in improving our competitive and market position by rapidly adapting to the changed framework conditions.

Expectations exceeded

At the start of 2005, we predicted a profit before tax and before sales proceeds, including the discontinued operations, of € 100 million for the last financial year. We were able to increase this forecast value to € 110 million during the course of the year as a result of the positive trend in operating results in the discontinued operations, which were influenced by the higher premium income from business concluded toward the end of 2004. For 2005 as a whole, we exceeded this forecast and generated pre-tax profits of € 119.9 million.

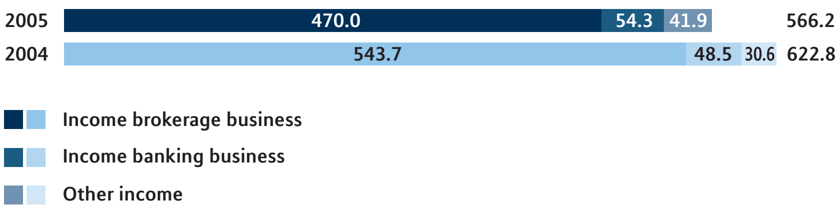
Composition of profit before tax and before profit from the disposal of discontinued operations (in € million)

All figures in € million	2005	2004
Continuing operations	68.7	77.6
Discontinued operations	51.2	9.0
Total	**119.9**	**86.6**

Analysis of the profit situation (continuing operations)

Due to the rapid and successful adjustment to the regulatory framework for old-age provision, the total income of the Group dropped by only nine percent to €566.2 million following the boom year in 2004.

Total income from continuing operations (in € million)



Expected development of total income

Income from brokerage business fell by 14 percent to €470.0 million. We expected this development, as in the financial year 2004 the discontinuation of full tax exemption for endowment life insurance policies resulted in a boom in demand for these products. Income from the banking business saw an increase from €48.5 million to €54.3 million. This was due to the increased business volume and securities custody business. Other income rose from €30.6 million to €41.9 million. This includes a subsequent profit component of €9.3 million from the sale of MLP Lebensversicherung AG.

Total expenses in the last financial year amounted to €496.5 million, €37.9 million below the previous year's figure. The slump is essentially attributable to one-off restructuring costs amounting to €21.3 million, which presented a considerable burden to the result in 2004 and no longer took effect in 2005. The expenses for brokerage business were also significantly lower than in the previous year. The performance-related commission payments to our consultants, which generally change proportionately to the income from the brokerage business, are recorded in this item. Personnel expenses essentially increased from €66.7 million to €75.9 million due to the expansion of the occupational pension provision and sales support business units, and due to general salary increases.

Expenses

All figures in € million	2005	(%)	2004	(%)	Change
Expenses for brokerage business	223.0	44.9 %	248.5	46.5 %	–10.3 %
Expenses for banking business	14.1	2.8 %	11.5	2.1 %	22.6 %
Personnel expenses	75.9	15.3 %	66.7	12.5 %	13.8 %
Depreciation/amortisation	19.9	4.0 %	18.2	3.4 %	9.3 %
Operating expenses	163.6	33.0 %	189.5	35.5 %	–13.7 %
Total	**496.5**	**100.0 %**	**534.4**	**100.0 %**	**–7.1 %**

Finance cost significantly improved

In total, we generated profit from operations (EBIT) of €69.7 million (€88.3 million). We significantly improved the finance cost from –€10.7 million in the previous year to –€1.0 million in the last financial year. This is predominantly due to interest on sales price of the two insurance companies and the repayment of a construction loan. The profit before tax (EBT) dropped by twelve percent to €68.7 million.

Development of earnings for continuing operations

All figures in € million	2005	2004	Change
EBIT	69.7	88.3	–21.1 %
Finance costs	–1.0	–10.7	90.7 %
EBT	68.7	77.6	–11.5 %
Income taxes	–28.3	–34.7	18.4 %
Net profit	40.4	43.0	–6.0 %

The total result of the discontinued operations came to €159.3 million (€7.3 million). €125.4 million of this is from the sale of the subsidiaries. At €199.7 million, the Group's net profit (total) was significantly better than in the previous year (€50.3 million).

Net profit

All figures in € million	2005	2004	Change
Continuing operations	40.4	43.0	–6.0 %
Discontinued operations	33.9	7.3	> 100 %
Profit from sale of discontinued operations	125.4	–	
Group	**199.7**	**50.3**	**> 100 %**
Earning per share in €	1.84	0.46	> 100 %
Diluted earnings per share in €	1.81	0.46	> 100 %

Discontinued operations

The two subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG were sold and deconsolidated in the third quarter. Drawing a comparison with the previous year is therefore of little use, as both companies are only included pro rata in the income statement up to the deconsolidation date. In this time period, we generated a total income of € 167.2 million in the discontinued operations. Due to the influence of higher premium income from business concluded toward the end of 2004, the profit before tax (EBT) reached a level of € 51.2 million. After deduction of tax, we achieved an operating result of € 33.9 million. Together with the disposal result of € 125.4 million, this gives a total result of € 159.3 million for the discontinued operations.

Appropriation of profits

The pleasing business development seen in the last financial year means that the Executive Board and Supervisory Board can now propose a dividend payment of € 0.30 per share to the Annual General Meeting on 31 May 2006. This corresponds to a total dividend of approximately € 32 million.

Dividends, extra dividends, share buyback

We also intend to include our shareholders in the sale proceeds from the disposal of the two subsidiaries by paying out a one-off extra dividend of € 0.30 per share.

Should the company hold treasury stocks on the day of the Annual General Meeting, this proposal shall be changed to the effect that the amounts pertaining to these shares are carried forward to a new account.

We also initiated a share buyback programme on 1 December 2005. This is expected to run until 20 December 2006 and has an anticipated maximum volume of € 180 million. By 31 December 2005 we had bought back 614,509 shares at a total value of around € 10.5 million. We intend to pay out over € 240 million in total to our shareholders in the current financial year with this. As part of the further optimisation of the capital structure, we also repaid in full all existing factoring agreements with a total volume of around € 120 million. This will have a positive effect on our finance cost in the years to come.

Capital expenditure and financing analysis

High cash flows

With the sale of the two insurance subsidiaries and the concentration on brokerage business, our business model has become much less capital-intensive and generates high cash flows. This also has effects on capital expenditure and financing. MLP generally finances capital expenditure from current cash flow.

In comparison with the previous years, we considerably reduced the total investment volume to € 16.7 million in 2005.

Capital expenditure

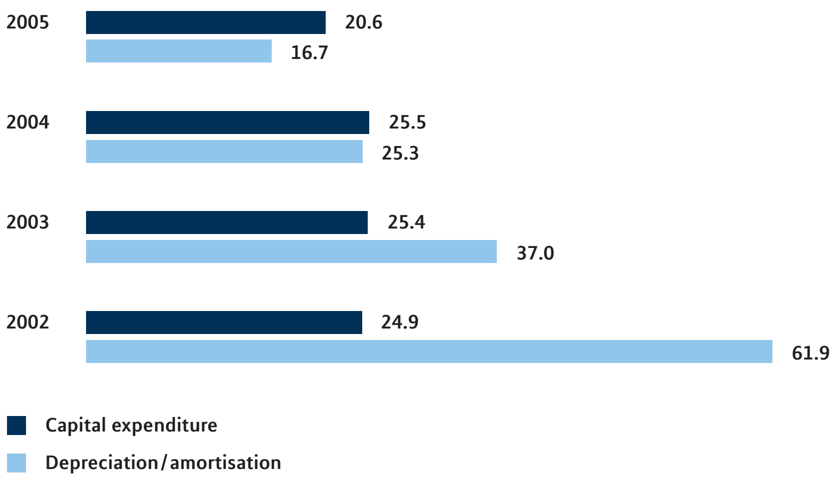
All figures in € million	2005	2004	2003	2002
Intangible assets	**12.0**	**13.6**	**17.4**	**32.6**
Goodwill	0*	0*	0*	–
Software (developed internally)	–	–	0.3	–
Software	1.2	0.8	11.7	18.4
Other intangible assets	–	–	–	–
Payments on account and assets under construction	10.8	12.8	5.4	14.2
Property, plant and equipment	**4.7**	**11.7**	**19.6**	**29.3**
Land, leasehold rights and buildings	0.5	1.2	0.8	2.3
Investment property	0*	–	–	–
Other fixtures, fittings and office equipment	2.5	2.6	1.8	7.9
Payments on account and assets under construction	1.7	7.9	17.0	19.1
Total capital expenditure	**16.7**	**25.3**	**37.0**	**61.9**

* less than € 1 million

Capital expenditure on intangible assets was predominantly for IT projects to develop consulting tools for the finance management and old-age provision segments. Among other things, we developed systems which enable us to better document our consulting services.

At €4.7 million, capital expenditure on property, plant and equipment also dropped (€11.7 million).

Capital expenditure against depreciation/amortisation expenses within the MLP Group (in € million)



A comparison of capital expenditure against depreciation and amortisation expenses clearly shows that in 2002 and 2003, we financed 40 and 69 percent of capital expenditure respectively through depreciation/amortisation. In 2004, capital expenditure approximately corresponded to depreciation/amortisation. In the last financial year, it was significantly higher for the first time.

The following table offers an overview of the cash flow development of the continuing operations.

Simplified cash flow statement continuing operations (in € million)

All figures in € million	2005	2004
Cash and cash equivalents at beginning of period	167.2	39.5
Cash flow from operating activities	–49.7	163.0
Cash flow from investing activities	–20,5	–17.6
Cash flow from financing activities	–47.2	–17.7
Balance	**–117.4**	**127.7**
Cash and cash equivalents at end of period without profit from sale of discontinued operations	49.8	167.2
Inflow of funds from the sale of subsidiaries	280.2	–
Cash and cash equivalents at end of period	**330.0**	**167.2**

This shows that the cash flow from operating activities changed from € 163.0 million to –€ 49.7 million. A significant influence here was the repayment of factoring agreements of approximately € 120 million at the end of the financial year 2005. We funded this repayment using proceeds from the sale of the two subsidiaries. In the coming years, we will generate revenue from this accordingly.

The main influencing factor in the change to the cash flow from investing activities in the financial year 2005 was the share buyback programme started in December 2005.

The change in the cash flow from financing activities is essentially based on outflows of funds for the repayment of loans and an increased dividend payment compared to the financial year 2004.

Cash and cash equivalents increase significantly

As at the balance sheet date of 31 December 2005, the MLP Group had access to over € 330.0 million in cash holdings (€ 234.5 million, including discontinued operations). The liquid funds available are therefore sufficient and offer a broad internal scope for financing. Furthermore, we also have sufficient lines of credit within the Group, which were further increased in the past financial year. At no point in the reporting period did a liquidity squeeze occur. We did not make use of any of the lines of credit available to us from our partner banks.

As at the balance sheet date, financial commitments from rental and leasing agreements were in place which amount to approximately € 43.1 million for the financial year 2006. This mainly constitutes liabilities from the leasing of our offices, the outsourcing of IT technology and the leasing of IT equipment. This will result in total liabilities of € 116.3 million up to 2011.

Analysis of the asset and liability structure

Due to the sale of the two subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG, the assets and liabilities associated with the insurance business were sold and deconsolidated in the third quarter of 2005. This reduced the balance sheet total from € 3.1 billion in the previous year to € 1.2 billion in the last financial year.

Balance sheet influenced by sale of subsidiaries

For the analysis of the asset and liability situation, the balance sheet is shown in the following table without the items which concern the insurance business. The changes to the remaining items which result from the disposal of the corresponding assets and liabilities are also listed.

Assets

All figures in € million	2005	2004	Change	Disposal (31 Dec 04)
Intangible assets	22.9	60.3	–37.4	–36.5
Property, plant and equipment	94.7	117.4	–22.7	–0.2
Investment property	15.5	–	15.5	–
Deferred tax assets	1.6	51.5	–49.9	–2.9
Receivables from banking business	511.0	371.6	139.4	–
Financial investments	236.7	204.6	32.1	–144.4
Tax refund claims	19.2	1.8	17.4	–
Receivables and other assets	150.3	136.0	14.3	–42.5
Cash and cash equivalents	130.0	191.0	–61.0	–43.8

The change in intangible assets can essentially be explained by the disposal of the assets of the two subsidiaries.

The changes in the items "property, plant and equipment" and "investment property" predominantly resulted from the reclassification of a property used by a third party. This was previously under internal use and was therefore recorded under "property, plant and equipment".

Due to the repayment of the factoring agreements, the deferred tax assets decreased, while at the same time tax refund claims had to be allocated.

Alongside the disposal of the respective assets of the two insurance companies sold, the changes in the financial investments and the cash and cash equivalents can be explained by the inflow of funds from the sale of € 293.8 million and the outflow of funds from the repayment of the factoring agreements amounting to approximately € 120 million.

The receivables due from banking business rose in the reporting year from €371.6 million to €511.0 million. This is primarily attributable to higher receivables from other financial institutions.

The change in the receivables and other assets essentially results from the sale of the subsidiaries and the reclassifications necessary as a result.

Liabilities and shareholders' equity

All figures in € million	2005	2004	Change	Disposal (31 Dec 04)
Shareholders' equity	455.2	289.6	165.6	–102.4
Other provisions	32.7	173.4	–140.7	–3.0
Deferred tax liabilities	1.3	1.6	–0.3	–
Liabilities due to banking business	499.3	355.4	143.9	–
Tax liabilities	14.0	19.2	–5.2	–
Other liabilities	179.6	214.8	–35.2	–84.7

Equity ratio and return on equity increase significantly

In 2005, the equity ratio of the MLP Group rose significantly from 9 to 39 percent. This is due to the sale of the two insurance subsidiaries, as on the one hand this significantly reduced the balance sheet total, and on the other hand the generated sales proceeds led to an increase in the shareholders' equity.

The return on equity adjusted by the profit from the sale of discontinued operations of €125.4 million rose in the reporting period from 17 percent to 23 percent. This involved adjusting the net profit and the shareholders' equity by the proceeds from the sale of the two insurance companies for 2005.

The liabilities due to banking business climbed from €355.4 million to €499.3 million due to increasing client deposits.

Provisions considerably reduced

The significant reduction in other provisions is attributable to the full repayment of factoring agreements from the years 1998 to 2001 and the associated use of the provision for factoring charges formed in 2002.

The other liabilities of the MLP Group dropped by 16 percent to €179.6 million in the reporting period. An effect from the deconsolidation of the liabilities of the subsidiaries is also evident here.

The Group has no notable assets which are not recognised in the balance sheet.

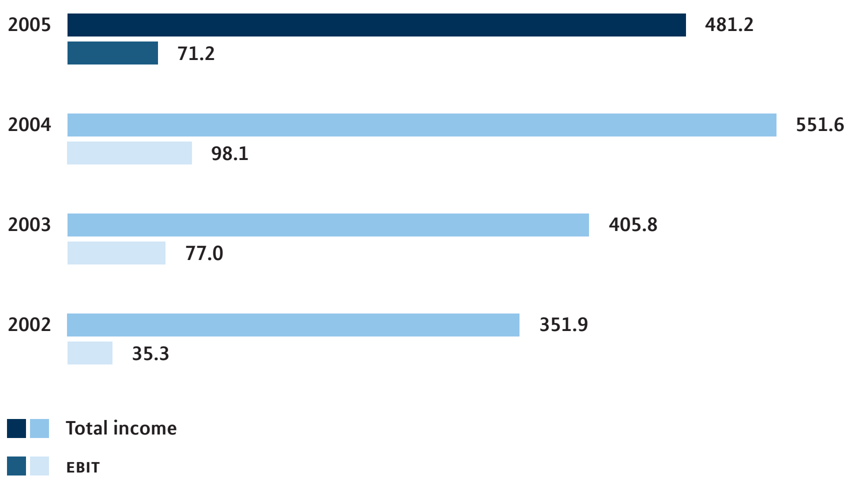
Segment report

Consulting and sales segment

Extensive training campaign for the new old-age provision landscape

As a result of the change in the framework conditions brought about by the Retirement Income Law, income dropped as expected in the consulting and sales segment, MLP's brokerage business, by 13 percent to €481.2 million (€551.6 million). In order to ensure the quality of our consulting in view of the new product spectrum and under the changed tax regulations, we implemented comprehensive training programmes for consultants in the first quarter of 2005. The success of these measures was demonstrated in the following month by the increasing dynamism of business development.

Consulting and sales segment, income and EBIT (in € million)



Expenses from the brokerage business fell by ten percent to €223.5 million. Personnel expenses went up 14 percent to €61.9 million due to the expansion of the occupational pension provision and sales support business units, and due to general salary increases. Depreciation and amortisation expenses developed as planned, amounting to €11.5 million (€12.1 million). Other expenses dropped from €167.0 million to €145.4 million, as in contrast to the previous year no restructuring measures took place.

Profit before interest and taxes (EBIT) went down by 27 percent to €71.2 million, resulting in an EBIT margin of 14.8 percent (17.8 percent). On home soil, the EBIT margin stood at 16.9 percent compared to 19.9 percent in the previous year. At our foreign operations, we cut our pre-tax loss from €9.4 million to €8.0 million.

Number of clients has risen

The number of clients continued to expand at a positive rate, considering the challenging conditions, rising from 618,500 to 659,000 by the end of 2005. The number of consultants increased by 18 to 2,564.

New business has developed as expected

Despite good third and fourth quarters brokered new business in the old-age provision segment fell compared to the previous year from total premiums of €11.2 billion to €6.7 billion. The health insurance segment recorded a slight drop compared to the previous year. The brokered annual premium amounted to €56.4 million, just slightly below the previous year's figure of €60.4 million. The financing sector developed pleasingly. The brokered volume rose by 26 percent to over €1 billion compared to the previous year. In the mutual funds segment, we generated funds inflows of €917.9 million (+60 percent). The funds under management in the MLP Group climbed from €2.6 billion to €2.9 billion.

New business

	2005	2004	2003	2002	2001
Old-age provisions (premiums in € billion)	6.7	11.2	7.4	6.3	6.0
Health insurance (annual premiums in € million)	56	60	64	75	71
Loans and mortgages (volume in € million)	1,016	806	1,064	893	1,120
Inflows into mutual funds (in € million)	918	575	606	664	995

Banking segment

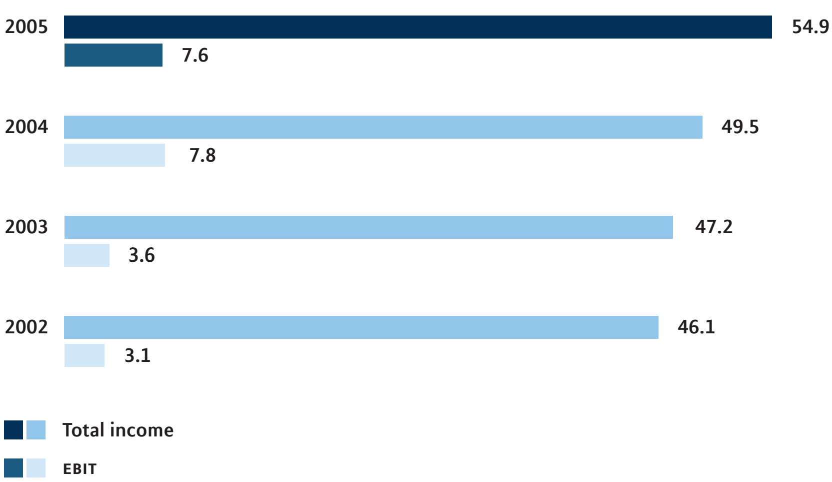
Business volume and the securities custody business have grown

At MLP Bank AG, the positive business development of previous years also continued in the financial year 2005. Both the business volume (+19 percent) and the managed securities custody business (+30 percent) grew. As such, income from the segment increased by €5.4 million to €54.9 million.

Expenses from the banking business rose in the reporting year from €42.6 million to €47.5 million. This is attributable to increased interest charges resulting from the growth in on-balance-sheet borrowing transactions. Furthermore, the growth in the securities custody business led to increasing brokerage and portfolio payments to MLP Finanzdienstleistungen AG. Personnel expenses amounted to €6.6 million (€6.1 million). Other expenses dropped by €1.3 million to €15.1 million. The segment achieved an overall result before finance costs (EBIT) of €7.6 million (–2 percent). The earnings before tax came to €7.6 million (€7.8 million).

The net interest income grew by €1.1 million to €10.4 million following the growth in on-balance-sheet lendings and borrowing transactions. In contrast, the commission result dropped from €24.4 million to €22.8 million.

Bank segment income and EBIT (in € million)



Internal services and administration segment

Improved earnings

All internal services and activities of the MLP Group are combined in this segment. The result before finance cost (EBIT) for this segment improved significantly from –€17.9 million to –€9.1 million. The improvement essentially resulted from the subsequent profit component earned in 2005 from the sale of MLP Lebensversicherung AG amounting to €9.3 million. The increased depreciation and amortisation expenses resulted from an impairment loss on a property which has been rented to a third party since October 2005. The finance cost improved significantly compared to the previous year from –€2.4 million to €6.7 million. This reflects the interest on the sales price of MLP Lebensversicherung AG and MLP Versicherung AG and the repayment of a construction loan. The result after finance cost and before profit from discontinued operations (EBT) thereby improved from –€20.4 million to –€2.4 million.

Life insurance segment

Insurance and non-life insurance operations discontinued

In the life insurance segment, the development of business in the financial year 2005 was included up to the deconsolidation date (5 September 2005) in view of the sale of MLP Lebensversicherung AG. No year-on-year comparison is made, as this would be of little use.

MLP Lebensversicherung AG developed as planned in the reporting period and achieved a total profit before tax of €42.4 million up to the deconsolidation date.

Better profitability

Despite the significant reduction of the reinsurance cession in new business and the resulting considerable reduction in the reinsurance commission received, the earning power was still increased.

This resulted in particular from the significant growth in premium income in connection with the unusually high level of new business generated by the effects of the Retirement Income Law at the end of the financial year 2004. The positive influences of capital market development also helped to raise income.

The total income from the life insurance segment, which was particularly influenced by the effects described above, ran to €137.0 million as at the deconsolidation date. The change in deferred acquisition costs amounted to €37.9 million. Contributions to this growth came mainly from the reduced deferred acquisition costs from reinsurance brought about by the lack of receipts from reinsurance commission in new business, and from scheduled depreciation/amortisation.

The expenses from the insurance business were largely influenced by commissions paid and surplus-sharing of policyholders, and amounted to €117.1 million. Personnel expenses developed according to plan and stood at €6.2 million. The depreciation and amortisation expenses on non-current assets were suspended in accordance with IFRS 5.25. This resulted in depreciation and amortisation expenses of just €0.6 million. Other expenses, which concerned IT and office expenses and general administration costs, stood at €9.2 million.

Non-life insurance segment

Earnings developed according to plan

In the non-life insurance segment for the financial year 2005, the development of business was taken into consideration up to the deconsolidation date (16 August 2005) in view of the sale of MLP Versicherung AG. No year-on-year comparison is made, as this would be of little use.

MLP Versicherung AG developed as planned in the reporting period and achieved a total profit before tax of €5.0 million up to the deconsolidation date.

In the non-life insurance segment, income came to €33.2 million as at the deconsolidation date. €25.4 million of this concerns premiums for own account and €7.0 million is income from syndicate management.

The deferred acquisition costs decreased steadily over the course of the year by €1.5 million due to the insurance portfolio which consisted almost exclusively of products with a one-year term.

Expenses from insurance business came to €21.7 million, €14.6 million of which concerned net loss expenditure and €4.2 million of which resulted from commissions paid. Personnel expenses stood at €4.1 million. Other expenses, which largely resulted from IT and office expenses and general administration costs, reached €4.1 million.

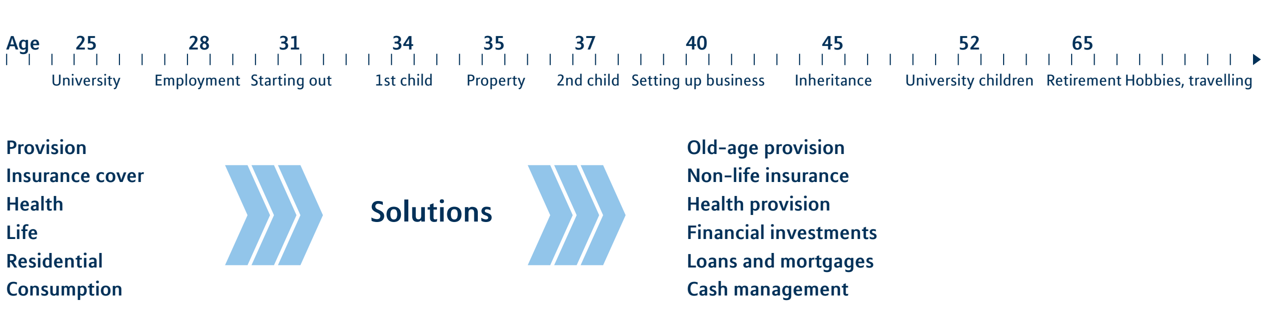
Comprehensive and sustainable consulting

MLP primarily offers consultation in the fields of old-age, dependants' and disability provision, health and composite insurance, as well as property and medical practice financing and wealth creation. Within the scope of its brokerage activities, MLP uses selected products available on the market. Besides leading standard products on the market, we also broker innovative financial plans and products which are specially tailored to the requirements of MLP clients.

Continuous support

MLP sales are coordinated to enable us to give the client optimum advice on a regular basis through all phases of life. Generally, MLP consultants invite clients to a check-up meeting every nine to twelve months. Changes in the client's situation are discussed and his/her financial management is adjusted accordingly.

Added value for the client: financial planning



Quality of MLP training

The careful selection, training and qualification of consultants is a key success factor for MLP. The MLP Corporate University therefore plays a key role in the implementation of our growth strategy. The internal qualification institute ensures that MLP's consulting remains at the highest quality in the long term.

At the MLP Corporate University our consultants undergo two years of training. After six months of basic training and having gained initial practical experience of consulting, their knowledge is then built up over 18 months in courses that deal with target-group-specific topics of financial management. The training is then concluded, with successful participants receiving the title "MLP Senior Financial Consultant". Within the scope of continuous further training, our consultants gain important new professional qualifications in seminars, case studies and workshops.

MBA programme established

In addition to this we underline our commitment to qualified consulting with our own MBA programme. We established the 22-month programme in 2005 together with renowned international universities. It will be continued in an expanded form in 2006, focusing on private finance.

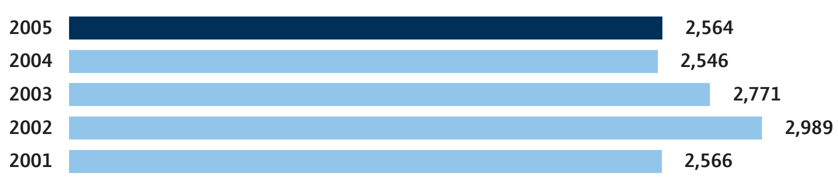
Professional IT support

IT support represents yet another element that ensures high quality in the consulting process. Our clients benefit from powerful applications that allow analysis of their individual health and old-age provision, financial and coverage situation. Depending on requirements, their current financial situation is taken as a basis for revealing gaps and planning appropriate measures.

Tough demands placed on technical and personal aptitude

In the financial year 2005, the number of consultants rose by 18 to 2,564. We did not succeed in meeting our target of 200 new consultants, as the aptitude of applicants is of the very highest priority at MLP.

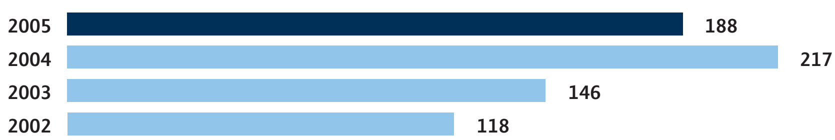
Number of clients



Investment in qualifications

The new provision landscape of the three-layer model places great demands on both the consultants’ technical knowledge and their communicative abilities. This is why MLP made investments in qualifications, particularly in the first quarter of 2005. Seen over the whole year, each of our consultants completed an average of 17 training days (2004: 12) at the MLP Corporate University. Additional further training activities also took place at the branch offices. We have adjusted the structure of our business to be in a better position to exploit the new world of old-age provision. However, this meant that productivity, measured as revenue per consultant, dropped from €217 thsd in 2004 to €188 thsd in 2005. However, we expect to see an increase again in the medium term to a level of around €220 thsd.

Revenue per consultant (in € thousands)



New corporate design and image campaign

With the expansion of its marketing activities, MLP supports its consultants at its offices in drawing up financial plans and selling products. With a new corporate design and an image campaign that focuses on our insistence for high quality, we increased MLP’s presence in the public eye and supported the consultants in acquiring new clients. We also launched a marketing offensive with broad scope. This helped us raise awareness further among our clients for the topics of old-age provision and pension shortfall.

Systematic partner management

Independent financial advisers seeking to offer a wide portfolio of leading products and outstanding service are going to need systematic partner management. Within the scope of its quality management, MLP refined the methods and tools used for regularly checking the product quality and creditworthiness of its partner companies in the course of the reporting year.

Firstly, we question our consultants on their experiences with the products and service of our partners. Secondly, we commission a market research specialist to analyse client satisfaction, and finally the partner companies are checked within the scope of a rating process which is performed in cooperation with an independent rating agency. This gives MLP a comprehensive overview of the efficiency of the products, service quality and creditworthiness of its partner companies. On the basis of the results, MLP holds regular meetings with its partners to overcome potential deficiencies and further improve quality.

Department for new product engineering

In order to offer our clients top products, we have set up a product engineering department within MLP's product management division. Here we use our banking and insurance knowledge to develop new solutions for current and future market requirements at eye level together with our partners. Our broad knowledge of the industry enables us to recognise the effects of a changed regulatory framework at an early stage and institute development initiatives. In cooperation with the most suitable partners for the case in hand, we are able to offer swift support to MLP sales with marketable products. This is how MLP was able to make the basic pension scheme more attractive through additional benefits for occupational disability and the protection of dependants, achieving a very large market share of 40 percent.

Personnel and social report

Slight increase in number of employees at continuing operations

The average number of staff employed by the MLP Group dropped from 1,775 in 2004 to 1,746 in 2005. The downturn is mainly attributable to the sale of the MLP insurance companies. Up to their deconsolidation the employees of these two companies were included on a pro rata temporis basis. In contrast the number of employees in the continuing operations went up slightly by three percent to 1,524. The reason for this is the expansion of the occupational pension provision and sales support business units.

Development of the average number of employees in the Group

	2005	2004	2003	2002
Continuing operations				
Consulting and sales	1,359	1,301	1,317	1,276
Banking	126	138	152	149
Internal services and administration	39	39	36	37
	1,524	**1,478**	**1,505**	**1,462**
of which in Germany	1,423	1,375	1,347	1,339
Discontinued operations				
Life insurance	0	186	221	235
Non-life insurance	0	111	109	113
	222	**297**	**330**	**348**
Total	**1,746**	**1,775**	**1,835**	**1,810**

One of the major focuses of our HR work in 2005 was looking after the employees at MLP Lebensversicherung AG and MLP Versicherung AG. Human Resources at MLP was involved in the process from the announcement of the intention to sell both companies, right up to the economic transition to the new owners. This dispelled any uncertainties concerning the continued existence of workplaces.

Compatibility of work and family

Personnel development centred on external certifications, such as for certified insurance agents and controllers. Another aim of HR work is to enable employees to combine work and family, to keep our employees' knowledge in the company. As such, the models for flexible working hours were further expanded in the reporting year. This will be of particular benefit to women returning to work following maternity leave.

Expanded offering of trainee occupations

In 2005, MLP expanded the content and quantity of the trainee posts it offers. Alongside existing trainee placements which accompany business management courses at the University of Cooperative Education and the Chamber of Commerce and Industry in the fields of banking, insurance and business information technology, MLP has been offering vocational traineeships for office clerks at its headquarters since 2005. 45 young people started their training at MLP and the total number of trainees reached 85. This corresponds to a trainee ratio of six percent (measured against the number of permanent employees). The figure is lower than in 2004, as the trainees at the MLP insurance companies are no longer included. All trainees who completed their training in 2005 were taken on.

Occupational pension provision introduced

MLP has not only succeeded in highlighting the need for greater private old-age provision among its clients. In the reporting year we also raised our employees' awareness of this issue and rolled out a comprehensive range of products for occupational pension provision. MLP's recommendation is for its employees to save 15 percent of their gross salary. It also supports them by adding €900 per year and per employee. Employees are advised by internal staff experts on occupational pension provision or external MLP experts. As a rule, all occupational pension provision options are open to employees.

Thank you to employees and consultants

Our employees and consultants are what secure MLP's success. The Executive Board would like to thank all involved for their persistent commitment and willingness to perform. Motivation and competence on the one hand, complemented by experience and creativity on the other, were what made it possible for us to achieve our ambitious targets in 2005.

Risk report

Group-wide risk management

Entrepreneurial activity invariably involves taking risks. As a result of its wide-ranging business activities, the MLP Group faces a large number of risks. The aim of MLP's Group-wide early risk detection and monitoring system is the qualified and prompt identification of all major risks, which it then quantifies, aggregates and assesses to form the basis for Group-wide proactive risk management and controlling. As such, the risk management system is embedded in the Group's value-based management and planning system.

With the sale of the insurance companies (MLP Versicherung AG and MLP Lebensversicherung AG) in the financial year 2005, actuarial risks in particular are no longer a part of our risk management.

We have drawn up the risk report in accordance with the German Accounting Standard 5 (GAS 5). Where applicable, it was also extended to include elements of the supplementary provisions for credit institutions (GAS 5–10).

Principles of risk management and controlling

Our risk management and risk controlling system follows clearly defined principles which are implemented throughout the entire Group, we continuously check that these principles are observed.

Risk-bearing ability as a strategic control parameter

The Group risk coverage fund is a strategic controlling parameter for the risks taken in the Group and a measure of its ability to bear risks. The risk capital requirement is determined by appropriate methods for all types of risks. Continuously comparing the risk coverage fund and risk capital requirement ensures that the risk-bearing ability is consistently monitored.

Readiness to take risks

The Executive Board of MLP AG defines the business strategy. The readiness to take risks at Group level, including the risk-bearing ability, is then derived on the basis of this. This in turn gives rise to framework conditions for risk taking and risk management in the Group. The readiness to take risks is regularly checked and adjusted as necessary.

Compliance with supervisory requirements

Appropriate guidelines and an efficient controlling process ensure that regulatory requirements are met for risk management and controlling of the Group companies affected.

Group-wide risk organisation structures

We have defined, documented and implemented our risk organisation, risk processes, and the tasks and responsibilities incumbent upon risk management and controlling managers in accordance with supervisory requirements, both at Group level and at the level of the Group companies. The organisational structure, structuring of operations and risk controlling process are regularly checked and assessed by the internal auditing department of the Group and the Group companies.

Observing the separation of functions

A clear organisational and operational distinction is made between functions and activities of risk management and risk monitoring.

Group-wide standards for measuring and evaluating risk

Uniform standards for the measurement and evaluation of risks are defined across the Group. In coordination with the Group Risk Managers and the Group Risk Committee, the Group Risk Officers are responsible for further development of methods, models and processes and their implementation in the Group companies. Tried and tested qualitative and quantitative methods are used to evaluate and analyse risks. The suitability of the methods and processes is checked at regular intervals.

Early and on-going monitoring of risk

Suitable early detection systems support risk monitoring, identify potential problems early on and thereby enable prompt measurement planning.

Reporting of risks

The transparency of risks in the Group forms the basis for proper controlling. To this end, we have instituted a comprehensive and concise internal reporting system, which ensures that the decision-makers are promptly informed of the current risk situation. Risk reports are generated at defined intervals or, if necessary, on an ad-hoc basis.

Documentation

The organisation of our risk management, the methods used and the risk processes implemented are documented in a comprehensive handbook. The content is regularly checked and adjusted to internal and external developments.

Organisation

Multi-level risk management and controlling

A multi-level risk management and controlling organisation with clear responsibilities and tasks is in place for implementing our risk principles.

In his capacity as Group Risk Manager, the Chief Financial Officer of MLP AG is responsible for risk controlling activities in the MLP Group. He is kept constantly informed of the risk situation in the Group and regularly reports this to the Executive and Supervisory Boards.

The Group Risk Officer is responsible for monitoring the implementation of the risk management guidelines. He is the contact person for the Risk Manager and Risk Officers of the Group companies and coordinates the corresponding risk management activities.

At Group company level, a Risk Owner is appointed for each identified risk. This person monitors and assesses the risks and initiates possible measures for minimising the risk value in coordination with the Risk Officer. The Risk Officers of the Group companies are responsible for the consistent implementation of the risk principles in their respective company and for keeping the Risk Manager constantly informed of the current risk situation. The CEO or CFO and the managing directors are the Risk Managers of the Group companies and are responsible for risk controlling activities at company level. They regularly inform the relevant members of the Executive Board and Supervisory Board of the risk situation and report directly to the Group Risk Manager and the Group Risk Officers.

Controlling

Group controlling is responsible for continuously monitoring the short and medium term profit risks. This involves comparing key profit indicators with the corresponding planned figures and deriving controlling measure proposals for the Group Executive Board.

The analysis horizon of strategic controlling covers the next three to five years. Here, sales and profit trends are analysed, taking into account changes in economic or legal framework conditions, and transformed into proposals for defining target figures for the individual business segments. Corresponding simulations make potential income risks in the strategically important business segments transparent for the Executive Board.

The Group Risk Committee analyses the risk reports of the Group companies and discusses proposals for the further advancement of the early risk detection system and the risk management instruments. The Group Risk Committee is made up of the Executive Board of MLP AG, the CEOs of the subsidiaries, the Group Risk Officers and a representative of Group IT.

For all key Group companies, regular company risk meetings are held within the scope of the Executive Board meetings. During these meetings, the risk situation of the company is presented based on a 12-month time horizon.

Internal audit

The internal audit department regularly checks the effectiveness and efficiency of risk management, as well as its compliance with statutory and supervisory requirements. This also includes a security check of our IT systems.

Risk controlling instruments

Early risk detection system

A central component of our early risk detection system is the Groupwide risk inventory, which is carried out at regular intervals, and with which the risks present in the Group are classified according to risk class for each company. Risks are assessed using risk-related key figures as well as segment- and function-related thresholds. The assessed risks of the subsidiaries are aggregated and evaluated in an overall analysis at Group level.

Risk coverage fund of the Group

An important factor for the Group's risk strategy and value-based controlling is the risk coverage fund of the MLP Group, which is defined by the balance sheet equity. In our risk management process, the risk coverage fund is continuously compared with the risk potential associated with our business activities. Stress scenarios also form a constituent of our analyses. Risks that could either individually or cumulatively cause the loss of half the equity of the Group and the Group companies in question or considerably impede solvency are classified as posing a significant threat to business operations.

Planning and simulation tools

In the financial year we consistently developed our planning and simulation tools, which we use to simulate the effects that negative developments in the most important risk and value drivers have on our net assets, financial position and results of operations.

The most important value driver of our business model is the volume of new business. This is predominantly determined by the number of consultants, their turnover rate and their consulting success. The analyses also focus on our clients. Significant influences here are our ability to acquire new clients and the expansion of business with our existing client base. These influencing factors can be simulated individually and their potential effects on the profit situation and the cash flow of the company illustrated. Our controlling department undertakes periodic reporting to monitor defined target values.

Alongside clients and new business volume, a product group risk evaluation is also carried out. This involves simulating negative developments in the core products sold by our consulting organisation (life, health, car, non-life insurance, construction and medical practice financing and mutual funds).

Cancellation risks are determined on the basis of specific cancellation rates for each product type (particularly for the life, non-life and health insurance segment). The cancellation rates used for this are derived from past experience.

Margin risks are simulated via changes to brokerage commission, effects of potentially necessary adjustments to cost reimbursements for our network of branch offices which may be needed in future.

The risk analyses are initially performed at the level of the individual companies and are then consolidated to form a Group-wide evaluation of the risk using an appropriate consolidation functionality (Group tool).

Credit risk control

In our planning tools, credit loss risks can be simulated using the allowances for bad debt as a percentage of the credit volume that carries risks. As such, income risks are derived using a normalised standard risk-induced cost ratio.

Market risk control

Interest rate risk control at MLP Bank AG is based on our interest management tool, which creates interest rate sensitivity gaps and makes the effects of different interest scenarios transparent. In our planning and simulation tool, the effects of changes in the Euribor are also simulated for the variable client business of MLP Bank AG, taking into account net lending and borrowing positions.

Liquidity control

Our controlling department creates a solvency plan each quarter. Alongside cash holdings, this also includes the updated new business plan, investment planning and other capital transactions. The current cash flow situation is monitored in a monthly target/actual comparison.

Operational risk

Operational risks are a significant risk class for MLP. We monitor more than 130 individual risks which are classified in four risk classes at both Group level and the level of the Group companies. The existing methods for monitoring and controlling operational risks are subject to constant further development and optimisation.

Statement of risks

Strategic risks

Business environment and sector-related risks

Changes in economic and political factors can affect the business model and the development of MLP. We therefore constantly monitor national and international developments in the political, economic and regulatory arenas as well as business developments and requirements in the financial services sector. In addition, we exploit the market competence of external analysts and internal experts to continuously check our strategic and operational orientation and to implement necessary adjustments.

Corporate strategy risk

Corporate strategy risks may result from our strategic orientation and unexpected changes to the business environment and business volume. We combat such risks using a product and target group concept which allows us to react to changes on the markets at short notice. Our risk-controlling tools support us in defining and monitoring our strategic measures.

Performance-related risks

To monitor our performance-related risks, we use monitoring and control instruments to make trends in operating results transparent. These allow us to derive necessary control measures under the inclusion of simulation calculations.

Sales concept

MLP brokers financial products from third-party providers on the German and international markets using both its own and independent consultants. Another central constituent of the sales concept is our target group focus on academics (dentists, doctors, lawyers, economists and engineers), which aims at winning over university graduates as clients at an early stage. We continuously observe and analyse the success of our target group strategy and also analyse further client acquisition strategies.

MLP supports the expansion of foreign business at selected university locations in Europe. The securing and expansion of a successful sales network, the necessary infrastructure and a sufficient market share at the new locations are permanently monitored by our risk management and reporting systems.

Clients

The continuous acquisition of new clients and the assurance of long-term client loyalty represent one of the central parameters for the success of MLP's business model. Through the high quality of our consultants and the attractiveness of our product portfolio, we ensure continuous client growth and guarantee close long-term business relations.

The changes to the legal framework conditions in the course of the financial year 2005 required a temporary focus on our existing client base. This compensated the effects of a lower acquisition rate of new clients. In the coming financial years, we will once again be pursuing more dynamic client acquisition.

MLP consultants

A key element of our sales concept are our consultants. Finding a sufficient number of competent new consultants and ensuring low consultant turnover are prerequisites for maintaining a suitable pool of experienced consultants.

Although the desired expansion in the number of consultants was not achieved in the financial year, the success of our existing consultants meant that there were no negative effects on business. The realisation of our consultant expansion targets will be a significant management focus in the coming financial years.

We secure our existing pool of consultants and position ourselves as an attractive business partner by offering attractive entry and career models for graduates and professionals as well as performance- and market-based pay.

Consulting and liability risk

We minimise potential consulting risks by ensuring consistently high quality consulting. Through targeted training programmes, courses and certification programmes (which are permanently adapted to changing requirements), we maintain a high level of training. This is also a significant condition for maintaining a low cancellation rate. Furthermore, we counter liability risks arising from inaccurate client consulting and resulting claims for damages by means of adequate pecuniary damage liability insurance policies whose level of cover is continuously checked and adjusted to changes in underlying conditions.

Product risk

MLP sells financial services products from third-party providers (banks, investment companies and insurance firms) which are combined to form innovative financial services concepts. To counter risks caused by a potential decline in the attractiveness of our product portfolio, we constantly add new innovative financial products to our portfolio. Strict criteria for selecting our product partners ensure high product quality and form the basis for long-term cooperation.

Margin risk

Commission forms the mainstay of the Group's income and cash flow. Using our planning and simulation tools, we analyse the effects of potential changes to commission models, possible regulatory intervention in the cost calculation of the products brokered by MLP or the tax treatment of our sales concept. In the financial year we did not observe any negative developments with regard to our margin risks. We expect it to remain this way in the coming financial year.

Financial risks

Default risk

Default risks arise from the advances granted to consultants, our commission receivables from product partners and loan receivables of MLP Bank AG's own commitments. Furthermore, there is an issuer's risk from the securities acquired by MLP.

We counter these risks with efficient receivables management and strict criteria when selecting our business partners. Loans are granted using a standardised Group loan strategy under application of the usual credit assessment standards for the market based on a scoring approach. Accounts that are regarded as carrying risk have been adjusted accordingly.

The strict creditworthiness requirements of our capital investment directive help us to reduce the risk of default by issuers whose securities we have acquired within the scope of capital investment management.

Market risk

Shares, bonds and promissory note bonds held can be subject to an exchange risk by fluctuations in market interest rates or changes in creditworthiness. Through constant monitoring and evaluation of our portfolio, possible effects on results caused by strong exchange rate fluctuations can be addressed early on.

The Group faces an interest risk from the incongruities in the terms of interest between loans granted by MLP Bank AG and the products which finance them. These maturity transformation risks are continuously monitored and evaluated in compliance with supervisory requirements (stress scenarios). In order to reduce the interest risk, we use derivative financial instruments (interest rate swaps).

Liquidity risk

MLP funds its business operations from current cash flow. Ensuring solvency at all times is the core function of our Group treasury. The fundamental principles of liquidity control and planning are defined in the internal capital investment directives. The liquidity control is performed via a daily disposition to defined planning horizons, taking into account possible cash flow scenarios from our planning and simulation tools and the results of solvency planning created by controlling. Appropriate short and medium-term credit lines have been agreed with a number of financial institutions to safeguard against a short-term liquidity shortfall.

Operational risks

Operational risk

In its management and administrative activities the Group relies on internal and external employees as well as buildings and other technical facilities. Comprehensive insurance cover, which is subject to continuous checks, protects us against claims and possible liability risks.

Personnel risk

MLP relies heavily on qualified back-office employees and managers. Through attractive career development options, a broad range of further training options and comprehensive fringe benefits, we encourage our competent specialists and managerial staff to remain loyal. Defined agency regulations secure our business and decision-making processes.

IT risk

To effectively minimise potential risks in the field of IT, MLP pursues a standardised, Group-wide IT strategy. When selecting our IT systems, we generally opt for industry-specific standard software from reputable providers. If necessary, Group-specific proprietary IT applications are developed by qualified internal and external specialists. The comprehensive system tests and pilots carried out before the launch ensure the troublefree function of our IT systems. Our data processing centre is outsourced to leading service providers with various sites, back-up systems and mirror databases. This secures our data against possible loss, ensuring consistent availability. We protect our IT systems against unauthorised access through our access and authorisation concept, extensive virus protection and comprehensive IT security.

Other risks

Legal risk

To counter any legal risks, we base our decisions and business processes on comprehensive legal consultation. To this end, the legal department follows and assesses current legal disputes and supports the management in policy decisions. Within the scope of risk mitigation, it checks and monitors the existing liability insurance cover and initiates any adjustments which may be necessary.

Supervisory risk

There are particular risks with regard to possible non-compliance with supervisory regulations for the operation of banking and financial services businesses. This also concerns legal solvency regulations, prescribing a minimum shareholders' equity backing of these companies. This year, MLP Bank AG again exceeded the legal solvency limits by a significant margin. The existing planned/actual invoices figures guarantee continuous monitoring and thus, continually adequate equity capital backing.

On 15 March 2006, the German Federal Financial Supervisory Authority (BaFin) issued MLP Finanzdienstleistungen AG permission to provide financial services for investment and acquisition brokerage in line with the German Banking Act (KWG). With this authorisation, MLP AG is now a financial holding company and, like MLP Finanzdienstleistungen AG, is subject to the relevant supervisory regulations of the KWG and supervision by BaFin. We ensure that the supervisory regulations are observed by setting up supervisory departments and integrating internal and external specialists.

Within certain limits, MLP Finanzdienstleistungen AG grants its office managers and MLP consultants advances, which are later settled with commission receivables. BaFin regards this practice as credit business which requires permission. The company will restructure the existing advance practice to comply with these supervisory requirements.

Taxation risk

Changes that emerge in tax law are continually checked and examined with regard to any effects they may have on the Group. The company's compliance with fiscal requirements is checked by internal and external experts in accordance with the tax regulations and the documents pertaining to these issued by the tax authority. Adequate reserves have been established for expected back taxes.

Reputation risk

The public prosecutor's office in Mannheim has filed an action against former members of the management due to suspicion of incorrect statements regarding the circumstances of various subsidiaries. The district court of jurisdiction has not yet decided on the committal for trial. A committal for trial could damage the company's image. Based on the reports of balance sheet experts and legal experts, we remain convinced that the objections raised are unjustified.

Environmental risk

Even though MLP's business activities have only a minor impact on the environment, we are intent on pursuing environment-conscious and environmentally friendly working methods at our offices. There are no appreciable environment risks.

Other risk

No other risks are known at MLP which could have a significant influence on the Group's continued existence.

Summary

The risk structure within the Group changed in the financial year. The sale of the two insurance companies means that actuarial risks are no longer an issue. In this context the financial risks, and in particular the market risks, operational risks and supervisory risks which the Group faces, have decreased.

Looking at the risks as a whole shows that MLP is essentially influenced by performance, financial and operational risks. Our risk monitoring and control system, combined with the consistent alignment of our business model to the Group's risk-bearing ability, enables us to ensure that the risks taken within the scope of our business activity are backed by adequate risk capital.

The risk measuring and control instruments were sufficient to ensure comprehensive monitoring and controlling. The information provided ensures that risk management measures are introduced and prioritised promptly. The Group did not face any risks which could have jeopardised the continued existence of MLP in the financial year.

The effectiveness of our early risk detection system is checked by the auditors in line with legal requirements. The audits by our internal audit department showed that the type and extent of our risk control correspond to the basic principles of risk control and that the existing monitoring systems fulfil their task.

We will continue to expand our risk management and controlling system on a regular basis in future to increase the transparency of the risks taken and to further improve our risk-controlling options.

The above-mentioned risks could have a negative impact on the forecasts detailed in the outlook.

Forecast

Real opportunities for further growth

For MLP, 2005 was an important year of transition. With the sale of the two subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG we have almost completed our programme of strategic realignment, thereby considerably strengthening our position as an independent financial services provider. The year was also marked by the Retirement Income Law coming into force and with it the realignment of the old-age provision situation in Germany. MLP responded to this change in the financial services market with a comprehensive training programme. The strategic realignment focusing on independent consulting puts us in a very good position to profit from the demand for high-quality consulting and long-term provision plans, which will continue to grow in future. We are confident that our strong position will enable us to achieve our goals.

Overall economic situation in the future

Stimulus for the domestic economy

Economic trend experts assume that the global economy will also develop positively in 2006. Supported by expansive export, this is also expected to affect growth in Germany. Domestic economic activity is set to pick up the pace, not least due to increased investments in equipment by companies, whose sound profit situation, high capacity utilisation and positive sales expectations has helped them grow in confidence. To what extent this can be applied to consumers, however, remains uncertain in light of falling real income and continued high unemployment. Pull-forward effects on consumption expenditure are expected due to the VAT increase in 2007. All in all, experts are predicting growth of between 1.0 percent and 1.5 percent in the real gross domestic product in Germany for 2006. Growth is expected to wane again in 2007. Foreign trade impulses are set to weaken. What is more, the disposable income of private households is dropping as a result of the introduction of measures in finance policy, such as the aforementioned VAT increase.

Expected economic growth in Germay (in percent)

Source: Institut für Weltwirtschaft, Kiel, 2005

Quite aside from economic development, MLP believes that the Retirement Income Law will lead people to become more proactive in dealing with issues of provision and wealth management. In our core market in Germany, we therefore expect an increasing demand for our services in 2006 and 2007. We are keen to make good use of this opportunity, which has basically come about thanks to the changed regulatory framework.

Outlook for the industry

Industry opens up new opportunities

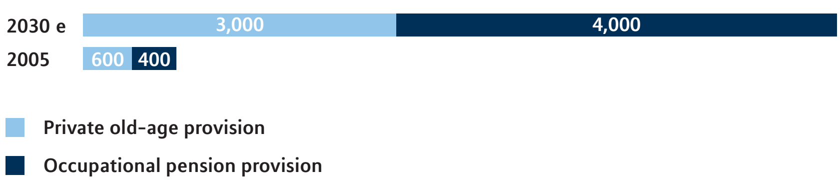
MLP's future business perspectives are influenced first and foremost by trends and developments in the market for old-age pension provision, health provision, mutual funds and loans. In old-age and health provision in particular, legal stipulations play an important role. Due to the fundamental realignment of the provision landscape in 2005 and our leading position as an independent financial services provider, we see considerable opportunities in our field. It is our aim to win market shares in all lines of business we consider important.

Old-age provision

High demand for old-age provision

With the Pension Fund Sustainability Law and the Retirement Income Law, the legislator in Germany has reworked the concept of old-age provision. The benefits of the statutory pension will be considerably lower in future, meaning that the demand for supplementary old-age provision will grow in the medium to long-term. Accordingly, MLP has positive expectations regarding the various opportunities arising under the new Retirement Income Law. While over 80 percent of a pensioner's income still comes from the statutory pension in Germany today, experts expect this figure to drop to 50 to 60 percent by 2030. The market for occupational pension provision in particular is set to expand greatly. By 2030, the covering funds are expected to increase tenfold to €4 trillion. Over the same period, the market for private pensions is set to triple to €3 trillion. Of the approximately 36 million employed in Germany, less than four million possess a "Riester pension" for private old-age provision. Estimates claim that at the end of 2005, more than 60 percent of employed persons in Germany had not yet made use of the new, low-tax options for private and occupational pension provision.

Development of covering funds for private and occupational pension provision in Germany (in € billion)



Source: A.T. Kearney GmbH, 2005

Health provision

Uncertainty in health provision grows

As a broker of private health insurance and private supplementary insurance policies to complement statutory health insurance, reforms to the state health insurance system can have a sustainable impact on the structure of MLP's business in this segment. Should statutory insurance for all citizens be introduced or the statutory insurance limits be raised, as is currently being discussed, private health insurance would lose its current significance. We assume, however, that statutory health insurance services will diminish. This means that a stronger trend towards private insurance is also likely to emerge in this market. The content of the pending reform of the state health system and its effects on the framework conditions of private health insurance, and thereby also on the structure of MLP's business in the future, remain to be seen.

Financial investments

High level of private wealth in Germany

Germany is the largest market in Europe for private wealth management. According to current figures, 11.5 percent of the adult German population were considered wealthy in 2004. This corresponds to more than 8 million people. The financial assets of private households in Germany reached around €4,067 billion at the end of 2004. MLP will intensify its involvement in private wealth management in 2006 and 2007, as it has a growing number of clients requiring independent consulting on capital accumulation, asset structuring and asset optimisation.

Financing

Continuing favourable interest rate level

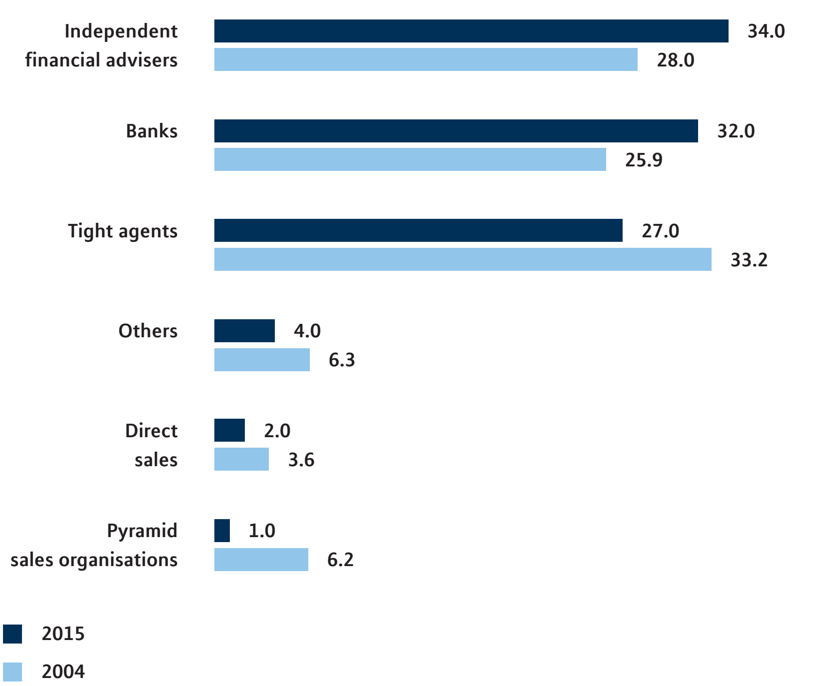
In private construction financing – the key element of MLP's financing business – Germany is also the largest market in continental Europe, with estimated new business totalling € 160 billion. Up to now, the low interest rate has offered attractive conditions for construction financing. However, the scrapping of the home owner allowance on 1 January 2006 and the increase in interest rates remain elements of uncertainty for the future development in the construction financing market.

Competition

Independent brokers with good prospects

The importance of independent financial service providers for the sale of financial products has already grown a great deal in past years. According to a study by the management consultancy Towers Perrin Tillinghast, this trend is set to continue for the German market. The study predicts that the market share of independent brokers will increase from 28 percent in 2004 to 34 percent in 2015. Independent consultants like MLP will profit from the increasing complexity of the provision market and the growing demand for competent specialist knowledge. Furthermore, experts expect banking business to be able to expand its market share from 26 percent in 2004 to 32 percent in 2015. However, Towers Perrin Tillinghast does forecast a drop in the market share from 33 percent to 27 percent for tied brokers in the same period.

Development of market share for financial advice in Germany (in percent)



Source: Börsen-Zeitung, 4 October 2005, Towers Perrin Tillinghast: "Vertriebswege-Survey"

We expect the implementation of the EU Insurance Mediation Directive as national legislation to lead to a consolidation and further strengthening of independent brokers in the highly fragmented German market for finance brokers. On the whole, competition among sales organisations for financial products will increasingly centre on the efficiency of the individual sales channels.

Another trend which could prove significant for MLP in the future is the increased appearance of banks in the market for private old-age provision. Due to the expected decline in benefits paid by the statutory pension and the consequent increase in private provision, more and more people are now keen to start building wealth by channelling funds into their private old-age provision. Banks focussing on consumer business have recognised this sales opportunity.

Business situation in the future

New regulatory framework

The process of legally restructuring old-age provision in Germany, a key segment of our business, has been completed in terms of events for the next two years. In 2005, MLP laid the foundations that will allow the company to profit from the promotion of private provision in the years 2006 and 2007.

However, the structural reform of the German health care system remains on the political agenda. The structure of our private health insurance and private supplementary health insurance segments will be affected by government decisions as and when they are taken.

Building new core competencies

Wealth management represents an important sector of growth for us. We will therefore develop it further, making it another of our core competencies on a par with old-age and health provision. MLP has a growing number of clients requiring independent consulting on capital accumulation, asset structuring and asset optimisation. MLP Bank AG is to act here as a competence centre for individual, high-quality capital accumulation plans. Consequently this will result in a considerable expansion of the product portfolio and human resources in wealth management. An acquisition or cooperation could complement the strategic positioning of MLP in this area.

Focus on old-age provision

Moreover, we see immense growth potential for old-age provision in general and occupational pension provision in particular. Based on a sound advice we strive to achieve a rate of penetration (proportion of employees in a company opting for the company pension scheme) that is far above average. And we also see opportunities to offer other services and products (cross-selling potential).

Unremitting commitment abroad

MLP consistently and continually invests in its business abroad to open up new opportunities for growth. We consider our markets abroad to offer good prospects. And we hope to sustainably strengthen our business in these countries through organic growth, cooperations or acquisitions. However, each country is subject to its own individual framework conditions. So we will only pursue an expansion of our business where the prevailing market and competitive situation in a country allows this.

Key products
2006 and 2007

The current average life expectancy in Germany of 89 years will continue to rise. This means the likelihood of people becoming 100 years old will more than double within the next 30 years. Consequently, it is becoming increasingly important to cover longevity risks. We believe that this will lead to a significant increase in the demand for unit-linked annuity insurance policies. This product offers a higher rate of return opportunities through the investment in funds, combined with the security of receiving lifelong pension benefits. We also expect to see increased interest in the following products: occupational disability insurance, supplementary long-term care insurance, child care products in the form of savings schemes and supplementary health insurance policies as well as old-age provision products.

Change of supervisory status

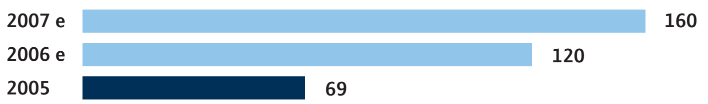
On 15 March, MLP Finanzdienstleistungen AG was granted permission by the Federal Financial Supervisory Authority (BaFin) to provide financial services for investment and acquisition brokerage in line with the German Banking Act (KWG). Having received this permission, MLP AG now has the supervisory status of a finance holding company, meaning it is only subject to limited supervision by BaFin. The MLP Group now has the supervisory status of a finance holding group. Since permission has been granted, MLP Finanzdienstleistungen AG is now authorized to broker individual wealth management services. We shall offer this new service to wealthy MLP clients wishing to receive an individual financial management to meet their personal wishes and needs. Sales shall be made by selected MLP consultants.

Expected development of business

Fixed profit targets

In view of the opportunities outlined and MLP's leading position, we expect positive development of business for the company as a whole in the medium term. For the 2006 financial year we expect earnings before tax (EBT) of around € 120 million. Income in the consulting and sales segments is set to rise by around 27 percent to € 610 million. For 2007 we are targeting total income of € 780 million and EBT of € 160 million in the Group. The return on equity is also set to rise significantly. We anticipate an increase in expenses of between six and eight percent in the years 2006 and 2007 respectively. The main nonfinancial targets up to 2007 are to boost the number of consultants and clients to 3,000 and 825,000 respectively.

EBT continuing operations (in € million)



Total income continuing operations (in € million)

Dividends, extra dividends and share buyback programme

It is in line with MLP's corporate policy to offer shareholders an appropriate share in the company's success. Dividends are paid in accordance with profit, the general financial situation and the future need for liquid funds. We are aiming for a sustainable distribution rate of around 60 percent.

Due to the pleasing trend in operating results in the past financial year, at the Annual General Meeting 2006 the Executive and Supervisory Board of MLP AG are to propose an increase in dividend payments from €0.22 per share in 2004 to €0.30 per share for the financial year 2005. With this move, the dividend distribution reaches a total volume of around €32 million.

In order to grant our shareholders an adequate share in the sale of the MLP insurance companies, the Executive and Supervisory Board also suggest paying an extra dividend of €0.30 per share for 2005. Beyond the total volume of some €32 million for the extra dividends, the liquid funds gained from the sale of the MLP insurance companies will be used for a share buyback programme among other things with an anticipated maximum volume of €180 million. The programme has been running since 1 December 2005 and will be concluded by 20 December 2006 at the latest. A maximum of ten percent of the share capital can be bought back. By 31 December 2005 we had bought back 614,509 shares at a total value of around €10.5 million. Should the company hold own shares on the day of the Annual General Meeting, this proposal shall be changed to the effect that the amounts pertaining to these shares are carried forward to a new account.

Planned financing activities and investments

Sufficient funds

Due to the sale of the MLP insurance companies and the positive development in operating results in 2005, we currently have sufficient liquid funds at our disposal. In addition to this, our business model produces a high cash flow, so we currently have sufficient means for internal financing in 2006 and 2007.

Focus on IT in consulting and sales

MLP continuously invests in high-quality consulting and client services. A decisive factor is to offer end-to-end IT support for the entire consulting and transaction process. The continued expansion of our electronic broker platform, and thereby also the consulting and sales segment as a whole, is in the core focus of our investment activity. Within the next two years we expect to invest around €20 million in this project. Other investments in the years 2006 and 2007 will also be made to further improve consulting applications. Alongside investments in the expansion of our electronic broker platform, we also plan to make further investments of around €4 million in the current financial year.

Overall statement on the expected development of the Group

Excellent prospects

In spite of uncertainty regarding the further course of reforms in the German health system, MLP is operating in an environment which is opening up excellent prospects for further business development. Thanks to our comprehensive approach to consulting and the latest investments in high-quality consulting, we will be able to make better use of these opportunities than most.

A decisive positive trend is the need for stronger private provision arrangements. This will lead to an ever greater demand for individual consulting and tailor-made financial plans, particularly in old-age provision and wealth management. MLP has both of these bases covered and will intensify business with the growing number of existing clients over the age of 40. We will also work more systematically on tapping the potential of around 110,000 graduates per year within our target groups as a way of further expanding new business.

Events subsequent to the reporting date

Listing of 29.4 million shares

On 26 January 2006, some 29,440,686 shares in MLP AG were listed on the official market on the stock exchanges in Stuttgart and Frankfurt am Main and on the segment of the official market with additional quoting requirements (Prime Standard) on the Frankfurt stock exchange. The shares originate from a capital increase through contributions in kind from 2002. All of these newly listed shares have been participating since 1 January 2002. The shares may not be sold on the stock exchange or otherwise within the first six months of being listed.

New service of individual wealth management

On 15 March 2006, MLP Finanzdienstleistungen AG received permission to provide financial services for investment and acquisition brokerage in accordance with §§ 32 (1), 1 (1a) sentence 2 no. 1 and no. 2 of the German Banking Act (KWG). More specifically, MLP Finanzdienstleistungen AG can now perform brokerage of individual wealth management services. We shall offer this new service to wealthy MLP clients wishing to receive individual financial management to meet their personal wishes and needs. Sales shall be made by selected MLP consultants.

In the course of restructuring its foreign business, MLP is considering far reaching changes at its Swiss subsidiary MLP Private Finance AG, Zurich, which would entail a discontinuation of the operative business and a focus on supporting existing clients.

To further streamline the Group's structure, MLP is planning to merge MLP Login GmbH with MLP Finanzdienstleistungen AG.

Apart from those described here, there were no other events after the balance sheet date affecting the Group's net assets, financial position and results of operations.

Heidelberg, 20 March 2006

Dr. Uwe Schroeder-Wildberg   Eugen Bucher

Gerhard Frieg   Nils Frowein

Prognoses
This documentation includes certain prognoses and information on future developments founded on the conviction of MLP AG's Executive Board and on assumptions and information currently available to MLP AG. Words such as "expect", "anticipate", "estimate", "assume", "intend", "plan", "should", "could", "project" and other similar terms used in reference to the company describe prognoses based on certain factors subject to uncertainty.

Many factors can contribute to the actual results of the MLP Group differing significantly from the prognoses made in such statements.

MLP AG accepts no liability to the public for updating or correcting prognoses. All prognoses and predictions are subject to various risks and uncertainties, which can lead to the actual results differing from expectations. The prognoses reflect the points of view at the time when they were made.

ULF LANGEMEIER,
ENGINEER AND HEAD OF OPERATIONS AT THE THW IN BONN,
40 YEARS OLD, MLP CLIENT SINCE 2003

Alongside his interest in technology, helping others has played an important role in the life of Ulf Langemeier since childhood. At the age of ten he became a member of the German Life Saving Society and since he turned 18 he has been involved with the German Federal Agency for Technical Relief (THW), which has been his main employment for the past year. Whether it be tsunami, hurricane or earthquake, as Head of Operations the civil engineer needs to tackle complex situations and find ways of getting the THW aid workers, vehicles and equipment to where they are needed as quickly as possible. Perfect coordination is required, as lives depend on the work of the THW team.

An all-encompassing perspective and the coordination of all relevant topics concerning provision and investment is what Langemeier values about MLP. He trusts the advice of his consultant, who compares changes in the law with Langemeier's own situation and gives recommendations based on the most suitable products on the market. This allows Ulf Langemeier to concentrate fully on his commitment to others while MLP ensures that he doesn't neglect his own personal provision.


Technisch
Hilfs
1113

Investor Relations

MDAX once again outperforms DAX

Healthy upward trend on the stock exchanges

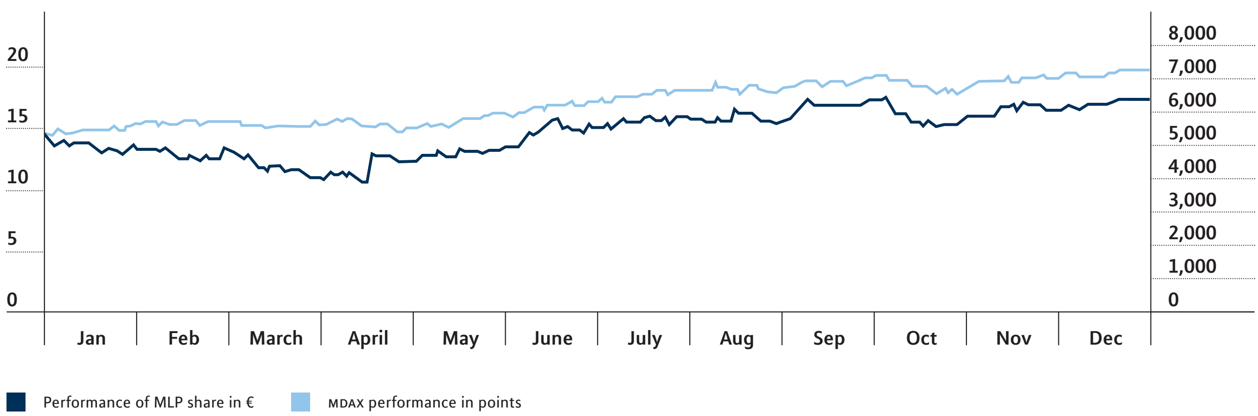
2005 was marked by a good atmosphere on the world's stock markets. Important indexes achieved significant profits. In view of continuing growth of the world economy, the MSCI World Equity Index rose by 10.19 percent to 2,784.83 points. With expectations that Japan will get its growth back on track after years of stagnation, the Nikkei increased by 40.24 percent to 16,111.43 points. The most significant share index in Europe, the DJ Eurostoxx 50, improved by 21 percent and closed on 3,579 points at the end of December 2005. In Germany, the MDAX and DAX recorded considerable increases. The MDAX, in which MLP shares are quoted, rose continuously from May and achieved a plus of 35 percent with a year-end quotation of 7,312 points. The DAX grew by 26 percent to 5,408 points. In contrast, the performance of the Dow Jones Industrial Average in the USA was rather restrained. With a year-end close of 10,718 points, the index hardly displayed any change compared to the previous year.

Stock exchange rewards concentration on brokerage business

Development of the MLP share

The MLP share price followed the general upward trend in 2005 and recorded a gain of 19 percent year-on-year. After starting the year at € 14.73, by 18 April 2005 the market price had dropped to an annual low of € 10.71. However, the trend then reversed. The MLP share rose to an annual high of € 17.53 on 29 December 2005 and closed the year at € 17.52. The positive development not only reflects the excellent development in business compared with the sector as a whole. Investors also showed their appreciation of MLP's thorough focus on the brokerage business, which was realised by the sale of its insurance subsidiaries, and the communication of medium-term goals.

Performance of the MLP share in € – from January 2005 to December 2005



Key performance indicators (KPI) for company rating and balance sheet analysis

Equity ratio and return on equity increased significantly

Return on equity increased from 17 percent to 23 percent in the reporting year. We used the Group's net results for both years when calculating this KPI. In 2005 the results and the shareholders' equity were adjusted to incorporate the net sales proceeds of € 125.4 million from the sale of the two insurance companies.

KPIs for company rating and balance sheet analysis

	2005	2004
Equity ratio in %	39	9
Return on equity in %	23	17
Net liquidity in € million	342.0	347.9
Market capitalisation in € million as at 31 Dec 05	1,892.2	1,584.5
Enterprise value (EV) in € million	1,550.2	1,236.7
EV/total income	2.7	2.0
EV/EBIT	22.2	14.0

The KPI net liquidity (interest-bearing borrowed capital minus cash holdings) makes it clear that cash holdings greatly exceeded borrowed capital in both years. In calculating this KPI we did not take receivables and liabilities due to banking business into account.

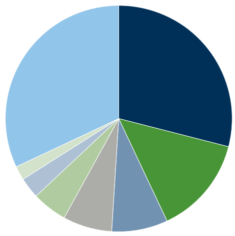
Since the net liquidity remained virtually unchanged in the reference years, the increase in the KPIs enterprise value to total income or to EBIT, which are important for company rating, can be attributed to the increase in market capitalisation and thereby the share price.

Shareholder structure

Germans are strongest investor group

In 2005, the Lautenschläger family remained the largest shareholder with its 29 percent stake. At eight percent, German investors represent the most important group among institutional investors. US investors held seven percent of the shares, with European investors holding ten percent. The shareholder structure is updated on a quarterly basis and can be viewed in the Investor Relations section at www.mlp.de.

Shareholders structure and regional distribution of the institutional investors



On 26 January 2006, an additional 29.4 million MLP shares were included in stock market trading. The shares come from a capital increase through contributions in kind from 2002 and have been voting shares eligible for dividends since that time. This means that all issued shares are now approved for stock market trading. The holders of the newly approved shares are obliged to observe a six-month holding period for the shares.

Increased dividends, extra dividends and share buyback programme

Investors participate in success

Part of MLP's corporate philosophy is to share its financial success among its shareholders. Due to the encouraging business developments seen in the past year, the Executive Board and Supervisory Board shall propose an increase of the dividend payment from €0.22 to €0.30 per share at the Annual General Meeting on 31 May 2006. They will also ask the Annual General Meeting to agree to an extra dividend of €0.30. On 21 June 2005, the Annual General Meeting of MLP AG authorised the company to purchase up to ten percent of the current share capital. The buyback programme has been running since 1 December 2005 and will be concluded by 20 December 2006 at the latest. The share buyback programme has an anticipated maximum volume of € 180 million. By the end of 2005, MLP had purchased 614,509 shares of around € 10.5 million in total.

Dialogue with investors

Intensive communication on strategy and development of business

MLP is convinced that value-based management leads to a sustainable increase in company value. Continuous and open dialogue with shareholders and the capital market is part of value-based management.

With the Investor Relations section of our website, we convey information openly and transparently to institutional and private investors at the same time.

In addition, around 1,700 investors currently benefit from the services of the MLP Shareholders Club, for which they can sign up at www.mlp.de. The members of the club receive information via an electronic newsletter on new developments at MLP, including information on annual reports and quarterly reports.

All shareholders and prospective investors can access share price information, the MLP financial calendar and get answers to frequently asked questions via our website.

Number of roadshow days increased

In 2005, we continued to further develop our contacts to institutional investors at eight investment conferences. MLP also participated in a conference for private investors organised by the Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (German Association for Private Investors). The number of roadshow days in which Executive Board members participated also increased again from 22 to 26. The number of analysts that review MLP rose by two to 20. On 31 December 2005, nine of these 20 ratings classed MLP as buy or outperformer, ten as hold or market performer (neutral), and one as sell or underperformer. The average price target of the analysts was € 17.71.

Annual General Meeting confirms the course of the company

Around 1,400 shareholders took part in the Annual General Meeting in Mannheim on 21 June 2005, representing more than 55 percent of the share capital. They accepted all motions on the agenda with a majority of over 99 percent. The results of the vote emphasised the shareholders' confidence in the direction in which the Executive and Supervisory Boards are steering the company.

Real-time reporting improved

This year, we will publish our results for the last financial year and the quarterly results of the current financial year within 90 and 45 days of the close of the quarter respectively. In so doing, we adhere to the regulations of the German Corporate Governance Code. In addition, our Annual General Meeting will take place three weeks earlier than previously. Accordingly, our shareholders will benefit from an earlier payment of dividends.

Key figures

	2005	2004	2003	2002
Shares in circulation on 31 December (pieces)	108,026,177	108,640,686	108,640,686	108,640,686
Share price at the beginning of the year in €	14.73	15.41	10.79	77.21
Share price at the end of the year in €	17.52	14.59	15.50	9.40
Share price high / low – in €	17.53 / 10.71	20.65 / 10.50	17.63 / 5.78	79.84 / 6.12
Market capitalisation at the end of the year in € billion	1.9	1.6	1.7	1.0
Average daily turnover of shares (number of shares)	411,610	480,217	582,421	725,299
Dividend per share in €	0.30*	0.22	0.15	0.00
Return on dividend (without extra dividend) as %	2.0	1.6	1.2	0.0
Extra dividend per share in €	0.30*	0.0	0.0	0.0
Earnings per share in €	1.84	0.46	0.36	0.85
Diluted earnings per share in €	1.81	0.46	0.36	0.85

* subject to the approval of the Annual General Meeting on 31 May 2006

DR. ALEXANDER RUNGE,
DENTIST AND SPECIALIST FOR ORAL SURGERY IN KIEL,
48 YEARS OLD, MLP CLIENT SINCE 2001

Alexander Runge has taken the plunge more than once in his life. A few years ago, he gave up his successful practice in order to open a joint dental practice with his wife. This has given him more time for a hospital project in Padhar, India, which he has been passionately involved in for over ten years. Together with other doctors, he operates on children with cleft lip and palate, cooperates with Indian surgeons and informs affected families of treatment options. Runge has four children of his own, aged between three and eight. So keeping track of provision and financial planning really is no small feat.

Yet this is a challenge that his MLP consultant relishes. He ensures that Alexander Runge can focus his attentions on career, project and family, also giving advice that goes beyond the business sphere. This kind of service can only be offered by someone able to put himself in the other's position. And Runge knows: thorough provisions are good for more than just your teeth.

Corporate Governance

Responsible management

By complying with the German Corporate Governance Code of 2 June 2005, MLP continues to reinforce the confidence of its shareholders, clients, employees and other stakeholders in the management of the company. Responsible management geared toward long-term added value is a high priority for us. The Executive and Supervisory Boards ensure that MLP continues to review and develop Corporate Governance across the Group.

Intensive dialogue between the Executive and Supervisory Boards forms the basis of transparent and responsible company management. The Executive Board of MLP AG provides the Supervisory Board with regular, timely and comprehensive information on the Group's position, including information on its risk position and risk management. The Supervisory Board is informed of particularly important or urgent projects outside of the regular meetings. Furthermore, the Chairman of the Supervisory Board meets with the Executive Board on a regular basis to discuss specific issues. The Chairman of the Supervisory Board informs the other members of the Supervisory Board in detail about the content of his meetings with the Executive Board. The same applies to corporate planning and plans for strategic growth. The auditors are involved closely in this process.

The Supervisory Board advises and monitors the Executive Board. Significant legal transactions by the Executive Board require its approval. Internal rules of procedure issued by the Supervisory Board govern the distribution of business, powers of approval and its cooperation with the Executive Board.

Committees improve effectiveness of Supervisory Board

The Supervisory Board of MLP AG has set up committees in order to improve the effectiveness of its work. The Personnel Committee discusses HR issues arising between the Executive Board members and the company. The Audit Committee is responsible for accounting and risk management issues, the independence of the auditors, awarding the audit engagement to the auditors, determining the focal points of the audits and agreements on fees. The committee also discusses the annual financial statements and the management report of MLP AG and submits a recommendation to the Supervisory Board regarding resolutions.

In the absence of the Executive Board, the Supervisory Board also reviewed the efficiency of its own activities in 2005. Particular attention was paid to the efficiency of the procedures in the Supervisory Board, the information flow between the committees and the Supervisory Board plenary meeting and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board. Further measures aimed at increasing efficiency were discussed intensively in target-oriented talks. All proposals have since been implemented.

Helping shareholders assert their rights

By law, the shareholders are involved in all fundamentally important decisions at MLP AG, such as decisions on amendments to the articles of association and the issue of new shares. In order to help shareholders assert their rights, MLP offers them the option of having their voting rights exercised in writing by non-discretionary proxies appointed by the company. We report on the main content of the Annual General Meeting on our website at www.mlp.de, where the Chairman's speech can also be accessed online.

In order to provide comprehensive and timely information on the company's position and significant changes in a way that ensures all stakeholders are treated equally, we use the Internet, where we offer access to both German and English versions of annual and quarterly reports, press releases, conference calls and presentations. Our financial calendar includes important events and dates for investors. Analysts' and media conferences are held at least once a year. In accordance with legal provisions, ad-hoc notices are published on our website, where we also provide comprehensive information on Corporate Governance at MLP. We provide access to our declaration of compliance on our homepage for at least five years.

High level of transparency

MLP AG prepares its consolidated financial statements in accordance with internationally accepted accounting standards (IFRS/IAS). By doing so, it provides a high level of transparency and improves comparability with competitors.

In 2005, the Executive and Supervisory Boards of MLP AG again dealt intensively with the German Corporate Governance Code. The changes to the Code ratified on 2 June 2005 were the object of in-depth discussions in a joint meeting of the Executive and Supervisory Boards.

The Supervisory Board considers itself to consist of a suitable number of members who have no business or personal relationship with the company or members of the Executive Board which could form grounds for a conflict of interest. Furthermore, the Supervisory Board examined the knowledge and experience required of the Chairman of the Audit Committee under the German Corporate Governance Code with regard to reporting and internal control procedures. The Chairman of the MLP AG auditing committee fully complies with the requirements. The recommendations made by the Code with regard to the election of the company's Supervisory Board Members are to be met during the next Supervisory Board election in 2008. More specifically, this means that the Supervisory Board elections are to take the form of uninominal voting and that the nomination of the Chairman of the Supervisory Board is to be made known to the shareholders.

MLP AG complies strictly with the recommendations of the Government Commission on the German Corporate Governance Code (version of 2 June 2005) with the exception only of sections 3.8 sentence 3, 5.4.7 sentence 4, and 7.1.2 sentence 3 half-sentences 1 and 2.

Declaration of compliance of MLP AG pursuant to § 161 AktG

In December 2005, the Executive and Supervisory Boards issued a declaration of compliance pursuant to § 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders via the website.

Declaration of compliance of 12 December 2005

Declarations from the German Corporate Governance Code

The Executive and Supervisory Boards of MLP AG hereby declare pursuant to § 161 AktG that the company has acted in line with the recommendations of the Government Commission on the German Corporate Governance Code (version of 2 June 2005) since the last declaration of compliance. The recommendations contained in section 3.8 sentence 3, 5.4.7. sentence 4, and 7.1.2 sentence 3 half-sentences 1 and 2 were not applied.

The deviations cited above are based on the following reasons:

3.8 sentence 3 (D & O insurance with reasonable excess)

The German Corporate Governance Code recommends that the company agrees a reasonable excess when taking out a D & O insurance policy for the Executive and Supervisory Boards.

MLP will not meet this recommendation in 2006. It has taken out a new D & O insurance which does not provide for an excess. An excess has no positive effects on the motivation and sense of responsibility with which the MLP AG Board members perform the tasks and functions conferred upon them. As such, MLP will not meet this recommendation in 2006.

5.4.7 sentence 4 (Performance-related remuneration of the Supervisory Board)

The German Corporate Governance Code recommends that the members of the Supervisory Board receive both a fixed and a performance-related remuneration.

MLP did not meet this recommendation in 2005. The members of the MLP AG Supervisory Board do not receive performance-related pay. No convincing plans in support of performance-related remuneration of the Supervisory Board have yet come to light, which is why MLP will not meet this recommendation in 2006 – as was also the case in 2005.

7.1.2 sentence 3 half-sentence 1 (Reporting: Consolidated financial statements)

The German Corporate Governance Code recommends that consolidated financial statements be published within 90 days of the financial year-end.

MLP did not meet this recommendation in 2005. The consolidated financial statements were not published until 120 days after the end of the financial year. Unlike in 2005, MLP will meet this recommendation in 2006 and will for the first time publish the financial statements for the 2005 financial year within 90 days of the year-end.

7.1.2 sentence 3 half-sentence 2 (Reporting: Interim reports)

The German Corporate Governance Code recommends that interim reports be published no later than 45 days after the end of the reporting period concerned.

MLP did not meet this recommendation in 2005. The interim reports were not published until 60 days after the end of the reporting period concerned. Unlike in 2005, MLP will meet this recommendation in 2006 and will for the first time publish the interim report for the first quarter of 2006 within 45 days of the end of the quarter.

Heidelberg, December 2005
MLP AG

The Executive Board The Supervisory Board

Transparent rules

Remuneration of the members of the Supervisory Board

In addition to compensation for their expenses for the financial year, the members of the Supervisory Board receive a fixed annual remuneration of €30 thsd. The Chairman of the Supervisory Board receives double and his deputy one and a half times this amount. An additional remuneration is granted for activities in a committee. This amounts to 0.3 times the basic remuneration as a Supervisory Board member for each committee. The Chairman of the committee receives 0.4 times the basic remuneration, his deputy 0.35 times this amount. If the Chairman of the Supervisory Board also holds the chair in one or more committees, he receives only the basic remuneration (0.3 times the fixed Supervisory Board remuneration) per committee in addition to his remuneration for the Supervisory Board.

All figures in €'000	Fixed portion of remuneration (incl. VAT)	Variable portion of remuneration	Total 2005
Manfred Lautenschläger (Chairman)	–	–	–
Gerd Schmitz-Morkramer (Deputy Chairman)	73	–	73
Dr. Peter Lütke-Bornefeld	55	–	55
Johannes Maret	48	–	48
Maria Bähr	35	–	35
Norbert Kohler	35	–	35
Total	**246**	**–**	**246**

According to the company's articles of association, Mr. Lautenschläger is entitled to a Supervisory Board remuneration of €78 thsd plus VAT. Mr. Lautenschläger has foregone this remuneration up until now. A consultant contract exists between Mr. Lautenschläger and MLP AG. For his consulting activities, Mr. Lautenschläger is provided with an office, a secretary and a company vehicle which may also be used privately. No remuneration is paid for this. The monetary value of the private use of the company vehicle amounted to €22 thsd in the 2005 financial year.

Reporting and transparency

Shares held by the Executive Board and Supervisory Board on the balance sheet date

On 31 December 2005, the shares held by the members of the company's Executive and Supervisory Boards were distributed as follows:

Supervisory Board member	Number of shares
Manfred Lautenschläger*	17,316,597
Gerd Schmitz-Morkramer	9,935
Dr. Peter Lütke-Bornefeld	–
Johannes Maret	–
Maria Bähr	11,503
Norbert Kohler	1,046
Executive Board member	**Number of shares**
Dr. Uwe Schroeder-Wildberg	–
Eugen Bucher	98
Gerhard Frieg	177,839
Nils Frowein	–

* incl. additional voting rights pursuant to § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG)

Directors' Dealings

The expanded regulation of § 15a of the German Securities Trading Act on publishing and reporting transactions with shares of the issuers or financial instruments which relate thereto has been in force since 30 October 2004. This stipulates that persons who perform executive functions for share issuers are to report these transactions to the issuers and the Federal Financial Supervisory Authority (BaFin). This duty also applies to persons with a close relationship to such a person.

No transactions pursuant to § 15a of the German Securities Trading Act (WpHG) were reported to us in the 2005 financial year.

Share options programme and share-based remuneration systems

Employee profit-sharing programme (Incentive Programme 2002)

The Annual General Meeting of MLP AG on 28 May 2002 conditionally increased the share capital of the company by up to € 1,700,000 by issuing a total of up to 1,700,000 new individual stocks in the name of the owner, each with a proportional value of the share capital of € 1. The conditional capital increase grants conversion rights to the owners of convertible debentures which are issued by the company on account of the authorisation resolution passed. The shares are issued to the owners of convertible debentures by the method for determining the conversion price defined in the authorisation resolution of the Annual General Meeting of 28 May 2002.

Non-interest-bearing convertible debentures for Board members, employees, and consultants

The same Annual General Meeting authorised the Executive Board, with the Supervisory Board's approval, to issue on one or more occasions a total of up to 1.7 million non-interest-bearing convertible debentures with a term of six years and a nominal value of € 1 each up to a total nominal value of € 1.7 million over the period until 28 May 2007. These may be issued each with a term of six years to members of the Executive Board and company employees, as well as to members of the Management Board, sales representatives working as independent commercial agents and employees of companies associated with the company as defined by §§ 15 ff. of the German Stock Corporation Act. They entitle the owners of convertible debentures to purchase new shares from the conditional capital of MLP AG in accordance with the convertible debenture conditions. If convertible debentures are to be issued to members of the company's Executive Board, only the Supervisory Board is authorised to issue these.

The convertible debentures are to be offered annually in allocated amounts. The size of each tranche is to be determined by the Executive Board with the approval of the Supervisory Board. The beneficiaries and the extent of the corresponding right to purchase the convertible debentures are determined by the Executive Board. If members of the Executive Board are affected, these factors are determined by the Supervisory Board. The subscription period should lie within a two-month period beginning on the sixth stock market trading day following the company's regular Annual General Meeting and last for at least three weeks.

The company has issued the following tranches to date:

Tranche	2002/2008*)	2003/2009	2004/2010	2005/2011
Convertible debentures issued	115,300	281,040	677,042	577,806
Conversion price in €	29.22	6.02	11.40	12.01
Maturity	19 August 2008	4 August 2009	16 August 2010	15 August 2011

*) As the exercise hurdle (€ 39.28) for the allocation of the convertible debentures was not reached by 19 August 2005, the convertible debentures of the 2002 tranche can no longer be converted.

Performance shares for executives

Long-Term Incentive Programme 2005

In 2005, the first Long-Term Incentive Programme (LTI) was set up, the participants of which were to include not only the Executive Board but also selected managers from the MLP Group. Under the LTI, selected executive staff of the MLP Group (Executive Board members of the subsidiaries, Managing Directors and Directors) were given performance shares in 2005. There are plans to expand this programme to a larger circle of executive staff in the following years.

Compliance

MLP AG has a comprehensive volume of regulations on Group compliance which explains the legal regulations on the insider law to both members of the Executive Bodies and employees in the MLP Group alike, and gives a legal framework within which they can carry out their investment business. The guideline also ensures that sensitive information is handled responsibly at MLP. The Compliance Directive was adapted to the new legal regulations of the law on the improvement of investor protection in 2005.

You can find further information on corporate governance at MLP on the internet at www.mlp.de.

DR. JÖRG MEURER,
BUSINESS GRADUATE AND EXECUTIVE DIRECTOR AT UNIPLAN IN KERPEN,
40 YEARS OLD, MLP CLIENT SINCE 1996

Jörg Meurer is a strategist, analyst and creator. He is responsible for marketing and sales, takes care of business development and develops communication concepts for appearances at trade fairs and events. Meurer works both on instinct and with his head – but always with passion. Just before achieving a goal, he sets himself two more. He constantly strives for greater things while keeping his feet on the ground. As a photographer, he is fascinated by symmetry and disordered colourfulness, by the fullness of life and morbidity. He endeavours to combine these contradictions within himself – as he believes that only the close linking of different worlds of life and thought can create a harmonious whole.

From his doctorate to starting work and different rungs on the career ladder to starting a family, MLP has accompanied Jörg Meurer throughout his life. In future too, Meurer expects MLP to offer consulting tailored precisely to his situation that creates space for both logic and gut instinct. Life is constantly changing, but MLP is at your side the whole way.

MLP in the public arena

A no-compromise client focus and sustainable social commitment are essential elements of the MLP philosophy. This is why we promote the next generation of graduates, as well as being involved in sports, culture and supporting social projects.

University and student sponsorship

Targeted work with universities

Academics are our most important client group. We therefore make it a priority to maintain and build on our relationships with universities as well as students, graduates and alumni.

Sponsored professorship for higher education and knowledge management

The increasing competition to win students as well as students' own growing expectations of the services universities have to offer beyond the classic teaching programme are forcing universities to rethink their strategy. This is why MLP is sponsoring the first professorship for higher education management in Germany at the Deutsche Hochschule für Verwaltungswissenschaften (German University of Administrative Sciences) in Speyer. We are supporting the newly created chair for scientific organisation, higher education and knowledge management as a sponsored professorship for a duration of five years. With this professorship, MLP sends an important signal that innovation is needed in the German higher education system.

Gaining practical experience

There is nothing as important as practical job experience, even while studying. This was one of the reasons behind our decision to stage a competition together with international companies for the second time. Students at German universities were invited to apply for internships and associated scholarships. Whether for Siemens in Seoul, Procter & Gamble in Geneva or SonyBMG in New York – 200 applicants made it to the final round of "Join the best" and battled it out for ten internship positions. MLP financed the flights, accommodation, a complete insurance package of personal liability, overseas health and accident insurance and the MLP credit card.

University Career Centres – a successful public private partnership

In competing for the best students, universities need to expand their facilities for linking theoretical and practical knowledge and experience. The Mannheim University of Applied Sciences and the University of Heidelberg have established Career Centres to help graduates get their career off to a flying start. With its focus on graduates' needs, MLP is the perfect partner to support Career Centres in matters such as finance and career coaching. Joint events are also planned as part of the cooperation.

Pro Campus Press

Help for the editors of tomorrow

Editors of university, faculty or students' union magazines require a high level of commitment. However, they generally have to struggle with difficult working conditions. It is our stated objective to support up-and-coming editors at universities. University magazines are important media for MLP's message and have an influence on MLP's image at universities. MLP's Pro Campus Press initiative has therefore invited the staff of university magazines to attend a seminar with professional journalists. The student editors benefited from the expertise of experienced colleagues and submitted their publications for the Pro Campus Press Award. The awards and prizes – a computer for the winners and job-shadowing placements in the editorial offices of leading daily newspapers – were presented in the summer at the first MLP communication forum for university journalists.

Mens sana in corpore sano – sports sponsoring

Promoting university sports has become something of a tradition for us, underlining our focus on graduates. In keeping with this commitment, MLP was the title sponsor at 15 top events, including the German University Championships in football, handball, basketball, volleyball, beach volleyball and marathon running. We also acted as the main sponsor at the Winter Universiade 2005 in Innsbruck. At the world's second largest winter sports event after the Winter Olympic Games, 1,500 athletes from 53 countries competed for 207 medals before some 70,000 spectators; 15 international television channels broadcasted 300 hours of event coverage across the globe.

Social commitment

Aid on our doorstep and in Asia

2004 was the most successful financial year in MLP's history. As such, we considered it our duty to help those people who had lost everything in the flood disaster in Asia. Another campaign for donations in 2005 benefited children suffering from cancer in the Rhine-Neckar region.

€ 30 thsd from MLP employees

When the tsunami struck large parts of Asia in December 2004, we heeded the call for donations from two doctors and MLP clients. We quickly collected €30 thsd from our employees, which were put towards aid directly where it was needed. Food, aid supplies, water tanks and fishing boats were bought for a fishing village on the Thai island of Phuket, and the hospital in the coastal town of Galle on Sri Lanka was supplied with medication and medical equipment.

Tour der Hoffnung (Tour of Hope)

Cycling for a good cause: MLP once again supported the "Radtreff Rhein-Neckar" cycle race. 250 participants raised € 12,5 thsd for children suffering from cancer. This sum went to the organisers of the Tour der Hoffnung (Tour of Hope), the official charity cycle tour that runs through three German States. A total of € 914 thsd was raised, € 160 thsd of which went to the Heidelberg children's clinic.

Education

Renowned scientists hold lectures

MLP offers discerning clients an outstanding level of consulting. This includes providing existing and potential new clients with high-grade independent information. In keeping with this, we have continued our series of seminars with renowned scientists and begun a discussion forum.

Series of lectures with Bert Rürup and Bernd Raffelhüschen

In Professor Bert Rürup, the spiritual father of the basic pension, MLP has succeeded in engaging a proven expert as a speaker on one of the most important topics of our age. More than 1,700 visitors came to Wiesloch and Munich to hear the lecture "The reform of the social state – Effects of the new laws and future prospects". The new Chairman of the Council of Economic Experts appeared at 20 client events at various MLP sites in Germany and Austria. Through professors Bert Rürup and Bernd Raffelhüschen, we were able to inform around 15,000 participants of the current trends in old-age and health provision.

Innovative ideas under discussion

Together with the ideas agency berlinpolis, MLP started the series of talks "Agenda 2015 for the next generation". berlinpolis is an association for promoting dialogue between politicians, economists and society with the help of new technologies. Under the direction of the association, experts, young managers and graduates develop proposals for structuring social change. The kick-off event took place on the MLP campus in Wiesloch with the theme "Ensuring the potential of the best minds". Two further events then followed in Berlin and Munich.

Sports

Promoting sports is extremely import for MLP. The commitment and team spirit needed to succeed at sports are also vital characteristics of our staff, consultants and company as a whole.

Largest sports event in the Rhine-Neckar region

Sporting commitment

Participants from all walks of life took their marks. When the starting pistol sounded for the MLP Mannheim Marathon on 21 May 2005, around 6,600 runners set off, cheered on by 110,000 spectators. This made the Mannheim Marathon the largest sports event in the Rhine-Neckar region with participants from all over the world.

MLP is partner of the Bavarian Tennis Association

We have expanded our sponsoring involvement at the top of the sporting ladder and have become the title sponsor of the "MLP Tennis Base" project for promoting young talent. As partner of the Bavarian Tennis Association, MLP supports promising young German tennis players with the aim of making them the best in the world.

Marketing

Positioning as a premium brand

Highest quality and client satisfaction are our number one priority – and we let it show with our new corporate design and a quality campaign.

New image

Our consulting focuses on products and services of the highest quality. We communicate this premium thinking with the new corporate design, which was developed together with a leading design agency.

Quality campaign

Another step to increase the presence of the company in the public eye was a brand campaign in selected print media. With the statement "Quality costs money. Or makes money.", MLP has successfully positioned itself in the premium segment of financial service providers.

Economy and administration join forces

MLP once again highlighted its faith in the region as host of the conference "Economy meets administration – Modern administration as a location factor for the metropolitan Rhine-Neckar region". Around 180 participants gathered at the MLP Corporate University to create efficient administration processes and structures. Companies and local residents are not the only ones to benefit – swift and friendly administration also positions the metropolitan region as an attractive economic area among the European competition.

Marketing initiative on old-age provision

At the end of the year, MLP started a broad marketing offensive to bring the topics of old-age provision and the pension shortfall into the public eye. The high point of the campaign was a draw for a total of ten life-long pension payments.

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MLP consolidated financial statements

Consolidated income statement

Income statement for the period from 1 January to 31 December 2005

All figures in €'000	Note	2005	2004
Continuing operations			
Income from brokerage business	[1]	470,010	543,659
Income from banking business	[2]	54,300	48,512
Other income	[3]	41,856	30,630
Total income		**566,166**	**622,801**
Expenses for brokerage business	[4]	−223,004	− 248,481
Expenses for banking business	[5]	−14,115	−11,543
Personnel expenses	[6]	−75,890	−66,737
Depreciation/amortisation	[7]	−19,873	−18,213
Operating expenses	[8]	−163,593	−189,480
Profit from operations (EBIT)		**69,691**	**88,347**
Other interest and similar income	[9]	7,634	2,795
Other interest and similar expenses	[9]	−8,640	−13,517
Finance cost		**−1,006**	**−10,722**
Profit before tax (EBT)		**68,685**	**77,625**
Income taxes	[21]	−28,265	−34,654
Profit from continuing operations		**40,420**	**42,971**
Discontinued operations			
Overall profit from discontinued operations	[24]	159,271	7,337
Net profit (total)		**199,691**	**50,308**
Of which			
shareholders of the parent company account for		199,693	50,301
minority interests account for		−2	7
Earnings per share in €	[25]	1.84	0.46
Diluted earnings per share in €	[25]	1.81	0.46

Consolidated balance sheet

Assets as at 31 December 2005

All figures in €'000	Note	31 Dec 2005	31 Dec 2004
Intangible assets	[10]	22,917	60,268
Property, plant and equipment	[11]	94,746	117,356
Investment property	[12]	15,538	–
Deferred acquisition costs	[24]	–	357,600
Investments held on account and at risk of life insurance policyholders	[24]	–	1,564,065
Deferred tax assets	[21]	1,568	51,462
Receivables due from reinsurance business	[24]	–	30,482
Receivables from banking business	[13]	511,023	371,641
Financial investments	[14]	236,741	204,624
Tax refund claims	[21]	19,184	1,785
Receivables and other assets	[15]	150,293	135,953
Cash and cash equivalents	[16]	130,003	190,957
Total		**1,182,013**	**3,086,193**

Liabilities and shareholders' equity as at 31 December 2005

All figures in €'000	Note	31 Dec 2005	31 Dec 2004
Equity attributable to MLP AG shareholders	[17]	455,129	288,977
Minority interest		63	586
Total shareholders' equity		**455,192**	**289,563**
Actuarial provisions	[24]	–	431,639
Actuarial provisions for investments held on account and at risk of life insurance policy holders	[24]	–	1,564,065
Other provisions	[18]	32,659	173,400
Deferred tax liabilities	[21]	1,265	1,618
Reinsurance liabilities	[24]	–	36,594
Liabilities due to banking business	[19]	499,282	355,408
Tax liabilities	[21]	13,977	19,156
Other liabilities	[20]	179,638	214,750
Total		**1,182,013**	**3,086,193**

Consolidated cash flow statement

Consolidated cash flow statement for the period from 1 January to 31 December 2005

All figures in €'000	Note	2005	2004
Profit from operations (EBIT)		**262,399**	**98,168**
Income taxes paid		–30,791	–20,489
Interest and dividends received		31,090	22,174
Interest paid		–32,965	–46,941
Write-downs/write-ups on intangible assets, property, plant and equipment and financial assets	[7] [24]	20,568	25,466
Value adjustments on receivables		7,652	9,912
Expenses for risk provisions	[5]	3,999	3,625
Increase/decrease of provisions		–133,936	51,459
Other non-cash expenses/income		19,829	–2,924
Gain/loss from the disposal of intangible assets and property, plant and equipment		633	2,850
Gain/loss from the disposal of financial investments		–1,714	–1,029
Increase of deferred acquisition costs		–43,967	–88,052
Cash-relevant increase in provisions for unit-linked life insurance policies (if attributable to cash-relevant increases)		194,965	308,341
Increase of insurance provisions		80,417	116,019
Increase/decrease of reinsurance receivables/liabilities		8,688	–24,278
Increase/decrease of receivables/liabilities due to financial institutions from the banking business		–94,702	–63,562
Increase/decrease of receivables from/liabilities due to bank clients		95,195	59,876
Increase/decrease of other assets		–77,128	42,861
Increase/decrease of other liabilities and shareholders' equity		–85	33,121
Gains from the disposal of shares in affiliated companies	[24]	–125,395	–
Cash flow from operating activities		**184,752**	**526,597**
of which from discontinued operations		234,426	363,638
Proceeds from disposal of intangible assets and property, plant and equipment		202	5,001
Payments for intangible assets and property, plant and equipment		–16,695	–25,278
Proceeds from disposal of financial investments		30,992	49,387
Payments for the purchases of financial investments		–58,486	–119,488
Proceeds from the sale of investments held on account and at risk of life insurance policyholders		171,286	5,643
Payments for the purchase of investments held on account and at risk of life insurance policyholders		–366,251	–313,984
Proceeds from the disposal of shares in affiliated companies (net of cash)	[24]	207,293	–
Capital expenditure on the acquisition of treasury stock		–10,505	–
Payments for purchase of MLP Lebensversicherung AG		0*	–21
Payments for purchase of subsidiaries (net of cash)		–	–654
Cash flow from investing activities		**–42,164**	**–399,394**
of which from discontinued operations		–21,625	–381,758

All figures in €'000	Note	2005	2004
Proceeds from transfer to equity		1	213
Payments to shareholders and minority shareholders		−24,293	−16,296
Proceeds from issues of bonds and taking out loans		578	677
Payments of bonds and redemption of loans		−23,451	−2,326
Cash flow from financing activities		**−47,165**	**−17,732**
of which from discontinued operations		−1	−1
Cash and cash equivalents			
Changes in cash and cash equivalents		95,423	109,471
Changes in cash and cash equivalents due to exchange rate movements		17	20
Cash and cash equivalents at beginning of period		234,534	125,043
Cash and cash equivalents at end of period		**329,974**	**234,534**
Composition of financial resources			
Cash and cash equivalents		129,980	190,941
Other investments < 3 months		200,000	43,600
Liabilities to banks due on demand		−6	−7
Cash and cash equivalents at end of period		**329,974**	**234,534**

*less than €1 thsd

The notes on the consolidated cash flow statement appear under note 22.

Segment reporting

Continuing operations

All figures in €'000	Consulting and sales 2005	Consulting and sales 2004	Bank 2005	Bank 2004
Segment income				
Income from third parties				
Brokerage business	481,241	551,621	–	–
Banking business	–	–	54,930	49,505
of which inter-segment income, total	67,147	130,298	1,027	3,306
of which with other continuing segments	11,231	7,962	630	993
of which with other discontinued segments	55,916	122,336	397	2,313
Total segment income	**481,241**	**551,621**	**54,930**	**49,505**
Other income	32,293	28,765	243	953
Segment expenses				
Brokerage business	−223,509	−248,828	–	–
Banking business	–	–	−25,390	−19,815
Personnel expenses	−61,922	−54,278	−6,634	−6,125
Depreciation/amortisation	−11,496	−12,140	−378	−266
Other	−145,400	−167,042	−15,147	−16,439
Total segment expenses	**−442,327**	**−482,288**	**−47,549**	**−42,645**
Segment result before finance cost	**71,207**	**98,098**	**7,624**	**7,813**
Other interest and similar income	2,175	881	–	2
Other interest and similar expenses	−7,423	−8,315	−22	−11
Finance cost	**−5,248**	**−7,434**	**−22**	**−9**
Segment result after finance cost before tax	**65,959**	**90,664**	**7,602**	**7,804**
Income tax expenditure/revenue	–	–	–	–
Segment result from continuing operations after tax	–	–	–	–
Segment result from discontinued operations	–	–	–	–
Group net profit incl. minority interest	–	–	–	–
Additional information				
Investments in intangible assets and property, plant and equipment	10,215	6,520	289	494
Other non-cash expenses	−34,616	−53,464	−4,188	−6,583
Impairment losses affecting net profit	102	345	956	–
Total segment assets	255,230	441,988	549,748	404,650
less tax receivables/tax deferral	−3,744	−38,936	−1,290	−15
Segment assets	**251,486**	**403,052**	**548,458**	**404,635**
Total segment liabilities	164,448	308,061	516,922	374,757
less tax liabilities/tax deferral	−505	−393	−126	−2,066
Segment liabilities	**163,943**	**307,668**	**516,796**	**372,691**

* The different figures for the previous year compared to the Annual Report 2004 are due to adjustment of the expenses from share-based remuneration plans to meet IFRS 2.

The notes on segment reporting appear under note 23.

	Internal services and administration		Consolidation		Total	
	2005	2004	2005	2004	2005	2004
	–	–	−11,231	−7,962	470,010	543,659
	–	–	−630	−993	54,300	48,512
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	**–**	**−11,861**	**−8,955**	**524,310**	**592,171**
	28,610	20,221	−19,290	−19,309	41,856	30,630
	–	–	505	347	−223,004	−248,481
	–	–	11,275	8,272	−14,115	−11,543
	−7,334	−6,334*	–	–	−75,890	−66,737
	−7,999	−5,807	–	–	−19,873	−18,213
	−22,398	−26,030*	19,352	20,031	−163,593	−189,480
	−37,731	**−38,171**	**31,132**	**28,650**	**−496,475**	**−534,454**
	−9,121	**−17,950**	**−19**	**386**	**69,691**	**88,347**
	8,424	2,476	−2,965	−564	7,634	2,795
	−1,742	−4,905	547	−286	−8,640	−13,517
	6,682	**−2,429**	**−2,418**	**−850**	**−1,006**	**−10,722**
	−2,439	**−20,379**	**−2,437**	**−464**	**68,685**	**77,625**
	–	–	–	–	−28,265	−34,654
	–	**–**	**–**	**–**	**40,420**	**42,971**
	–	**–**	**–**	**–**	**159,271**	**7,337**
	–	**–**	**–**	**–**	**199,691**	**50,308**
	2,381	9,843	–	–	12,885	16,857
	−17,190	−15,886	–	–	−55,994	−75,933
	2,307	–	–	–	3,365	345
	523,112	306,820	−146,077	−105,471	1,182,013	1,047,987
	−18,738	−2,305	3,020	–	−20,752	−41,256
	504,374	**304,515**	**−143,057**	**−105,471**	**1,161,261**	**1,006,731**
	109,834	202,193	−64,383	−60,825	726,821	824,186
	−13,473	−15,902	−1,138	–	−15,242	−18,361
	96,361	**186,291**	**−65,521**	**−60,825**	**711,579**	**805,825**

Segment reporting

Discontinued operations

All figures in €'000	Life insurance	
	2005	2004
Segment income		
Income from third parties		
insurance business	136,977	174,019
Total segment income	**136,977**	**174,019**
Other income	443	976
Change in deferred acquisition costs	37,949	103,959
Segment expenses		
Insurance business	–117,098	–232,004
Personnel expenses	–6,226	–9,743
Depreciation/amortisation	–610	–6,297
Other	–9,192	–15,812
Total segment expenses	**–133,126**	**–263,856**
Segment result before finance cost	**42,243**	**15,098**
Other interest and similar income	406	272
Other interest and similar expenses	–206	–51
Finance cost	**200**	**221**
Segment result after finance cost before profit from sale of discontinued operations before tax	**42,443**	**15,319**
Income tax expenditure/revenue	–	–
Segment result after tax	**–**	**–**
Profit from sale of discontinued operations	–	–
Income taxes on profit from sale of discontinued operations	–	–
Segment result after profit from sale of discontinued operations	**–**	**–**
Segment result from discontinued operations	**–**	**–**
Additional information		
Investments in intangible assets and property, plant and equipment	2,178	6,189
Other non-cash expenses	–56,204	–100,904
Impairment losses affecting net profit	–	–
Total segment assets	–	2,180,162
less tax receivables/tax deferral	–	–284
Segment assets	**–**	**2,179,878**
Total segment liabilities	–	2,075,952
less tax liabilities/tax deferral	–	–6,453
Segment liabilities	**–**	**2,069,499**

Consolidation effects between continuing and discontinued operations in 2004:
- Segment assets –€192,574 thsd
- Segment liabilities –€126,468 thsd

The notes on segment reporting appear under note 23.

Non-life insurance		Reconciliation		Total	
2005	2004	2005	2004	2005	2004
33,184	41,532	–3,608	5,935	166,553	221,486
33,184	**41,532**	**–3,608**	**5,935**	**166,553**	**221,486**
241	515	–	–154	684	1,337
1,453	12	4,565	–15,919	43,967	88,052
–21,736	–24,893	2,848	–537	–135,986	–257,434
–4,073	–5,714	–	–	–10,299	–15,457
–85	–956	–	–	–695	–7,253
–4,064	–6,354	5	154	–13,251	–22,012
–29,958	**–37,917**	**2,853**	**–383**	**–160,231**	**–302,156**
4,920	**4,142**	**3,810**	**–10,521**	**50,973**	**8,719**
47	26	–1	–3	452	295
–14	–14	1	3	–219	–62
33	**12**	**–**	**–**	**233**	**233**
4,953	**4,154**	**3,810**	**–10,521**	**51,206**	**8,952**
–	–	–	–	–17,330	–1,615
–	**–**	**–**	**–**	**33,876**	**7,337**
–	–	–	–	141,736	–
–	–	–	–	–16,341	–
–	**–**	**–**	**–**	**125,395**	**–**
–	**–**	**–**	**–**	**159,271**	**7,337**
1,632	2,232	–	–	3,810	8,421
–14,419	–7,642	–	–	–70,623	–108,546
126	–	–	–	126	–
–	39,536	–	–194	–	2,219,504
–	–431	–	–	–	–715
–	**39,105**	**–**	**–194**	**–**	**2,218,789**
–	28,061	–	–194	–	2,103,819
–	–867	–	–	–	–7,320
–	**27,194**	**–**	**–194**	**–**	**2,096,499**

Changes in the consolidated shareholders' equity

All figures in €'000	Equity attributable to MLP AG shareholders						Minority interest	Total share-holders' equity
	Share capital	Capital reserves	Treasury stock	Available-for-Sale reserve	Remai-ning equity	Total		
As at 1 January 2004								
Disclosure as in the previous years	108,641	7,707	–	–217	137,691	253,822	125	253,947
Effects of the first-time adoption of IFRS 2	–	339	–	–	–339	–	–	–
As at 1 January 2004 (adjusted)	**108,641**	**8,046**	**–**	**–217**	**137,352**	**253,822**	**125**	**253,947**
Change in the scope of consolidation	–	–	–	–	–	–	454	454
Currency translation	–	–	–	–	–153	–153	–	–153
Capital increases	–	–	–	–	–	–	–	–
Change in available-for-sale reserve	–	–	–	–12*	–	–12	–	–12
Net profit	–	–	–	–	50,301	50,301	7	50,308
Dividends paid to shareholders and minority shareholders	–	–	–	–	–16,296	–16,296	–	–16,296
Convertible debentures	–	1,315	–	–	–	1,315	–	1,315
As at 31 December 2004	**108,641**	**9,361**	**–**	**–229**	**171,204**	**288,977**	**586**	**289,563**
As at 1 January 2005	**108,641**	**9,361**	**–**	**–229**	**171,204**	**288,977**	**586**	**289,563**
Change in the scope of consolidation	–	–	–	–	–1,604	–1,604	–130	–1,734
Currency translation	–	–	–	–	64	64	–	64
Capital increases	–	–	–	–	–	–	1	1
Change in available-for-sale reserve	–	–	–	292	–	292	–	292
Net profit	–	–	–	–	199,693	199,693	–2	199,691
Dividends paid to shareholders and minority shareholders	–	–	–	–	–23,901	–23,901	–392	–24,293
Convertible debentures	–	2,113	–	–	–	2,113	–	2,113
Acquisition of treasury stock	–	–	–10,505	–	–	–10,505	–	–10,505
As at 31 December 2005	**108,641**	**11,474**	**–10,505**	**63**	**345,456**	**455,129**	**63**	**455,192**

* Impairments included in the "Available-for-sale reserve" item mainly concern securities from the life insurance segment

The notes to the shareholders' equity appear under note 17.

Notes to the consolidated financial statements

1. General information

1.1 Information about the company

The parent company of the Group is MLP AG, based in Heidelberg, Germany. It is entered in the Heidelberg Commercial Register under the number HRB 2697 and with the address Forum 7, 69126 Heidelberg. The registered office is in Heidelberg. The administration and business address is Alte Heerstr. 40, 69168 Wiesloch.

Since it was founded in 1971, MLP has focused solely on advising academics and discerning clients in the fields of old-age and health provision, financial security, investments and loans.

The MLP Group combines a financial service provider, a bank and an IT service provider. MLP Lebensversicherung AG and MLP Versicherung AG were sold in the third quarter of 2005.

1.2 Principles governing the preparation of the financial statements

Pursuant to § 315a of the German Commercial Code (HGB), the consolidated financial statements of MLP AG as at 31 December 2005 were prepared in accordance with the IFRSs adopted by the European Union.

The consolidated financial statements are prepared using the historical cost convention with the exception that derivative financial instruments and available-for-sale financial investments are measured at fair value. Where assets and liabilities carried in the balance sheet are hedged using fair value hedges, their carrying amounts are adjusted on the basis of changes in fair value attributable to the hedged risks.

The net income of discontinued operations is disclosed separately in the income statement, while the assets and liabilities held for sale are shown separately in the balance sheet. The comparatives in the income statement were changed accordingly and therefore cease to be comparable with prior-year financial statements. In accordance with IFRS 5, prior-year amounts on the face of the balance sheet were not adjusted.

In accordance with IFRS 5.25, non-current assets of discontinued operations were not depreciated.

The consolidated income statement is prepared in accordance with the nature of expense method.

The consolidated financial statements are drawn up in euros (€). Unless the notes state otherwise, all amounts are rounded to the nearest thousand (€'000).

1.3 Changes in accounting policies

The accounting policies applied are basically the same as those used in the previous year. In addition, the MLP Group applied the new or revised standards that are binding for financial years beginning on or after 1 January 2005.

The changes in accounting policies are the result of the Group's adoption of the following new or revised standards:

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations, IAS 36 Impairment of Assets (revised) and IAS 38 Intangible Assets (revised)
- IFRS 4 Insurance Contracts
- IAS 1 (revised 2004) Presentation of Financial Statements

The significant effects of these changes are explained in the paragraphs below.

1.3.1 IFRS 2 Share-based Payment

The main impact of IFRS 2 on the Group is that it is now required to recognise an expense and a corresponding amount in equity for share-based payments made to employees, independent commercial agents and executive members of staff and an expense and a liability for share-based payments settled in cash.

The Group applied IFRS 2 retrospectively and uses the transitional provisions of IFRS 2 regarding share-based payment plans. As a result, the Group only applies IFRS 2 when accounting for share-based rights granted after 7 November 2002 that had not vested prior to or on 1 January 2005.

Application of IFRS 2 reduced net profit for financial year 2005 by €2,022 thsd (previous year: €1,102 thsd) due to the increase in personnel and operating expenses. Application also resulted in an increase in capital reserves of €1,931 thsd (previous year: €1,441 thsd). A liability of €1,931 thsd was recognised for performance participation rights (previous year: €753 thsd).

Application of IFRS 2 did not have a significant effect on diluted or basic earnings per share.

1.3.2 IFRS 3 Business Combinations, IAS 36 Impairment of Assets and IAS 38 Intangible Assets

Business combinations occurring on or after 31 March 2004 were accounted for in accordance with IFRS 3. Under IFRS 3, identifiable assets, liabilities and contingent liabilities are initially measured at their full fair value at the acquisition date. As a result, minority interests are stated at their share of the fair values of the assets and liabilities. In applying

IFRS 3 and IAS 36 (revised), the Group is prohibited from amortising goodwill. Since 1 January 2005, it has instead been required to test the goodwill allocated to a cash-generating unit for impairment on an annual basis (unless something happens which requires goodwill to be tested for impairment sooner). Prior to 1 January 2005, the MLP Group did not recognise any goodwill with the exception of that arising on the acquisition of the BERAG companies on 8 October 2004.

It is now also required to ascertain whether individual intangible assets are indefinite-lived. In accordance with revised IAS 38, certain intangible assets are classified as indefinite-lived assets if, based on an analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. No indefinite-lived intangible assets were identified.

1.3.3 IFRS 4 Insurance Contracts

Since 1 January 2005, insurance contracts have to be accounted for in accordance with IFRS 4. Subject to certain conditions, IFRS 4 permits the reporting entity to retain its previous accounting policies for insurance contracts. Actuarial items were therefore measured and recognised in the balance sheet in accordance with US Generally Accepted Accounting Principles (US GAAP), just as they were in the previous year. Likewise, the following US GAAP provisions were applied in accounting for the insurance-specific items of MLP Lebensversicherung AG and MLP Versicherung AG: Financial Accounting Standards (FAS) FAS 60, FAS 97, FAS 113 and FAS 120.

1.3.4 IAS 1 (revised 2004) Presentation of Financial Statements

IAS 1 previously gave the reporting entity the option to present the balance sheet either by splitting current and non-current assets and liabilities or based on liquidity. This option has been restricted as part of the IASB Improvements Project and it is now the case that only certain entities, such as banks (IAS 1.54) and enterprises with a particular range of different business segments (IAS 1.55), have the option of a liquidity presentation if this provides information that is more reliable and relevant. MLP presented the balance sheet as at 31 December 2005 based on liquidity. However, in financial year 2005, prepaid expenses and deferred income, which had been shown separately in the consolidated balance sheet as at 31 December 2004, were reclassified under “Receivables and other assets” and “Other liabilities”. The prior-year information was changed accordingly.

Minority interests are no longer shown as a balance sheet item between equity and liabilities, but instead as a separate item within equity. The equity ratio changes accordingly.

1.4. Significant discretionary decisions and estimates

1.4.1 Discretionary decisions

In applying the accounting policies, the company's management made the following discretionary decisions that may affect the amounts in the financial statements.

1.4.1.1 Obligations under operating leases – Group as lessor

The Group has in place a lease agreement governing the commercial leasing of its investment properties. The Group has ascertained that it retains all significant risks and rewards incident to ownership of the properties leased under operating leases.

1.4.2 Uncertainty in estimates

The following paragraphs explain the main forward-looking assumptions and other major sources of uncertainty in the estimates at the reporting date that result in a substantial risk that the carrying amounts of assets and liabilities will require significant changes within the coming financial year.

1.4.2.1 Impairment of goodwill

The Group tests goodwill for indications of impairment at least once a year. In doing so, it is required to estimate the value in use of the cash-generating units to which the goodwill is allocated. To estimate value in use, the Group has to estimate the probable future cash flows from the cash-generating unit and select an appropriate discount rate with which to calculate the present value of these cash flows. As at 31 December 2005, the carrying amount of goodwill was €685 thsd (2004: €685 thsd).

2. Declaration of compliance with the German Corporate Governance Code pursuant to § 161 of the Stock Corporation Act (AktG)

The Executive and Supervisory Boards have issued the declaration of compliance with the German Corporate Governance Code pursuant to § 161 AktG and made this permanently available to shareholders on the company's website at www.mlp.de.

3. Scope of consolidation

The consolidated financial statements include the financial statements of MLP AG and the financial statements of the following companies (subsidiaries) controlled by it in accordance with IAS 27. These are companies where it holds the majority of the voting rights or where control is possible.

In the financial year, the scope of consolidation of MLP AG was extended to include a foreign subsidiary. In the third quarter of 2005, the two insurance subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG were sold and deconsolidated. Other than these there were no changes to the scope of consolidation.

The effects of this deconsolidation sale on the income statement and balance sheet are explained in section 24 of the notes.

The following table shows the scope of consolidation of MLP AG:

	Shareholding in %	First consolidated	Deconsolidated
Subsidiaries			
MLP Finanzdienstleistungen AG, Heidelberg	100	31 Dec 1992	–
MLP Lebensversicherung AG, Heidelberg	99.86	31 Dec 1992	5 Sep 2005
MLP Login GmbH, Heidelberg	100	31 Dec 1995	–
MLP Bank AG, Heidelberg	100	31 Dec 1997	–
MLP Versicherung AG, Heidelberg	100	31 Dec 1997	16 Aug 2005
MLP Private Finance plc., London, Great Britain	100	31 Dec 2001	–
MLP Private Finance Correduria de Seguros S.A., Madrid, Spain	100	22 Feb 2002	–
MLP Private Finance AG, Zurich, Switzerland	99.93	28 Feb 2002	–
MLP BAV GmbH, Heidelberg	100	1 Apr 2004	–
BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH, Bremen	51.08	8 Oct 2004	–
BERAG Versicherungs-Makler GmbH, Bremen	51.08	8 Oct 2004	–
MLP Vermögensberatung AG, Vienna, Austria	100	9 Mar 2005	–

The voting rights correspond to the percentage shareholding with the exception of MLP Lebensversicherung AG, in which 100 percent of the voting rights are held.

The companies included in the consolidated financial statements and the total shareholdings (list of holdings) in accordance with § 313 (2) HGB are listed on page 187 and 188.

3.1 Principles of consolidation

The consolidated financial statements include the financial statements of MLP AG and its subsidiaries as at 31 December of each financial year. The financial statements of the subsidiaries are prepared according to uniform accounting policies as at the same balance sheet date as the financial statements of the parent.

In order to enable those reading the financial statements to better assess the financial impact of discontinued operations (IFRS 5.30), income and expenses between continuing and discontinued operations are not eliminated.

Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group gains control. They are deconsolidated as soon as the parent loses control.

3.2 Currency translation

The consolidated financial statements are drawn up in euros, the Group's functional and presentation currency. Each company within the Group selects its own functional currency. The items contained in the financial statements of the respective company are measured using this functional currency. Foreign-currency transactions are translated from the foreign currency into the functional currency at the spot rate prevailing on the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing rate. All currency translation differences are recognised in net income for the period with the exception of currency translation differences arising from foreign-currency loans insofar as they are used to hedge a net investment in a foreign operation. These differences are recognised directly in equity until the net investment is disposed of and only recognised in net income for the period on the date of disposal. Deferred taxes arising in connection with these currency translation differences are also taken directly to equity. Non-monetary items measured in a foreign currency at cost are translated at the rate prevailing on the transaction date. Non-monetary items measured in a foreign currency at fair value are translated at the rate prevailing on the date their fair value was determined.

The functional currency of the foreign subsidiary MLP Private Finance AG, Zurich, Switzerland is the Swiss franc and that of MLP Private Finance plc, London, Great Britain is the pound sterling. On the balance sheet date, the assets and liabilities of these subsidiaries are translated into the MLP Group's presentation currency (euros) at the closing rate. Income and expenses are translated at the weighted average rate for the financial year.

Currency translation differences arising on translation are recognised as a separate component of equity. When a foreign operation is sold, the cumulative amount recognised in equity for this foreign operation is taken to income.

The following exchange rates were used in financial year 2005:

	Closing rates (€)		Average rates (€)	
	2005	2004	2005	2004
Currencies				
Pound sterling (GBP)	0.68530	0.70505	0.68421	0.69532
Swiss franc (CHF)	1.55510	1.54290	1.54842	1.53322

4. Accounting policies

4.1 Income

Income is recognised if it is probable that economic benefits will flow to the Group and the income can be measured reliably.

To realise income, the following recognition criteria must also be met:

4.1.1 Interest income

Income is recognised on the date when the interest accrues (using the effective interest rate method).

4.1.2 Dividends

Income is recognised on the date when the Group's right to receive payment arises.

4.1.3 Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

4.1.4 Savings element of premiums on life insurance products

In the case of predominantly investment-style life insurance products (e.g. unit-linked life and pension insurance products), the savings element of premiums was not shown as premium income but allocated directly to investments held on account and at risk of life insurance policyholders in accordance with FAS 97. With this type of product, only the cost and risk portions were recognised in the income statement.

4.1.5 Premiums from the provision for premium refunds

In accordance with US GAAP, premiums from the provision for premium refunds were also not shown as premiums but recognised under "Change in the provision for premium refunds".

4.2 Finance cost

Interest income and charges are accounted for on an accrual basis and shown separately in the income statement.

4.3 Taxes

4.3.1 Tax refund claims and tax liabilities

Tax refund claims and tax liabilities for both the current period and earlier periods are measured at the amount expected to be refunded by or paid to the tax authorities. The amount is determined on the basis of the tax rates and tax legislation that apply on the closing date or that will apply in the near future.

4.3.2 Deferred taxes

Deferred taxes are recognised in accordance with the balance sheet liability method for all temporary differences existing at the closing date between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax liabilities are recognised for all taxable temporary differences. The following exceptions to this rule apply:

- It is not permitted to recognise deferred tax liabilities arising on initial recognition of goodwill or of an asset or liability in the event of a transaction that is not a business combination and that, at the transaction date, does not impact accounting or taxable profit.
- It is not permitted to recognise deferred tax liabilities for taxable temporary differences relating to investments in subsidiaries, associates or joint ventures if the timing of the temporary differences' reversal can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and as-yet unused tax losses and tax credits to the extent that it is probable that there will be taxable income against which the deductible temporary differences and as-yet unused tax losses and tax credits can be used. The following exceptions to this rule apply:

- It is not permitted to recognise deferred tax assets for deductible temporary differences arising on initial recognition of an asset or liability in the event of a transaction that is not a business combination and that, at the transaction date, does not impact accounting or taxable profit.

- It is only permitted to recognise deferred tax assets for taxable temporary differences relating to investments in subsidiaries, associates or joint ventures to the extent that it is probable that the temporary differences will reverse in the foreseeable future and there will be sufficient taxable profit against which the temporary differences can be used.

The carrying amount of deferred tax assets is reviewed at each closing date and reduced to the extent that it is no longer probable that there will be sufficient taxable profit against which at least some of the deferred tax assets can be used. Deferred tax assets that have not been recognised are reviewed at each closing date and recognised to the extent that it has become probable that future taxable profit will make recovery possible.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when an asset is realised or a liability settled. Such measurements are based on the tax rates (and tax legislation) applicable or announced at the closing date.

Income taxes relating to items taken directly to equity are also taken to equity rather than being recognised in the income statement.

Deferred tax assets and deferred tax liabilities are offset if the Group has an enforceable right to offset tax refund claims against tax liabilities and these relate to income taxes of the same taxable entity levied by the same tax authority.

4.3.3 Value-added tax

Sales revenue, expenditure and assets are recognised after deduction of value-added tax. The following exceptions to this rule apply:

- If value-added tax incurred in purchasing goods or services cannot be collected by the tax authorities, it is recognised as part of the acquisition or manufacturing cost of the asset or as part of the expenditure and
- Receivables and liabilities are stated together with the amount of value-added tax they include.

The amount of value-added tax reimbursed by or remitted to the tax authority is carried in the balance sheet under “Receivables” or “Liabilities”.

4.4 Intangible assets

On initial recognition, acquired intangible assets are measured at cost. The cost of an intangible asset acquired in the course of a business combination corresponds to its fair value at the acquisition date.

Subsequent to their initial recognition, intangible assets are stated at cost less cumulative amortisation and impairment. Internally generated intangible assets are not capitalised, with the exception of capitalised development costs. Associated costs are therefore recognised in the income statement in the period in which they are incurred.

It is first necessary to determine whether intangible assets are definite-lived or indefinite-lived. Definite-lived intangible assets are amortised over their useful life and tested for impairment whenever there are indications that the intangible asset may be impaired. The amortisation period and amortisation method for a definite-lived intangible asset are reviewed at least at the end of each financial year. If the asset's expected useful life or the pattern in which its benefits are expected to be consumed has changed, a different amortisation period or method is chosen. These changes are treated as changes in estimates. Amortisation on definite-lived intangible assets is expensed in the income statement under the category corresponding to the intangible asset's function.

Indefinite-lived intangible assets are tested for impairment at least once a year, either individually or at the cash-generating unit level. These intangible assets are not amortised. The useful life of an indefinite-lived intangible asset is reviewed once a year to establish whether its classification as an indefinite-lived asset is still justified. If this is not the case, its classification is changed from indefinite-lived to definite-lived on a prospective basis.

An intangible asset created during the development phase of an individual project (e.g. software generated internally) is only recognised if the Group can demonstrate the technical feasibility of completing the intangible asset so that this asset is available for internal use or sale and the intention to complete the intangible asset and use or sell it. The Group must also demonstrate how the asset will generate future economic benefits, the availability of adequate resources to complete the asset and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Subsequent to the development costs' initial recognition, the historical cost model is applied. In accordance with this model, the asset is stated at cost less cumulative amortisation and impairment. The capitalised amounts are amortised over the period in which the respective project is expected to generate sales revenue or benefits. Capitalised development costs are tested annually for impairment if the asset is not yet in use or if, during the year, there are indications of impairment.

Definite-lived intangible assets are amortised on a straight-line basis over the following expected useful lives:

Intangible assets	Expected useful life
Acquired software	5 years
Software generated internally	5 years
Acquired trademark rights	5 – 7 or 15 years

The residual carrying amounts of assets, useful lives and amortisation methods are reviewed at the end of each financial year and changed where necessary.

4.5 Goodwill

On initial recognition, goodwill resulting from business combinations is measured at cost, being the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Subsequent to initial recognition, goodwill is measured at cost less cumulative impairment. Goodwill is tested for impairment at least once a year or whenever events or changes in circumstances indicate that the carrying amount may be impaired.

For the purposes of impairment tests, the goodwill acquired in a business combination must be allocated from the acquisition date onwards to each of the Group's cash-generating units or groups of cash-generating units that are to benefit from the synergies from the combination. This applies irrespective of whether other assets or liabilities of the Group have already been allocated to these units or groups of units. Each unit or group of units to which goodwill has been allocated

- represents the lowest level within the Group at which goodwill is monitored for internal management purposes and
- is no larger than a segment based either on the Group's primary or secondary reporting format as determined in accordance with IAS 14 Segment Reporting.

The impairment loss is measured by calculating the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. If the recoverable amount of the cash-generating unit (group of cash-generating units) is less than its carrying amount, an impairment loss is recognised. In cases where goodwill represents part of the cash-generating unit (group of cash-generating units) and part of this unit's operations are sold, the goodwill attributable to the sold operations is included as a component of the operations' carrying amount when calculating the gain on the operations' disposal. Any goodwill sold in this way is measured on the basis of the ratio of sold to unsold operations within the cash-generating unit.

4.6 Property, plant and equipment

Items of property, plant and equipment are measured at cost less depreciation and, if necessary, impairment write-downs. The cost of production includes all costs directly attributable to the production process and appropriate portions of production-related overheads. Financing costs are not capitalised.

Assets under construction are carried at acquisition cost. Borrowing costs are not capitalised. Depreciation of these assets begins once they have been completed or brought to working condition.

Gains or losses on the disposal or retirement of an asset are calculated and recognised in the income statement as the difference between the sale proceeds and the carrying amount of the asset.

Probable physical wear and tear, technical ageing and legal/contractual limitations are taken into account in determining expected useful lives.

Items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Property, plant and equipment	Expected useful life
Administration buildings	33 years to residual value (30 % of original acquisition cost)
Land improvements	15–25 years
Leasehold improvements	Term of the respective lease
Furniture and fittings	10–25 years
IT hardware, IT cabling	3–13 years
Office equipment, office machines	5–13 years
Cars	5 or 6 years

The residual carrying amounts of assets, useful lives and depreciation methods are reviewed at the end of each financial year and changed where necessary.

In the case of relatively large-scale maintenance, the costs are recognised in the carrying amount of the item of property, plant and equipment as a replacement, provided the recognition criteria have been met.

4.7 Investment property

On initial recognition, investment property is measured at cost including incidental costs. Provided the recognition criteria have been met, the carrying amount includes the cost of replacing part of an existing investment property at the time these expenses are incurred. The carrying amount does not include the cost of the day-to-day maintenance of these properties. On subsequent measurement, investment property is stated at amortised cost.

Investment property is derecognised if it is disposed of or ceases to be used and no future economic benefit is expected on its disposal. Gains or losses on the retirement or disposal of an investment property are recognised in the year in which the property is retired or disposed of.

Properties are transferred to investment property in the event of a change in use marked by the cessation of owner occupation, inception of an operating lease with another party or completion of their construction or development. Properties are transferred from investment property in the event of a change in use marked by the commencement of owner occupation or the commencement of development work with the intention of selling the properties.

In the event of their transfer from investment property to owner-occupied property, the properties' cost for the purposes of subsequent measurement corresponds to their fair value at the time of the change in use. If a property occupied by the Group itself becomes an investment property, the Group treats this property in accordance with the method outlined in the section "Property, plant and equipment" until the time of the change in use. If the Group completes the construction or development of a self-constructed investment property, any difference existing at this time between the property's fair value and the previous carrying amount is recognised in reporting-period income.

In the course of selling the interests in MLP Lebensversicherung AG to Clerical Medical International Holdings B.V., the building on the plot of land at Forum 7 in Heidelberg was leased to MLP Lebensversicherung AG with effect from 7 October 2005. There was therefore a change in usage at this time.

4.8 Leases

It is determined whether an agreement constitutes or contains a lease on the basis of the economic substance of the agreement concluded. This requires an assessment of whether performance of the agreement is dependent upon the use of a particular asset or particular assets and whether the agreement confers the right to use the asset.

4.8.1 Group as lessee

Finance leases, which transfer substantially to the Group all risks and rewards incident to ownership of the transferred asset, are capitalised at inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are expensed immediately.

If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, capitalised leased assets are fully depreciated over the shorter of the lease term or the life of the asset. Lease payments for operating leases are expensed on a straight-line basis over the term of lease.

4.8.2 Group as lessor

Leases where all risks and rewards incident to ownership remain substantially with the Group are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and expensed over the term of the lease, just as rental income is recognised as revenue over the term of the lease.

4.9 Impairment of assets

At each closing date, the Group assesses whether there are any indications that an asset may be impaired. If there is any such indication or if required to test an asset for impairment on an annual basis, the Group measures recoverable amount. An asset's recoverable amount is the higher of the fair value of an asset or cash-generating unit less selling costs or value in use. Recoverable amount must be determined for each individual asset, irrespective of whether an asset generates cash inflows that are, to the greatest extent possible, independent of the cash inflows generated by other assets or other groups of assets. If an asset's carrying amount exceeds its recoverable amount, the asset is considered to be impaired and written down to its recoverable amount. For the purposes of determining value in use, estimated future cash flows are discounted to their present value on the basis of a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset. Impairment losses incurred by continuing operations are expensed under the categories corresponding to the function of the impaired asset.

At each closing date, the Group assesses whether there are any indications that an impairment loss recognised in prior reporting periods no longer exists or may have decreased. If there is any such indication, it measures the recoverable amount. An impairment loss recognised previously is reversed if, since the last impairment loss was recognised, there has been a change in the estimates used in determining the recoverable amount. If this is the case, the asset's carrying amount is written up to its recoverable amount. This increased carrying amount may not exceed what amortised historical cost would have been if an impairment had not been recognised in previous years. Such a reversal is recognised in period income immediately unless the asset is stated at its remeasured amount, in which case it is treated as an increase due to remeasurement. Once impairment losses have been reversed, an adjustment is made in future reporting periods so as to systematically distribute the asset's adjusted carrying amount less any residual carrying amount over its remaining useful life.

4.10 Deferred acquisition costs

Deferred acquisition costs included commissions paid and other variable costs incurred directly in connection with the acquisition of new insurance policies or the renewal of existing policies. Commissions received from reinsurers were offset against deferred acquisition costs.

Deferred acquisition costs were amortised over the term of the contract. The amount by which they were amortised depended on the classification of the underlying block of business.
- In the case of non-life insurance policies (pursuant to FAS 90), the deferred acquisition costs were written down over the period in which the relevant posted premiums were earned, proportionally to the income from the premiums.
- In the case of life insurance policies with surplus-sharing (pursuant to FAS 120), the deferred acquisition costs were amortised over the expected term of these contracts on the basis of the present value of the estimated and realistically achievable gross margins.
- Deferred acquisition costs for investment-style insurance policies (pursuant to FAS 97) were amortised over the term of the contract on the basis of the present value of estimated and realistically achievable gross profit.

Assumptions used as a basis for estimates of the future value of expected gross profits and margins were adjusted on a regular basis. If the actual results differed from the original estimates, the differences were recognised in the income statement.

If necessary, irrecoverable deferred acquisition costs were written down through profit or loss.

4.11 Investments held on account and at risk of life insurance policyholders

Investments held on account and at risk of life insurance policyholders include those shares in investment funds which policyholders are entitled to directly due to the insurance policies. They are carried in the balance sheet at their fair value at the closing date. Unrealised gains and losses from measurement at fair value are offset against changes in the corresponding investments held on account and at risk of life insurance policyholders in the same amount. The changes in value are not recognised in the income statement.

4.12 Receivables due from reinsurance business

Receivables due from reinsurance business are treated in accordance with FAS 113 and recognised at face value less write-downs. The reinsurers' share in the insurance provisions is determined in line with the contractual conditions based on the gross insurance provisions. Their treatment is explained under "Insurance provisions".

4.13 Receivables due from banking business

Receivables due from financial institutions or clients for self-issued loans are recognised at their outstanding face value or at cost, taking into account amortisation, deferred charges and costs, and premiums or discounts that have not yet been amortised. Interest income is marked down to its outstanding face value. Deferred charges and premiums/discounts are recognised as interest income or interest charges over the term of the loans concerned.

4.13.1 Provisions for losses on loans and advances

Specific allowances for bad debts are recognised if receivables are likely to be uncollectible. The amount of the allowance is estimated on the basis of past experience and the current economic environment.

In addition, allowances for bad debts on a portfolio basis are recognised for remaining accounts receivable. The allowances are determined with reference to the dunning level and on the basis of past experience and other banks' ratings. Bad debts are recorded against the existing allowances (or charged directly to the credit balance and recognised as expenditure). Payments received on receivables that have been written down are recognised in the income statement.

4.14 Financial instruments

The Group's financial assets include financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, other capital investments and available-for-sale financial assets.

4.14.1 Financial assets

Financial assets and financial liabilities are recognised in the consolidated balance sheet when, and only when, the Group becomes a party to the financial instrument's contractual provisions. In the case of regular way purchases and sales, the financial assets are recognised in the balance sheet on trade date, i.e. on the date when the company entered into the obligation to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets requiring delivery of the assets within a period dictated by market regulations or conventions.

The Group classifies its financial assets on initial recognition and reviews this classification at the end of each financial year insofar as it is permitted and appropriate to do so.

4.14.2 Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "Financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the short term. Derivative financial instruments are also classified as held for trading unless they have been designated hedging instruments and are effective as such. Gains or losses on financial assets held for trading are recognised in profit or loss.

4.14.3 Held-to-maturity investments

Non-derivative financial assets with fixed or at least determinable payments and a fixed maturity date are classified as held-to-maturity investments if the Group intends and is able to hold these assets to maturity. Investments which the Group intends to hold for an indefinite period are not classified as held-to-maturity investments. Other long-term investments which the Group intends to hold to maturity (e.g. bonds) are measured at amortised cost. This is the amount at which a financial asset was measured on initial recognition minus repayments, plus or minus cumulative amortisation of any difference between the original amount and the amount repayable at maturity, using the effective interest method. This calculation includes all charges and other fees paid or received between the parties to the contract that form an integral part of the effective interest rate, the transaction costs and all other premiums and discounts. Gains and losses on investments carried at amortised cost are recognised in profit or loss when the investment is derecognised or impaired and in the course of amortisation.

4.14.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired and in the course of amortisation. Loans are stated at amortised cost.

4.14.5 Other capital investments

Items carried under "Other capital investments" include fixed term deposits with a term of over 24 hours and up to a maximum of three months and fixed income securities with a maximum residual term of 3 months at the date of acquisition. These items are measured at amortised cost.

4.14.6 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are classified as available for sale and not allocated to one of the aforementioned categories. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised in a separate item under equity. The cumulative gain or loss previously recognised in equity is recognised in profit or loss when the financial asset is derecognised or impaired. Investments are measured at fair value or, if this cannot be reliably determined, at amortised cost.

4.14.7 Derecognition

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognised if one of the following three conditions has been met:

- The contractual rights to cash flows from a financial asset have expired.
- The Group retains the contractual rights to cash flows from financial assets, but assumes an obligation to pay the cash flows to a third party without material delay under an arrangement meeting the conditions specified in IAS 39.19 ("Pass-through Arrangement").
- The Group has transferred its contractual rights to cash flows from a financial asset and has (a) substantially transferred all risks and rewards incident to ownership of the financial asset or (b) neither substantially transferred nor retained all risks and rewards incident to ownership of the financial asset, but relinquished control of the asset.

If the Group transfers its contractual rights to cash flows from an asset, neither substantially transfers nor retains all risks and rewards incident to ownership of this asset and also retains control of the transferred asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement.

If continuing involvement exists as a result of the Group's guaranteeing the transferred asset, the extent of the continuing involvement is the lower of the asset's original carrying amount or the maximum compensation received that the Group may have to pay back. If continuing involvement exists through a written and/or acquired option (including an option settled in cash or in a similar manner) on the transferred option, the extent of the Group's continuing involvement is the amount of the transferred asset that the company can buy back. However, in the case of a written put option (including an option settled in cash or in a similar manner) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the transferred asset's fair value or the option's strike price.

A financial liability is derecognised when, and only when, the obligation on which this liability is based is either discharged, cancelled or has expired. If there is an exchange between the Group and the lender whereby an existing financial liability is exchanged for a different financial liability with substantially different terms or if there is a substantial modification of the terms of an existing financial liability, this exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in profit or loss.

4.14.8 Impairment of financial assets

At each closing date, the Group assesses whether there is any evidence that a financial asset or group of financial assets is impaired.

4.14.8.1 Assets carried at amortised cost

If there is objective evidence that loans and receivables carried at amortised cost are impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows (with the exception of future loan losses that have not yet occurred) discounted at the financial asset's original effective interest rate (i.e. the interest rate determined on initial recognition). The asset's carrying amount is reduced either directly or using a valuation adjustment account. The loss is recognised in profit or loss.

The Group determines on an individual or collective basis whether there is objective evidence of impairment of financial assets considered to be significant and of financial assets not considered to be significant. If the Group finds no objective evidence of impairment of an individually assessed financial asset, whether significant or not, it groups the financial asset with financial assets with similar credit risk statistics and assesses them for impairment collectively. Assets that are assessed for impairment individually and for which a new impairment loss is recognised or an existing loss continues to be recognised are not grouped together with others for collective assessment. If, in a subsequent reporting period, the amount of the impairment loss decreases and there is objective evidence that this decrease is due to an event occurring after the impairment was originally recognised, the previously recognised impairment is reversed. The impairment is subsequently reversed through profit or loss to the extent that the asset's carrying amount at the time of the reversal does not exceed amortised cost.

4.14.8.2 Assets carried at cost

If there is objective evidence of impairment of an unquoted equity instrument that it is not carried at fair value because its fair value cannot be determined reliably, or of a derivative instrument that is indexed to this unquoted equity instrument and can only be settled through delivery, the amount of the impairment is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market yield on a similar financial asset.

4.14.8.3 Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount recognised in equity equating to the difference between cost (less any repayments and amortisation) and current fair value, less any impairment losses on this financial asset recognised previously through profit or loss, is recognised in the income statement. Reversals of impairment losses on equity instruments classified as available for sale are not recognised through profit of loss. Reversals of impairment losses on debt instruments are recognised through profit or loss if there is objective evidence that the increase in the instrument's fair value is due to an event occurring after the impairment was originally recognised in the income statement.

4.15 Receivables and other assets

Receivables and other assets are measured at amortised cost less write-downs.

4.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on deposit with the German Bundesbank and bank deposits with a term of up to 24 hours. They are measured at face value.

4.17 Treasury stock

If the Group acquires treasury stock, this is deducted from equity. Transactions to purchase, sell, issue or call in treasury stock are not recognised in the income statement.

4.18. Share-based payment/Convertible debentures

The MLP Group applies the provisions of IFRS 2 Share-based Payment. In accordance with the provisions on transition, IFRS 2 is applied in accounting for all grants of equity instruments after 7 November 2002 that had not yet vested on 1 January 2005.

The MLP Group grants certain employees, independent commercial agents and members of management share-based payments that can be settled by issuance of equity instruments or cash.

4.18.1 Equity-settled transactions

The expense incurred as a result of equity-settled payments is measured at the grant-date fair value of the equity instruments granted. Fair value is measured using the Black Scholes formula. The expense is recognised on a straight-line basis over the period during which the related conditions are fulfilled. This period ends once the employee concerned is irrevocably entitled to receive the awards. At the same time, equity is increased by a corresponding amount.

4.18.2 Cash-settled transactions

The costs incurred as a result of cash-settled transactions are measured at grant-date fair value using the Black Scholes formula and taking into account the contractual conditions subject to which the instruments were granted. This fair value is recognised as an expense until the first available exercise date, with a corresponding liability recognised at the same time. The liability is remeasured at each closing date up until settlement date. Changes in fair value are recognised in the income statement.

4.19 Insurance provisions

In the balance sheet, the insurance provisions are shown as gross figures, i.e. before deduction of the share attributable to reinsurers. The reinsurers' share is determined and capitalised based on the individual reinsurance contracts.

4.19.1 Unearned premium reserves

Premiums received for future risk periods are accrued in the unearned premium reserves. They are determined individually for each insurance policy pro rata temporis. An approximation method was used in isolated cases. Furthermore, in order to cover acquisition costs, portions of the premiums received are allocated to the unearned premium reserves in line with FAS 97 under the sub-item "Unearned Revenue Liability" (URL) and recovered over the term of the contract.

4.19.2 Investments held on account and at risk of life insurance policyholders

In carrying investments held on account and at risk of life insurance policyholders in the balance sheet, a distinction is made between the following categories of insurance policy:

- Insurance with natural profit-sharing

Policyholders participate in the life insurance company's actual results in that they receive profit shares in line with their share in the overall results. In drawing up the balance sheet, these insurance policies are treated in accordance with FAS 120 in conjunction with SOP 95-1. Provisions are calculated in accordance with regulations that differ from German law. In the case of conventional life insurance, this concerns dropping the zillmerisation of acquisition costs and classifying and revaluing the provisions for final profit shares.

- Unit-linked insurance

The premium payments are credited less the costs and plus interest. These insurance policies are carried in accordance with FAS 97 at the fair value of the corresponding capital investments and shown under the separate item "Insurance provisions for investments held on account and at risk of life insurance policyholders".

As a rule, FAS 120 in conjunction with SOP 95-1 is applied as the basis for the calculation of insurance provisions for life insurance policies with profit participation. The net provisions for these policies are calculated as the present value of future guaranteed insurance benefits minus the present value of future net premiums. The actuarial interest rate and the biometric accounting principles for premium calculation are applied here. The actuarial interest rate depends on the insurance portfolio in question and is between 2.75 and 4.0 percent (previous year: 2.75 and 4.0 percent). For non-contributory insurance policies, an additional provision is recognised for administrative costs. The insurance provision includes the provision for the final bonus, which was reclassified from the provision for premium refunds. With the revaluation, this provision (LTD – Liability for Terminal Dividends) is built up from interest added and annual amounts added from a fixed share in the gross margins calculated for the corresponding year of the term of the contract. The gross margins include the expected premium income and returns from the net insurance provisions less insurance payouts, administrative costs, the change in net insurance provisions and the expected current profit shares for the year in question. Current accounting principles are used to determine this. The interest rate for the returns is 4.0 percent (previous year: 4.0 percent).

4.19.3 Provisions for insurance claims not yet settled (claims reserve)

The insurance segments recognise provisions for claims that are yet to be settled and for internal and external expenses incurred in settling claims. Pursuant to the US GAAP regulation, provisions for insurance claims not yet settled are recognised only for losses that occurred prior to the closing date. Taking account of the potential time lag that may occur between the loss and notification of the related claim, provisions are recognised for incurred, but not reported losses on the basis of the company's own estimates. These estimates are based on the principle of the most reliable estimate using recognised actuarial methods.

Provisions for claims are not discounted to a present value. Changes in the estimates are recognised in the income statement on an ongoing basis.

4.19.4 Provisions for premium refunds
Provisions for premium refunds cover premiums paid in advance that have to be refunded to policyholders under national legal or contractual obligations. This item consisted solely of performance-related premium refunds to life insurance policyholders.

In addition, provisions are recognised for deferred premium refunds to policyholders as a result of the valuation differences between HGB and IFRS. These provisions are to be determined in future on the basis of the share granted to policyholders upon realisation, as stipulated by national legal or contractual obligations.

4.19.5 Insurance provisions for investments held on account and at risk of life insurance policyholders
This item contains the provisions for unit-linked life insurance policies. Its valuation is equal to the fair value of the investments held on account and at risk of life insurance policyholders.

The provisions for unit-linked policies are measured in accordance with FAS 97. This item represents the balance of the capital invested, the performance of the underlying assets and contractual withdrawals.

4.20 Other provisions

4.20.1 Pension provisions
Provisions for pensions are determined pursuant to IAS 19 using the projected unit credit method. Future obligations are measured on the basis of an independent actuarial study taking account of the current risks of mortality, invalidity and turnover and the projected growth rates of salaries and old-age provisions. The present value of the company's pension obligations is calculated using a notional interest rate based on the long-term yields of first-rate corporate and government bonds.

Actuarial gains and losses are recognised as income or expense if the balance of the cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting period exceeds ten percent of the greater of the defined benefit obligation or ten percent of the fair value of the plan assets at this time. These gains or losses are realised over the expected average remaining working life of the employees participating in the plan.

Past service cost is amortised on a straight-line basis over the average period until benefits are vested. Past service cost is recognised in the income statement immediately if benefits become vested immediately after the introduction of or changes to a pension plan.

The amount recognised as the liability under a defined benefit plan is the total of the present value of the defined benefit obligation and the unrecognised actuarial gains and losses less unrecognised past service cost and the fair value of plan assets available for immediate settlement of obligations. If this total is negative, the resulting asset is measured at the lower of the total thus calculated or the net total of cumulative unrecognised net actuarial losses and past service cost, plus the present value of any economic benefits in the form of refunds from the plan or in the form of future reductions in contributions to the plan.

Payments for defined contribution plans are recognised as expenses on their due date. Payments for statutory pension plans are treated in the same way as defined contribution plans.

4.20.2 Other provisions

A provision is recognised when the Group has a present obligation (legal or constructive) resulting from a past event, settlement is expected to result in an outflow of resources and the obligation's amount can be estimated reliably. If the Group expects to have reimbursed at least part of a provision it has expensed (e.g. in the case of an insurance policy), the reimbursement is recognised as a separate asset when, and only when, it is virtually certain that reimbursement will be received. The expenditure required to set up the provision is recognised in the income statement after deduction of the reimbursement. Where the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate that, if applicable, reflects the risks specific to the liability. If provisions are discounted, the increase in their amount as a result of the passage of time is recognised as an interest charge.

4.21 Reinsurance liabilities

Reinsurance liabilities include accounts payable from outward reinsurance business assumed or ceded and deposits received from reinsurers.

The accounts payable and the deposits are measured at settlement value.

4.22 Liabilities due to banking business

The liabilities due to banking business are carried in the balance sheet at their repayable amount including deferred interest.

4.23 Other liabilities

4.23.1 Trade accounts payable

Trade accounts payable are recognised at their face value.

4.23.2 Loans

Interest-bearing bank loans are carried in the balance sheet at the amount received.

4.23.3 Derivative financial instruments

Derivative financial instruments are initially recognised at cost and subsequently remeasured at fair value.

Positive fair values from derivative financial instruments are recognised under "Receivables and other assets" and negative fair values from derivative financial instruments under "Other liabilities". Gains and losses from remeasurement at fair value are taken to finance costs.

4.24 New accounting standards

MLP was not an early adopter of the following accounting standards.

The amendment to IAS 19 (Employee Benefits) provides an additional option allowing entities to immediately recognise actuarial gains and losses arising from obligations under defined benefit pension plans. This option provides for recognition of all actuarial gains and losses outside profit or loss in a statement of total recognised gains and losses. The amendment also stipulates (a) that an agreement between a multi-employer plan and the participating employers governing how a surplus is to be distributed or a deficit financed should be recognised in the balance sheet, (b) how defined benefit obligations should be accounted for in the respective annual financial statements of the entities participating in the plan and (c) what additional reporting requirements the entities must fulfil. The amendment applies to financial years beginning on or after 1 January 2006. MLP is not an early adopter of the standard. The effects of its application are currently being examined.

The amendment to IAS 21 (The Effects of Changes in Foreign Exchange Rates (Net Investment in a Foreign Operation)) is applicable to financial years beginning on or after 1 January 2006 and governs the recognition of exchange differences arising on monetary items that form part of a net investment in a foreign operation. MLP is not an early adopter of the interpretation, which is unlikely to impact the net assets, financial position and results of operations of the MLP Group.

IFRIC 4 (Determining Whether an Arrangement Contains a Lease) governs which agreements should be accounted for as leases in accordance with IAS 17 (Leases). IFRIC 4 applies to financial years beginning on or after 1 January 2006. MLP is currently examining how the amended standard's application will impact the Group's net assets, financial position and results of operations.

IFRIC 5 (Rights to Interests Arising From Decommissioning, Restoration and Environmental Funds) governs the treatment of reimbursements from funds that were established to cover the costs of decommissioning, restoration and similar obligations. IFRIC 5 applies to financial years beginning on or after 1 January 2006. MLP is not an early adopter of the interpretation, which is unlikely to impact MLP's net assets, financial position and results of operations.

The amendment to IAS 39 (Financial Instruments: Recognition and Measurement), which is applicable to financial years beginning on or after 1 January 2006, concerns the application of the fair value option for financial assets and liabilities and has not been adopted early by MLP. MLP is currently examining how the amended standard's application will impact the Group's net assets, financial position and results of operations.

IFRS 7 (Financial Instruments: Disclosures), which is applicable to financial years beginning on or after 1 January 2007, adds new disclosures about financial instruments to those previously required and has not been adopted early by MLP.

IFRIC 6 (Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment), which is applicable to financial years beginning on or after 1 December 2005, has not been adopted early by MLP. The interpretation is unlikely to impact MLP's net assets, financial position and results of operations.

IFRIC 7 (Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies) requires IAS 29 to be applied in the period in which the economy of an entity's functional currency becomes hyperinflationary. IFRIC 7 applies to financial years beginning on or after 1 March 2006. MLP is not an early adopter of the interpretation, which is unlikely to impact MLP's net assets, financial position and results of operations.

IFRIC 8 (Scope of IFRS 2) governs the scope of IFRS 2 in cases where the fair value of the equities issued or liabilities incurred exceeds the value of the consideration received. IFRIC 8 applies to financial years beginning on or after 1 May 2006. MLP is not an early adopter of the interpretation, which is unlikely to impact the net assets, financial position and results of operations of the MLP Group.

5. Notes to the consolidated income statement

To enable readers of the financial statements to better evaluate the financial effects with regard to the discontinued operations (IFRS 5.30), a decision has been taken not to eliminate income and expenses between continuing and discontinued operations. This means that readers no longer have the option of comparing the figures in this report with those contained in the 2004 report.

Income by business segment is stated in the segment report.

[1] 5.1 Income from brokerage business

The income from brokerage business breaks down as follows:

All figures in €'000	2005	2004
Life insurance	372,934	452,039
Health insurance	46,674	47,587
Non-life insurance	18,447	16,846
Mutual funds	14,078	14,139
Loans	10,066	7,078
Other income	7,811	5,970
Total	**470,010**	**543,659**

Following the boom in 2004 due to the change in taxation of life insurance policies that came into force in 2005, the financial year 2005 itself saw a drop in income from brokerage business as expected, with the figure falling from €543,659 thsd to €470,010 thsd.

[2] 5.2 Income from banking business

The income from banking business breaks down as follows:

All figures in €'000	2005	2004
Interest and similar income	18,909	15,741
Non-current income from investments	19	4
Fair value option loan	674	–
Commission income	34,698	32,767
Total	**54,300**	**48,512**

The interest and similar income (current income) from the banking business breaks down as follows:

All figures in €'000	2005	2004
Interest income from		
Available-for-sale securities	619	498
Held-to-maturity securities	146	129
Receivables from clients	14,914	13,158
Receivables from financial institutions	3,230	1,956
Total	**18,909**	**15,741**

Commission income from the banking business is essentially down to income received from bank accounts, the credit card and financing business and from fees for wealth management and saving scheme products.

[3] 5.3 Other income

The following table shows other income:

All figures in €'000	2005	2004
Income from the reversal of provisions	11,014	8,798
Subsequent income from sale	9,334	–
Rent	1,941	2,109
Own work capitalised	643	1,763
Income from the disposal of intangible assets and property, plant and equipment	7	308
Income from currency translation	4	13
Sundry other income	18,913	17,639
Total	**41,856**	**30,630**

Income from the reversal of provisions essentially affects the reversal of the factoring provision and the reversal of provisions for rental commitments.

The subsequent income from disposal results from the sale of MLP Lebensversicherung AG contains the portion of subsequent profit attributable to financial year 2005 of €9,334 thsd.

The other operating income for the financial year includes in particular income from the rental of notebooks and income from other cost transfers to self-employed commercial agents.

[4] 5.4 Expenses for brokerage business

This item principally comprises commissions for self-employed MLP consultants.

Expenses for the brokerage business dropped by ten percent to €223,004 thsd (previous year: €248,481 thsd).

[5] 5.5 Expenses for banking business

The following table shows the expenses for the banking business:

All figures in €'000	2005	2004
Interest and similar expenses	8,517	6,469
Expenses for investments	57	1
Allowances for losses	3,999	3,625
Change fair value option	120	48
Commissions paid	1,422	1,400
Total	**14,115**	**11,543**

Allowances for losses on loans and advances consist of the following items:

All figures in €'000	2005	2004
Added to allowances for losses	3,123	1,461
Income from the reversal of allowances for losses	–50	–114
Direct amortisation	926	2,278
Total	**3,999**	**3,625**

The allowances for losses and the changes therein are recognised based on the review of bad debt allowances and provisions for the lending business as part of the annual review of the credit portfolio, as well as on further analyses, such as migration movements and loss statistics.

[6] 5.6 Personnel expenses

The following table shows a breakdown of personnel expenses:

All figures in €'000	2005	2004
Salaries and wages	63,552	56,347
Social security contributions	9,444	8,520
Expenses for old-age provisions and benefits	2,894	1,870
Total	**75,890**	**66,737**

The rise in personnel expenses is mainly down to the expansion of the occupational old-age provision and sales promotion segments, as well as general salary increases.

Compensation of €327 thsd (previous year: €847 thsd) was granted for the termination of employment contracts.

Expenses for pensions and for defined benefit pension are stated under "Pensions" in section 8 of the notes.

[7] 5.7 Depreciation/amortisation

Scheduled depreciation/amortisation and impairment losses were recognised as follows:

All figures in €'000	2005	2004
Scheduled depreciation/amortisation	**17,464**	**17,868**
Intangible assets	9,196	8,439
Property, plant and equipment	8,125	9,429
Investment property	143	–
Impairment losses	**2,409**	**345**
Investment property	2,307	–
Property, plant and equipment	102	345
Total	**19,873**	**18,213**

The impairment losses of €2,307 thsd on investment property are due to the building on the site at Forum 7, Heidelberg ("Internal services and administration" segment).

The impairment loss of property, plant and equipment of €102 thsd (previous year: €345 thsd) was charged to leasehold improvements ("Consulting and sales" segment).

The development of intangible assets is given in note 10, the development of property, plant and equipment in note 11, and the development of investment property in note 12.

[8] 5.8 Operating expenses

The development of other operating expenses and their sub-items is disclosed in this table:

All figures in €'000	2005	2004
IT costs	37,117	37,737
Cost of premises	22,927	26,661
Audit and consultancy costs	11,890	15,761
Communication requirements	12,304	13,854
Value adjustments on receivables	7,652	9,912
Training and seminars	10,686	7,432
Expenses for retired sales representatives	7,774	7,602
Advertising expenses	8,672	7,005
Representation, entertainment expenses	5,051	4,334
Office supplies	3,273	3,367
Other taxes	413	2,764
Currency translation expenses	34	7
Sundry other expenses	35,800	53,044
Total	**163,593**	**189,480**

The drop in costs of premises is predominantly down to the discontinuation of allocations in provisions for rental commitments for future expenses of offices that have been closed.

The costs for training and seminars increased to €10,686 thsd (previous year: €7,432 thsd). This was essentially due to several weeks of training sessions through which at the start of the year MLP prepared its consultants for the new environment for old-age provision.

In the financial year 2004, sundry other expenses included €21,250 thsd for one-off restructuring costs to streamline the network of offices as well as to optimise and restructure the core processes. Furthermore, other expenses incurred in the reporting year include expenses for the rental of notebooks, expenses for insurance, other personnel expenses, travel expenses, dues and fees, and money transfer costs.

[9] 5.9 Finance cost

The following table shows a more detailed breakdown of the finance cost:

All figures in €'000	2005	2004
Other interest and similar income	7,442	2,795
Income from loans	192	–
Other interest and similar income	**7,634**	**2,795**
Interests and similar expenses	–8,604	–13,501
Transfer of losses	–27	–16
Losses on the disposal of financial investments	–9	–
Other interest and similar expenses	**–8,640**	**–13,517**
Total	**–1,006**	**–10,722**

The improved finance cost compared to the previous year is essentially based on additional income from interest on the agreed purchase prices for the sale of the two insurance subsidiaries, the investment of the sale proceeds, reduced interest costs due to the repayment of factoring agreements and a bank loan, as well as improved results due to closing existing swaps.

6. Notes on Group assets

The significantly lower balance sheet total in comparison with 31 December 2004 is essentially due to the disposal of the assets and debts of the two companies sold, which were deconsolidated in the third quarter 2005. The sold assets and debts are shown in note 24.

[10] 6.1 Intangible assets

All figures in €'000	Goodwill	Software (created internally)	Software (purchased)	Other intangible assets	Payments on account and assets under construction	Total
Acquisition costs						
As at 1 Jan 2005	**715**	**22,730**	**93,931**	**2,285**	**4,467**	**124,128**
Currency differences	–	–	1	–	–	1
Changes to the scope of consolidation	−26	−2,437	−51,799	−1,194	−7,032	−62,488
Additions	0*	–	1,254	–	10,775	12,029
Disposals	–	5,943	404	–	–	6,347
Transfers	–	102	6,232	–	−6,334	–
As at 31 Dec 2005	**689**	**14,452**	**49,215**	**1,091**	**1,876**	**67,322**
Depreciation						
As at 1 Jan 2005	**30**	**19,564**	**42,479**	**1,787**	**–**	**63,860**
Currency differences	–	–	–	–	–	–
Changes to the scope of consolidation	−26	−2,154	−19,726	−1,194	–	−23,100
Additions	0*	960	8,881	45	–	9,886
Disposals	–	5,896	345	–	–	6,241
Transfers	–	–	–	–	–	–
As at 31 Dec 2005	**4**	**12,474**	**31,289**	**638**	**–**	**44,405**
Carrying amount 1 Jan 2005	**685**	**3,166**	**51,452**	**498**	**4,467**	**60,268**
Carrying amount 31 Dec 2005	**685**	**1,978**	**17,926**	**453**	**1,876**	**22,917**

*less than € 1 thsd

All figures in €'000	Goodwill	Software (created internally)	Software (purchased)	Other intangible assets	Payments on account and assets under construction	Total
Acquisition costs						
As at 1 Jan 2004	**6**	**20,846**	**85,589**	**2,285**	**6,238**	**114,964**
Currency differences	–	–	0*	–	–	0*
Changes to the scope of consolidation	685	–	1	–	286	972
Additions	24	–	806	–	12,797	13,627
Disposals	–	–	5,363	–	72	5,435
Transfers	–	1,884	12,898	–	−14,782	–
As at 31 Dec 2004	**715**	**22,730**	**93,931**	**2,285**	**4,467**	**124,128**
Depreciation						
As at 1 Jan 2004	**6**	**18,764**	**33,187**	**1,740**	**–**	**53,697**
Currency differences	–	–	0*	–	–	0*
Changes to the scope of consolidation	–	–	–	–	–	–
Additions	24	800	14,556	47	–	15,427
Disposals	–	–	5,264	–	–	5,264
Transfers	–	–	–	–	–	–
As at 31 Dec 2004	**30**	**19,564**	**42,479**	**1,787**	**–**	**63,860**
Carrying amount 1 Jan 2004	**–**	**2,082**	**52,402**	**545**	**6,238**	**61,267**
Carrying amount 31 Dec 2004	**685**	**3,166**	**51,452**	**498**	**4,467**	**60,268**

*less than € 1 thsd

Of the total development costs for the financial year 2005, €1,272 thsd (previous year: €2,926 thsd) met the criteria for inclusion on the asset side in line with IFRS. They are recorded under "Assets under construction" and will be transferred upon completion.

Of the amortisation of intangible assets, €9,196 thsd (previous year: €8,439 thsd) is for continuing operations and €690 thsd (previous year: €6,988 thsd) for discontinued operations. Pursuant to IFRS 5.25, non-current assets of the discontinued operations were not depreciated.

There were no restraints or pledges.

Amortisation of intangible assets is stated in note 7 and 24.

[11] 6.2 Property, plant and equipment

All figures in €'000	Land, leasehold rights and buildings	Other fixtures, fittings and office equipment	Payments on account and assets under construction	Total
Acquisition costs				
As at 1 Jan 2005	**104,537**	**72,798**	**18**	**177,353**
Currency differences	10	23	–	33
Changes to the scope of consolidation	–	–1,459	–35	–1,494
Additions	508	2,488	1,659	4,655
Additions	1,397	1,620	–	3,017
Transfers	–22,870	–1,903	–1,546	–26,319
As at 31 Dec 2005	**80,788**	**70,327**	**96**	**151,211**
Depreciation				
As at 1 Jan 2005	**21,137**	**38,860**	**–**	**59,997**
Currency differences	4	8	–	12
Changes to the scope of consolidation	–	–1,144	–	–1,144
Additions	3,019	5,213	–	8,232
Disposals	1,341	1,240	–	2,581
Transfers	–6,468	–1,583	–	–8,051
As at 31 Dec 2005	**16,351**	**40,114**	**–**	**56,465**
Carrying amount 1 Jan 2005	**83,400**	**33,938**	**18**	**117,356**
Carrying amount 31 Dec 2005	**64,437**	**30,213**	**96**	**94,746**

All figures in €'000	Land, leasehold rights and buildings	Other fixtures, fittings and office equipment	Payments on account and assets under construction	Total
Acquisition costs				
As at 1 Jan 2004	**74,674**	**84,014**	**25,961**	**184,649**
Currency differences	6	11	1	18
Changes to the scope of consolidation	–	218	–	218
Additionals	1,145	2,602	7,904	11,651
Disposals	258	18,921	4	19,183
Transfers	28,970	4,874	–33,844	–
As at 31 Dec 2004	**104,537**	**72,798**	**18**	**177,353**
Depreciation				
As at 1 Jan 2004	**17,578**	**43,880**	**–**	**61,458**
Currency differences	1	2	–	3
Additions	3,725	6,314	–	10,039
Disposals	167	11,336	–	11,503
As at 31 Dec 2004	**21,137**	**38,860**	**–**	**59,997**
As at 1 Jan 2004	**57,096**	**40,134**	**25,961**	**123,191**
As at 31 Dec 2004	**83,400**	**33,938**	**18**	**117,356**

The transfer from property, plant and equipment to investment properties performed in the financial year 2005 concerns the premises and building at Forum 7, Heidelberg. In the previous year the land and payments on account concerned the administration buildings in Heidelberg and Wiesloch.

Of the depreciation of property, plant and equipment, €8,227 thsd (previous year: €9,774 thsd) is for continuing operations and €5 thsd (previous year: €265 thsd) for discontinued operations. Pursuant to IFRS 5.25, non-current assets of the discontinued operations were not depreciated.

Mortgages of €4,999 thsd (previous year: €27,412 thsd) are in place as collateral. There were no further restraints or pledges.

Depreciation of property, plant and equipment is stated in note 7 and 24.

[12] 6.3 Investment property

All figures in €'000	Investment property
Acquisition costs	
As at 1 Jan 2005	**–**
Currency differences	–
Changes to the scope of consolidation	–
Additions	11
Disposals	617
Transfers	26,319
As at 31 Dec 2005	**25,713**
Depreciation	
As at 1 Jan 2005	**–**
Currency differences	–
Changes to the scope of consolidation	–
Additions	2,450
Disposals	326
Transfers	8,051
As at 31 Dec 2005	**10,175**
Carrying amount 1 Jan 2005	**–**
Carrying amount 31 Dec 2005	**15,538**

At €15,538 thsd, the fair value of the Group's investment property at 31 December 2005 is based on an independent appraisal report issued by auditing company KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft. The gross rental method was applied for the evaluation of the fair value. With this assessment an impairment loss of €2,307 thsd was applied to the fair value in 2005.

The Group's investment property is rented out within the scope of an operating lease. The proceeds from this lease came to €199 thsd in the period from October to December 2005. The expenses in the context of investment property came to €100 thsd.

[13] 6.4 Receivables from banking business

Receivables due from banking business relate to bank clients and financial institutions as follows:

All figures in €'000	31 Dec 2005	31 Dec 2004
Receivables from bank clients	272,798	229,138
Receivables from other financial institutions	238,225	142,503
Total	**511,023**	**371,641**

The increase in receivables due from banking business from €371,641 thsd to €511,023 thsd is predominantly down to increased deposits at other financial institutions.

Receivables due from bank clients are mainly in the form of loans, accounts and credit cards. Allowances for losses on individual accounts of €1,774 thsd (previous year: €1,763 thsd) and allowances for bad debts on a portfolio basis of €10,069 thsd (previous year: €7,523 thsd) were recognised for credit risks.

The accounts receivable with up to one year remaining to maturity come to €427,380 thsd (previous year: €304,396 thsd), while those with more than one year remaining to maturity come to €83,643 thsd (previous year: €67,245 thsd).

6.4.1 Changes in allowances for losses on loans and advances

Allowances for losses on loans and advances changed as follows:

All figures in €'000	Allowances for losses on individual accounts and provisions		Allowances for bad debt on a portfolio basis		Total	
	2005	2004	2005	2004	2005	2004
As at 1 January	**1,887**	**1,093**	**7,523**	**6,970**	**9,410**	**8,063**
Allocation	577	794	2,546	667	3,123	1,461
Utilised/reversal	−569	–	–	−114	−569	−114
As at 31 December	**1,895**	**1,887**	**10,069**	**7,523**	**11,964**	**9,410**

Allowances for losses were recognised for:

All figures in €'000	31 Dec 2005	31 Dec 2004
Receivables from bank clients	11,843	9,286
Avals	121	124
Total	**11,964**	**9,410**

Alongside the receivables deducted from the allowances on the assets side of €11,843 thsd (previous year: €9,286), the allowances for losses on loans and advances include provisions for the lending business of €121 thsd (previous year: €124 thsd).

Taking into account total direct amortisation of €926 thsd (previous year: €2,278 thsd), funds provided and recognised in the income statement of €3,123 thsd (previous year: €1,461 thsd) as well as reversals of €50 thsd (previous year: €114 thsd), resulted in net cost of allowances for losses of €3,999 thsd (previous year: €3,625 thsd).

As at the closing date, credits for which no interest payments are received amount to €1,477 thsd (previous year: €1,453 thsd). This figure was established on the basis of a separate compilation drawn up by MLP Bank AG.

[14] 6.5 Financial assets

Financial assets consist of:

All figures in €'000	31 Dec 2005	31 Dec 2004
Available-for-sale financial assets		
Investments	1,373	1,383
Available-for-sale securities	35,184	157,030
Held-to-maturity securities	–	2,599
Loans	184	12
Other financial assets	200,000	43,600
Total	**236,741**	**204,624**

The reduction in available-for-sale securities is primarily due to the sale and deconsolidation of MLP Lebensversicherung AG and MLP Versicherung AG.

Part of the proceeds from the sale of these two insurance companies was invested in fixed-term deposits. This is the main cause of the increase in other financial assets.

Investments, held-to-maturity securities and loans were as follows in the financial year 2005:

All figures in €'000	Investments	Held-to-maturity securities	Loans	Total
Acquisition costs				
As at 1 Jan 2005	**4,279**	**2,599**	**12**	**6,890**
Currency differences	–	–	–	–
Changes to the scope of consolidation	–	–	–	–
Additions	3	–	193	196
Disposals	13	2,599	21	2,633
As at 31 Dec 2005	**4,269**	**–**	**184**	**4,453**
Depreciation/amortisation				
As at 1 Jan 2005	**2,896**	**–**	**–**	**2,896**
Currency differences	–	–	–	–
Changes to the scope of consolidation	–	–	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
As at 31 Dec 2005	**2,896**	**–**	**–**	**2,896**
Carrying amount 1 Jan 2005	**1,383**	**2,599**	**12**	**3,994**
Carrying amount 31 Dec 2005	**1,373**	**–**	**184**	**1,557**

The fair value of individual securities may drop temporarily below their carrying amount. However, insofar as there are no credit risks, these securities are not written down.

The following table shows the securities' contractual term to maturity, fair values and amortised cost:

All figures in €'000	Amortised cost		Fair values	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Held-to-maturity securities				
up to 1 year	–	2,599	–	2,629
more than 1 and up to 5 years	–	–	–	–
more than 5 years	–	–	–	–
Held-to-maturity securities in total	**–**	**2,599**	**–**	**2,629**
Available-for-sale securities				
up to 1 year	6,399	13,234	6,401	13,259
more than 1 and up to 5 years	23,557	45,710	23,691	46,873
more than 5 years	4,958	60,388	4,925	61,868
Shares	–	17	–	8
Investment funds	167	34,820	167	35,022
Available-for-sale securities in total	**35,081**	**154,169**	**35,184**	**157,030**
Securities in total	**35,081**	**156,768**	**35,184**	**159,659**

Available-for-sale securities have developed as follows:

All figures in €'000	Amortised cost		Accumulated unrealised gains		Accumulated realised losses		Fair values	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Shares	–	17	–	–	–	–9	–	8
Participating certificates	–	18,874	–	843	–	–	–	19,717
Fixed-rate securities	34,914	100,458	154	1,840	–51	–15	35,017	102,283
Investment funds	167	34,820	–	265	–	–63	167	35,022
Total	**35,081**	**154,169**	**154**	**2,948**	**–51**	**–87**	**35,184**	**157,030**

Unrealised gains of €64 thsd (previous year: €1,787 thsd) and unrealised losses of €52 thsd (previous year: €26 thsd) were taken directly to shareholders' equity in the period under review. €17 thsd (previous year: €115 thsd) was eliminated from shareholders' equity and taken to the profit or loss for the period.

All figures in €'000	Realised gains		Realised losses	
	2005	2004	2005	2004
Shares	–	–	–9	–
Fixed-rate securities	0*	–	–52	–
Investment funds	–	0*	–	–
Total	**0***	**0***	**–61**	**–**

*less than €1 thsd

As a rule, the average cost method is used to determine realised gains and losses on shares, fixed income securities and investment funds.

6.5.1 Loans

Loans with up to one year to maturity amount to €184 thsd (previous year: €12 thsd).

6.5.2 Other financial assets

Other financial assets of €200,000 thsd (previous year: €43,600 thsd) include fixed-term deposits and time deposits. The previous year's amount also includes fixed-rate securities which had no more than three months remaining to maturity at the time of acquisition.

[15] 6.6 Receivables and other assets

This item breaks down as follows:

All figures in €'000	31 Dec 2005	Of which with a time to maturity of more than 1 year	31 Dec 2004	Of which with a time to maturity of more than 1 year
Trade accounts receivable	75,403	–	80,698	–
Receivables from commercial agents	29,721	28,367	30,755	25,377
Advance payments	26,511	–	3,571	–
Receivables from policyholders	–	–	6,164	–
Receivables from companies in which the Group holds an interest	11	–	500	–
Other assets	18,647	405	14,265	583
Total	**150,293**	**28,772**	**135,953**	**25,960**

The main items included in trade accounts receivable are commission receivables from third parties.

Receivables from sales representatives concern MLP consultants and office managers. The reported figures include allowances for losses on individual accounts of €5,699 thsd (previous year: €3,209 thsd) and general allowances for bad debts of €14,444 thsd (previous year: €11,854 thsd).

Advance payments concern deferral of trail commissions paid from unit-linked life insurance policies in advance to independent commercial agents. These were capitalised as acquisition costs while MLP Lebensversicherung AG belonged to the Group.

Receivables from policyholders in the financial year 2004 were made up of premium receivables from life insurance policies of €5,688 thsd and from non-life insurance policies of €476 thsd. General allowances for bad debts in life insurance of €151 thsd have been deducted here.

[16] 6.7 Cash and cash equivalents

Cash and cash equivalents consist of:

All figures in €'000	31 Dec 2005	31 Dec 2004
Cash on hand	225	293
Deposits with the German Bundesbank	10,832	7,301
Bank deposits	118,946	183,363
Total	**130,003**	**190,957**

The reduction in cash and cash equivalents is due largely to the redemption of factoring agreements. Alongside this, a part of the revenue from the sale of the two insurance companies was invested in fixed-term deposits.

7. Notes on the Group liabilities and shareholders' equity

[17] 7.1 Shareholders' equity

Shareholders' equity is made up as follows:

All figures in €'000	31 Dec 2005	31 Dec 2004
Share capital	108,641	108,641
Capital reserves	11,474	9,361
Available-for-sale reserves	63	–229
Minority interest	63	586
Treasury stock	–10,505	–
Remaining equity	345,456	171,204
Total	**455,192**	**289,563**

Changes in shareholders' equity are shown on page 100.

7.1.1 Share capital

The share capital is made up of 108,640,686 no-par-value ordinary shares.

§ 4 (4) and (5) of the articles of association, which regulated authorised capital I and authorised capital II, are no longer valid. By virtue of the authority conferred upon it (§ 21 of the articles of association), the Supervisory Board has deleted these two clauses without substitution and adapted § 4 accordingly.

Pursuant to a resolution passed by the Annual General Meeting on 28 May 2002, the Executive Board of MLP AG has been authorised, with the Supervisory Board's approval, to issue either once or several times non-interest-bearing convertible debentures up to a total face value of €1,700,000 (contingent capital) over the period up to 28 May 2007.

7.1.1.1 Treasury stock

The Executive Board of MLP AG took a decision on 11 November 2005, following the Supervisory Board's approval of the same date, to acquire treasury stock up to ten percent of the present share capital of 108,640,686 shares.

The authorisation to buy back treasury stock was granted by the Annual General Meeting of 21 June 2005 and is valid until 20 December 2006. Within this period, the company may buy up to a total of ten percent of the share capital existing at the time the resolution was adopted, via the stock exchange or by means of a public offer to buy directed at all shareholders. The buyback programme has an expected maximum volume of €180 million.

Should these shares be bought back via the stock exchange, the purchase price per share paid by MLP AG (excluding transaction costs) may not be more than ten percent greater or less than the average closing price of the MLP AG share in the XETRA trading system (or a comparable successor system) on the Frankfurt Stock Exchange over the three preceding trading days prior to the obligation to purchase. In the case of a public offer, the purchase price may not be more than ten percent greater or less than the average closing price of the MLP AG share in the XETRA trading system (or a comparable successor system) on the Frankfurt Stock Exchange over the three trading days preceding the day the offer is made public.

The buyback programme is being conducted in line with Directive EC 2273/2003 implementing Art. 8 of Directive 2003/6/EC. An investment bank has been instructed to implement the resolution in the form of a systematic buyback programme via the stock exchange. The investment bank takes the decision about when to carry out the individual buyback operations based on a systematic buyback model, independently of, and uninfluenced by MLP.

In the period from 1 December 2005 to 31 December 2005 a total of 614,509 shares were purchased at a total value of €10,505,048 exclusively by MLP AG. This represents 0.57 percent of the capital stock. The purchased shares account for €614,509 of the share capital.

Changes in the fully paid-in shares outstanding:

All figures in €'000	2005 No. of shares	2004 No. of shares
As at 1 January	**108,640,686**	**108,640,686**
Treasury stock	–614,509	–
As at 31 December	**108,026,177**	**108,640,686**

7.1.1.2 Proposed appropriation of profit

Due to the pleasing trend in operating results in the past financial year, the Executive Board and Supervisory Board of MLP AG are to recommend increasing dividend payments from €0.22 per share in 2004 to €0.30 per share for the financial year 2005 at the 2006 Annual General Meeting.

In order to give our shareholders an appropriate share in the sale of the MLP insurance companies, the Executive and Supervisory Boards also propose an extra dividend of €0.30 per share for 2005. In addition, the cash holdings from the sale of the MLP insurance companies will be used for a share buyback programme. This began on 1 December 2005 and will end on 20 December 2006 at the latest. A total of up to ten percent of the capital stock can be bought back. The buyback programme has an expected maximum volume of €180 million. By 31 January 2005 we had bought back 614,509 shares for a total of €10,505,048.

Insofar as the company holds treasury stock on the day of the Annual General Meeting, the amounts accounted for by these shares will be carried over to new account.

7.1.2 Capital reserves

Capital reserves essentially comprise share-based payments with equity settlement in line with IFRS 2, alongside premiums from the issue of shares. The addition in the reporting year is the share-based payments and the difference between the amount repayable and the imputed issue amount to the fourth tranche of convertible debentures. Pursuant to § 150 (4) of the German Stock Corporation Act (AktG), the capital reserves may not be distributed in the individual accounts.

7.1.3 Available-for-sale reserves

The item shows unrealised profits and losses on financial assets, having accounted for deferred taxes. The previous year's figure also includes provisions for premium refunds.

Changes in 2005 and 2004 which are not recognised in the income statement (currency translation, capital measures, other) are shown in the statement of changes in shareholders' equity.

7.2 Share-based remuneration

The Group has applied IFRS 2 retroactively and is applying the transitional regulations of IFRS 2 with regard to share-based remuneration plans. Consequently, the Group applies IFRS 2 only to share-based rights granted after 7 November 2002 that had not reached their exercise date by 1 January 2005.

7.2.1 Convertible debentures

Pursuant to a resolution by the Annual General Meeting on 28 May 2002, the Executive Board of MLP AG has been authorised, with the Supervisory Board's approval, to issue once only or several times non-interest-bearing convertible debentures up to a total face value of €1,700 thsd over the period up to 28 May 2007.

On 19 August 2002, within the framework of the MLP Incentive Programme 2002, the company issued non-interest-bearing convertible debentures to bearer. They incorporate the right to purchase MLP AG shares and were issued for members of the Executive Board, members of the management and the staff of MLP AG, as well as for MLP consultants acting as self-employed commercial agents and employees of affiliated companies pursuant to article 15 and following articles of the German Stock Corporation Act (AktG).

The convertible debentures rank pari passu with the partial debentures to bearer with a face value of €1 each and have a maturity of 6 years each (of which 3 years is a qualifying period). The exercise period of the first tranche begins on 20 August 2005 and ends on 19 August 2008, while the exercise period of the second tranche begins on 5 August 2006 and ends on 4 August 2009. The exercise period of the third tranche begins on 17 August 2007 and ends on 16 August 2010. The exercise period of the fourth tranche begins on 16 August 2008 and ends on 15 August 2011. The conversion right may only be exercised if, at any time during the qualifying period, the closing price of the MLP AG shares in the XETRA trade (or a comparable successor system replacing the XETRA system at the Frankfurt/Main Stock Exchange) exceeds 130 percent of the basis price (exercise hurdle). The basis price corresponds to the arithmetic mean of the closing price of the MLP AG shares in the XETRA trade over the last five trading days preceding the MLP AG Executive Board's resolution concerning exercise of the authority to issue convertible debentures to qualifying persons.

Since the exercise hurdle (€39.28) for allocating the convertible debentures was not reached by 19 August 2005, the convertible debentures in the first tranche (financial year 2002) can no longer be converted. The convertible debentures in the first tranche were repaid in the financial year 2005.

When the right is exercised, each partial debenture with a face value of €1 is exchanged for a new no-par-value share.

During the subscription period for the Incentive Programme 2002, partial debentures amounting to €115 thsd were subscribed, and for the subscription period 2003 partial debentures amounting to €281 thsd were subscribed. During the 2004 subscription period, the subscription of partial debentures amounted to €677 thsd. During the 2005 subscription period, the subscription of partial debentures amounted to €578 thsd. Of the subscribed convertible debentures, €1,494 thsd (previous year: €1,042 thsd) was outstanding on the balance sheet date; convertible debentures amounting to €125 thsd (previous year: €24 thsd) were repaid during 2005.

The fair value of the options is estimated at the grant date using the Black Scholes formula and taking into account the conditions upon which the options are granted. The borrowed capital component is entered at the present value of the liability. The payments received are recognised over the expected vesting period. The liability is remeasured at each closing date until settlement, with the changes in fair value being recorded in the income statement.

The charge recognised in the income statement is €1,931 thsd (previous year: €1,102 thsd) and is shown in the personnel expenses and in operating expenses. This also leads to an increase in capital reserves of €1,931 thsd (previous year: €1,441).

The calculation of the fair value was based on the following parameters:

	2005	2004
Dividend yield (%)	2.37	2.34
Expected volatility (%)	31.49	47.75
Historical volatility (%)	31.49	47.75
Risk-free interest rate (%)	2.86	3.56
Anticipated term of option (years)	5.63	4.63

The expected volatility is based on the assumption that future trends can be inferred from historical volatility. The actual volatility may deviate from the assumptions made.

At 31 December 2005, the carrying amount of the liability from the options with cash settlement amounted to €1,103 thsd (previous year: €753 thsd). At 31 December 2005 no options were capable of being exercised with cash settlement.

	1st tranche	2nd tranche	3rd tranche	4th tranche
Exercise period				
Start	20 Aug 2005	5 Aug 2006	17 Aug 2007	16 Aug 2008
End	19 Aug 2008	4 Aug 2009	16 Aug 2010	15 Aug 2011
Nominal amount in €	1	1	1	1
Conversion prices in €	29.22	6.02	11.40	12.01
Subscribed convertible debentures in €	115,300	281,040	677,042	577,806
of which repaid	115,300	24,446	16,265	945
Convertible debentures at 31 Dec 2005	–	256,594	660,777	576,861

7.2.2 Long-Term Incentive Programme

In 2005 a so-called Long-Term Incentive Programme (LTI) was introduced. It is designed to include the members of the Executive Board and selected managers of the MLP Group. The LTI is a results-based company performance plan that takes into account both the Group's EBT over several years and share price growth. In November 2005, as part of the Long-Term Incentive Programme, the Chairman of the Board received 27,567 performance shares (phantom shares). The other three members of the Executive Board each received 20,675 performance shares. The cash payout of these phantom shares takes place only if the Group's EBT result for the years 2005 to 2007 attains a level previously set by the Supervisory Board. The assessment by the Supervisory Board as to whether a payout is due will take place in spring 2008. On 12 December 2005, a further tranche was approved for the financial year 2006.

There are no plans for equity settlement.

The costs incurred by cash settlement transactions will initially be valued using the Black Scholes formula with the fair value at the time of granting, taking into account the contractual conditions attached to the granting of the instruments. This fair value will be entered in the income statement until the first possible exercise date. An appropriate liability will be recorded. The liability will be revalued on every balance sheet date up to and including the discharge date. Changes in the fair value will be recognised in the income statement.

At 31 December 2005 the calculation was based on the following parameters.

	2005
Dividend yield (%)	2.99
Expected volatility (%)	30.61
Historical volatility (%)	30.61
Risk-free interest rate (%)	2.86
Anticipated term of option (years)	2.42

The charge included in the income statement for services received during financial year 2005 amounts to €91 thsd. At 31 December 2005, a provision of €91 thsd was carried for the Long-Term Incentive Programme.

[18] 7.3 Other provisions

The item of "Other provisions" breaks down as follows:

All figures in €'000	31 Dec 2005	31 Dec 2004
Pension provisions	13,040	11,960
Other provisions for taxes	763	763
Other provisions	18,856	160,677
Total	**32,659**	**173,400**

Provisions of €15,023 thsd (previous year: €122,530 thsd) have more than one year to maturity.

7.3.1 Pension provisions

The pension provisions are detailed in section 8 of the notes.

7.3.2 Other provisions

Other provisions have changed as follows:

All figures in €'000	1 Jan 2005	Utilisied	Released	Addition	Change scope of consolidation	31 Dec 2005
Litigation risks	1,145	317	195	469	–106	996
Economic loss	336	250	–	78	–	164
Factoring	122,595	120,376	8,962	6,743	–	–
Other	36,601	26,038	1,857	9,574	–584	17,696
Total	**160,677**	**146,981**	**11,014**	**16,864**	**–690**	**18,856**

The other provisions include the provision for MLP Finanzdienstleistungen AG's liabilities due to factoring agreements of €0 (previous year: €122,595 thsd). The drop is attributable to the full repayment of factoring agreements from the years 1998 to 2001 and the associated use of the provision for factoring formed in 2002.

The amount added to the provision for factoring was due to accrued interest up to the point when the factoring agreements were paid off.

The provisions reported under "Litigation risk", "Economic loss" and "Other provisions" are short-term.

The other provisions include provisions for bonus schemes for self-employed sales representatives, provisions for cancellations, rent and other risks. These provisions are expected to be used in the next financial year.

[19] 7.4 Liabilities due to banking business

The table below shows the breakdown of these liabilities:

All figures in €'000	31 Dec 2005	31 Dec 2004
Liabilities due to banks	**20,292**	**19,272**
due on demand	989	548
short-term	19,303	18,724
Liabilities due to clients	**5,087**	**2,090**
Savings deposits with an agreed notice period of three months	5,087	2,090
Other liabilities	**473,903**	**334,046**
due on demand	472,868	332,359
short-term	1,035	1,687
Total	**499,282**	**355,408**

The change in liabilities due to banking business from €355,408 thsd to €499,282 thsd resulted essentially from increase in client deposits.

Liabilities due to clients essentially represent client deposits on current accounts and credit cards.

The average rate of interest on fixed interest payment obligations is 5 percent.

Liabilities with a remaining term of up to one year amount to €479,335 thsd (previous year: €336,029 thsd).

[20] 7.5 Other liabilities

Liabilities included in this item are listed in the table below:

All figures in €'000	31 Dec 2005	Of which with a time to maturity of less than 1 year	31 Dec 2004	Of which with a time to maturity of less than 1 year
Liabilities due to commercial agents	86,194	72,768	95,313	89,568
Advance payments received	28,157	28,157	128	128
Trade accounts payable	17,753	17,753	53,302	53,302
Other liabilities due to tax	1,922	1,922	–	–
Negative fair values from derivatives	7,458	–	8,202	–
Liabilities due to banks	3,986	290	27,272	23,292
Liabilities due to policyholders	–	–	4,947	4,947
Liabilities due to tax on wages/ salaries and social security contributions	1,122	1,122	3,185	3,185
Liabilities due to companies in which the Group holds an interest	1,099	1,099	1,498	1,498
Convertible debentures	1,103	205	753	81
Other liabilities	30,844	28,007	20,150	13,073
Total	**179,638**	**151,323**	**214,750**	**189,074**

Liabilities due to self-employed commercial agents as at the balance sheet date represent unsettled commission.

The item "Advance payments received" concerns the deferral of paid-in-advance trail commission from unit-linked life insurance policies of MLP Lebensversicherung AG (now Heidelberger Lebensversicherung AG). While MLP Lebensversicherung AG was still part of the Group, it included advance payments made under these policies in the same amount, which were offset against the Group's advance payments received.

In the financial year 2004, the item "Trade accounts payable" contains liabilities due to the syndicate business of MLP Lebensversicherung AG and MLP Sachversicherung AG as well as other obligations to third parties from current business as at the balance sheet date.

The item "Liabilities due to financial institutions" includes a building loan of €3,696 thsd for financing the buildings in Wiesloch. Another loan (valued at €23,000 thsd at 31 December 2004), which was used in connection with the financing of the Wiesloch property, was repaid in full in the last financial year.

Of the liabilities due to financial institutions, €6 thsd (previous year: €7 thsd) is due on demand.

The liabilities due to policyholders concerned interest-bearing accumulated profit shares, premium deposits and advance premium payments from life insurance policyholders of €1,512 thsd. Liabilities due to life insurance policyholders included surrender values for cancelled unit-linked insurance policies which had not yet been paid out of €400 thsd and insurance payouts for expired unit-linked insurance policies that had not yet been paid out of €115 thsd.

The liabilities due to policyholders from non-life insurance resulted from advance premium payments of €2,198 thsd and from insurance payouts of €722 thsd that had been calculated but not yet paid out.

The item "Other liabilities" essentially contains commission withheld from sales representatives (MLP consultants) due to cancellations of €9,837 thsd (previous year: €8,692 thsd).

8. Pension schemes

The MLP Group utilises defined contribution and defined benefit pension schemes.

The following tables show the components of the expenses for old-age provision benefits recognisable in the consolidated income statement and the contributions to the respective schemes carried in the consolidated balance sheet.

The expenses for old-age provisions and benefits from defined benefit schemes are as follows:

All figures in €'000	2005	2004
Current service costs for the financial year 2005	1,010	928
Past service cost	711	12
Recognised actuarial losses	118	–
Interest cost	643	612
Premiums for direct insurance and other expenses for old-age provision	412	318
Total	**2,894**	**1,870**

The expenses in the financial year 2005 for old-age provision for the Executive Board and executive members of staff of €1,010 thsd (previous year: €928 thsd) were included in the income statement under "Personnel expenses" (section 5.6 of the notes). The expenses for old-age pension for branch office managers of €553 thsd (previous year: €263 thsd) were recorded under "Operating expenses" (section 5.8 of the notes).

Within the scope of the defined contribution schemes, €4,741 thsd was recorded as personnel expenses (previous year: €4,300 thsd).

In the MLP Group, the members of the Executive Board and executive members of staff of MLP AG, MLP Finanzdienstleistungen AG, MLP BAV GmbH, MLP Bank AG and self-employed commercial agents have been granted direct pension benefits subject to individual contract in the form of defined benefit and contribution pension schemes, which guarantee the beneficiaries the following pension payments:
- old-age pension upon reaching 60 or 62 years of age,
- disability pension or single payment of disability capital (branch office managers),
- widow's pension of 60 percent and
- orphan's benefit of 10 percent of the main pension and
- one-off capital sum payable on death before due date of pension (branch office managers).

The pension entitlement for members of the Executive Board and executive members of staff is equal to 60 percent of the last monthly salary. A regular pension payment is already being paid in one case.

Pension provisions were made in line with IAS 19. The method of valuation on which the report is based is the projected unit credit method using the mortality charts 2005G compiled by Dr. Klaus Heubeck.

Financial status of the defined benefit pension schemes:

All figures in €'000	31 Dec 2005	31 Dec 2004
Present value of obligations	18,761	14,370
Unrecognised actuarial gains/losses	–5,721	–2,410
Pension provision according to balance sheet	**13,040**	**11,960**

Actuarial gains or losses are accounted for using the corridor approach.

The pension provisions entered in the balance sheet have changed as set out below:

All figures in €'000	2005	2004
As at 1 January	**11,960**	**10,393**
Actual interest	643	612
Service costs	1,543	1,191
Reclassification of branch office managers	–263	–
Past service cost	711	12
Recognised actuarial losses	118	–
Change in the scope of consolidation	–1,416	–
Pension payments	–256	–248
Pension provisions recognised in the balance sheet	**13,040**	**11,960**

The pension scheme assets of €720 thsd from the branch office managers' entitlement were offset in full against the reinsurance receivables.

Actuarial calculations incorporate the following significant assumptions:

	2005	2004
Assumed interest rate	4.25 %	5.00 %
Anticipated annual salary development	2.60 %	2.60 %
Anticipated annual pension adjustment	1.60 %	1.60 %
Calculated employee turnover	0.00 %	0.00 %
Assumed retirement age	60 or 62	60 or 65

[21] 9. Income taxes, including deferred taxes

Income taxes relate to the following operations:

All figures in €'000	2005	2004
Income taxes attributable to continuing operations	28,265	34,654
Income taxes attributable to discontinued operations	33,671	1,615
Total	**61,936**	**36,269**

Taxes for continuing operations break down as follows:

All figures in €'000	2005	2004
Current taxes on income and profit	–11,685	36,101
Deferred taxes	39,950	–1,447
Total	**28,265**	**34,654**

In the financial year 2005, MLP Finanzdienstleistungen AG fully repaid all factoring agreements. As such, the MLP Group is entitled to claim for reimbursement of income taxes relating to the factoring agreements which have already been paid. Consequently, deferred tax assets formed on the basis of conditions in place in the financial year 2005 had to be reversed. The refund claim for current taxes is stated under the item "Tax refund claims".

The current taxes on income and profit include expenses of €76 thsd (profit previous year: €25 thsd) relating to previous periods.

The tax expense includes current taxes of €433 thsd (previous year: €154 thsd) and deferred taxes of €4 thsd (previous year: €17 thsd) attributable to foreign Group companies.

The current and deferred tax is calculated using the relevant country-specific corporation tax rate. The deferred taxes for domestic companies were calculated based on the corporation tax rate of 25.0 percent, the solidarity surcharge of 5.5 percent and the applicable municipal trade tax rate.

The effective income tax rate applicable to the profit before tax (EBT) is 41.2 percent (previous year: 44.6 percent) for continuing operations. The following reconciliation account shows the relationship between the profit before tax (EBT) and the taxes on income and profit in the financial year. The anticipated tax expense is calculated based on the German combined income tax rate, which is currently 38.5 percent (previous year: 38.5 percent).

The combined income tax rate is made up of corporation tax at 25.0 percent, the solidarity surcharge at 5.5 percent and an average trade tax of 12.12 percent.

All figures in €'000	2005	2004
Profit before tax from continuing operations	68,685	77,625
Profit before tax from discontinued operations	192,942	8,952
	261,627	**86,577**
Group income tax rate	38.50 %	38.50 %
Calculated income tax expenditure in the financial year	**100,726**	**33,332**
Tax-exempt earnings	–41,244	–213
Non-deductible expenses	1,124	800
Divergent trade taxation charge	–723	–220
Effects of other taxation rates applicable abroad	326	732
Income tax not relating to the period	942	–61
Change in the tax effect due to unrecognised differences and tax losses for which no deferred tax assets were formed	–96	1,146
Consolidation processes	–	–91
Effects of dividend payouts	–	–
Other	881	844
Income tax expense	**61,936**	**36,269**

€28,265 thsd (previous year: €34,654 thsd) of taxes on income and profit are attributable to continuing operations, while €33,671 thsd (previous year: €1,615 thsd) are attributable to discontinued operations.

The tax-exempt earnings are mainly due to the sale of MLP Lebensversicherung AG and MLP Versicherung AG.

The Group has a corporation tax credit of €6,846 thsd (previous year: €7,822 thsd) which, under the transitional arrangement in place during the switch from the German imputation method to the "half income method" pursuant to the provisions of the German law on tax reductions, results in a reduction in corporate tax in the case of payouts to third parties.

9.1 Deferred taxes

Deferred taxes are made up as follows per balance sheet item:

All figures in €'000	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Intangible assets	44	0*	1,352	2,962
Property, plant and equipment	21	17	1,653	3,080
Financial investments	187	229	519	924
Investment property	–	–	1,147	–
Deferred acquisition costs	–	50,507	–	185,274
Unused tax losses	607	5,064	–	–
Other assets	173	15,744	4,444	2,497
Actuarial provisions	–	128,767	–	63
Other provisions	5,644	41,231	–	293
Other liabilities	2,856	3,613	114	192
Other	–	0*	–	43
Gross value	**9,532**	**245,172**	**9,229**	**195,328**
Netting with deferred tax liabilities	–7,964	–193,710	–7,964	–193,710
Total	**1,568**	**51,462**	**1,265**	**1,618**

*less than €1 thsd

The reduction in deferred tax assets compared to the previous year is essentially due to the complete repayment of factoring agreements.

At 31 December 2005 the domestic companies reported corporation unused tax losses of €0 (previous year: €18,226 thsd) and municipal trade unused tax losses of €0 (previous year: €18,444 thsd). The foreign branches and Group companies report unused tax losses of €31,580 thsd (previous year: €24,803 thsd).

At the foreign entities, deferred tax assets for unused tax losses of €29,559 thsd (previous year: €23,882 thsd) and tax-reducing temporary differences of €0 (previous year: €1 thsd) were not recognised in the balance sheet.

At 31 December 2005 deferred income tax claims of €18 thsd (previous year: €1,198 thsd) and deferred income tax liabilities of €57 thsd (previous year: €1,093 thsd) were charged directly to shareholders' equity.

9.2 Tax refund claims

All figures in €'000	31 Dec 2005	Of which with a time to maturity of more than 1 year	31 Dec 2004	Of which with a time to maturity of more than 1 year
Tax refund claims	19,184	–	1,785	–
Total	**19,184**	**–**	**1,785**	**–**

Tax refund claims include €12,232 thsd (previous year: €1,627 thsd) of corporation tax and €6,952 thsd (previous year: €158 thsd) trade tax. The major portion of €16,856 thsd (previous year: €1,342 thsd) affects MLP AG and concerns the complete repayment of existing factoring agreements.

9.3 Tax liabilities

The tax liabilities are made up of provisions for income taxes of €13,968 thsd (previous year: €19,113 thsd) and liabilities due to income tax of €9 thsd (previous year: €43 thsd).

Provisions for income taxes have changed as follows:

All figures in €'000	1 Jan 2005	Utilised	Released	Addition	Change scope of consolidation	31 Dec 2005
Corporation tax	8,517	1,914	–	455	–216	6,842
Trade tax	10,596	3,217	10	–	–243	7,126
Total	**19,113**	**5,131**	**10**	**455**	**–459**	**13,968**

Provisions are set up for taxes on the income and profit of the individual companies based on the corresponding national tax regime. Contingent tax liabilities are shown under deferred tax liabilities.

10. Financial instruments

The financial instruments comprise primary as well as derivative financial instruments.

Primary financial instruments on the assets side of the balance sheet represent chiefly financial investments, receivables, cash and cash equivalents, as well as parts of other assets.

The liabilities side shows the convertible debentures and all liabilities in the form of primary financial instruments.

10.1 Fair values of financial instruments

Fair value is the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction in the course of normal business activities.

Where market rates were available, these were used to determine the fair value. If no market rates were available, the fair value was determined by discounting the anticipated future cash flow with market rates or other appropriate valuation models.

These methods are very much affected by the basic assumptions, particularly by the discounting rate used and estimate of future cash flows.

With the exception of receivables and liabilities due to banking business, the fair value of the financial instruments is in accordance with their carrying amount.

The fair value of receivables and liabilities due to banking business is as follows:

All figures in €'000	31 Dec 2005		31 Dec 2004	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Financial assets				
Receivables from banking business	511,023	522,031	371,641	377,845
Financial liabilities				
Liabilities due to banking business	499,282	500,919	355,408	356,049

10.2 Derivative business

In order to hedge the financing of individual construction phases of the Wiesloch building project completed in 2004, two interest rate swaps (payer swaps) were taken out in 1999. Due to the full repayment of a loan for the financing of the new building in the last financial year, no hedge accounting was applied. To eliminate the interest risk caused, two reverse swaps with identical amounts and terms were concluded.

The interest swaps of MLP AG have the following basic data:

	1st contract	2nd contract
Date of transaction	12 August 1999	12 August 1999
Start of term	15 January 2001	16 July 2001
End of term	17 January 2011	17 January 2011
Face amount (€)	30,000,000	20,000,000
Fixed rate payer	MLP AG	MLP AG
Fixed interest	5.9 %	6.0 %
Variable rate	EURIBOR – 6 months	EURIBOR – 6 months
Settlement	Half-yearly	Half-yearly

	3rd contract	4th contract
Date of transaction	18 January 2005	18 January 2005
Start of term	20 January 2005	20 January 2005
End of term	17 January 2011	15 January 2011
Face amount (€)	20,000,000	30,000,000
Variable rate payer	MLP AG	MLP AG
Fixed interest	3.1 %	3.1 %
Variable rate	EURIBOR – 6 months	EURIBOR – 6 months
Settlement	Half-yearly	Half-yearly

The fair value of the interest rate swaps amounts to –€7,230 thsd as at the balance sheet date (previous year: –€8,154 thsd). The fair value results from a positive market value of €60 thsd (see note 15 "Other assets" of the notes) and from negative market value of €7,290 (see note 20 "Negative market values" of the notes).

In addition, two interest swaps (payer swaps) were concluded at MLP Bank AG in 2004 with a total value of €2,500 thsd. This resulted in a negative fair value of €168 thsd as at 31 December 2005 (previous year: €48 thsd).

[22] 11. Notes on the consolidated cash flow statement

The cash flow statement illustrates the change in cash resources of the MLP Group over the financial year as a result of the cash flows from operating, investing and financing activities. Alongside changes to the fixed assets in the financial year 2005, the cash flows from investing activities mainly comprise the net purchase price collections and disposals of capital from the sale of the insurance companies. They also include payments made for the acquisition of treasury stock from the share buyback programme launched in December 2005. The financing activity shows the cash-related equity capital changes and loans used and paid back. All other cash flows of revenue-related principal activities are allocated to operating activities.

The cash flow statement also includes the money paid and received due to the sale of the two insurance companies up to the point where they were no longer included in the scope of consolidation (note 24). These are shown separately as an "of which" item in the cash flow statement.

The cash and cash equivalents included in the financial resources were reduced by €23 thsd, (previous year: €16 thsd) which are intended for committed sponsoring projects or are subject to other restraints.

The constituents included in financial resources in addition to the balance sheet item "Cash and cash equivalents" can be allocated to the respective balance sheet items as follows:

All figures in €'000	2005	2004
Financial investments		
Shown by cash and cash equivalents (other investments <3 months)	200,000	43,600
Investments	1,373	1,383
Securities	35,184	159,629
Loans	184	12
Financial investments according to balance sheet	**236,741**	**204,624**

All figures in €'000	2005	2004
Other liabilities		
Shown by cash and cash equivalents (liabilities due to financial institutions due on demand)	6	7
Liabilities due to financial institutions not due on demand	3,980	27,265
Other liabilities	175,652	187,478
Other liabilities according to balance sheet	**179,638**	**214,750**

The receivables of MLP Bank AG due from other financial institutions have not been included in "Cash and cash equivalents" as they are to be attributed to the current business activities of MLP Bank AG.

[23] ## 12. Notes on Group reporting by segment

Segmentation of the MLP Group annual account data is based on the internal organisational structure of the MLP Group according to business segments (primary segment).

The business segments are made up of the individual companies in the MLP Group. The reportable segments constitute strategic Group business segments which differ as regards their services and products, as well as the regulatory framework.

Derivation of the reportable strategic business segments is based on the criteria of the relationship between potential opportunities and risks in the market in which the MLP Group transacts business.

The MLP Group is currently structured in the following business segments:
- Consulting and sales
- Banking
- Internal services and administration

The object of the consulting and sales segment consists of consulting services for academics and other discerning clients, particularly with regard to insurance, investments, occupational old-age provision schemes and financing of all kinds, as well as of the broking of contracts concerning these financial services. With 2,564 consultants and a comprehensive scope of services, the company currently caters for some 659,000 clients in the named segments. In order to offer clients innovative and tailor-made financial plans, products used include those available on the market from third parties and from MLP Bank AG. Outside the core market in Germany, services are also offered abroad in Great Britain, Austria, Switzerland, the Netherlands and Spain.

The segment was expanded to include one extra company in the financial year 2005 with the founding of MLP Vermögensberatung AG (formerly a branch).

The segment is made up of MLP Finanzdienstleistungen AG, Heidelberg, MLP Private Finance plc, London, Great Britain, MLP Private Finance Correduria de Seguros S.A., Madrid, Spain, MLP Private Finance AG, Zurich, Switzerland, BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH, Bremen, BERAG Versicherungs-Makler GmbH, Bremen, MLP BAV GmbH, Heidelberg, and MLP Vermögensberatung AG, Vienna, Austria.

The banking segment includes the administration of financial portfolios, the trustee credit business, the loan and credit card business, consulting regarding investment decisions concerning investment funds, as well as the conception and organisational implementation of new financial products for the MLP Group. The segment is made up exclusively of MLP Bank AG.

The internal services and administration segment is made up of MLP AG and MLP Login GmbH. All internal services and activities of the MLP Group are thus combined in a separate segment.

The portfolio of products and services of the life insurance segment comprised various types of life insurance policies, tax-privileged insurance policies pursuant to the German Retirement Savings Act (AvmG), capitalisation transactions as well as the administration of pension schemes. The life insurance segment was made up exclusively of MLP Lebensversicherung AG. MLP Lebensversicherung AG was sold in the third quarter of 2005 and deconsolidated. The Group is no longer active in this segment.

The business activity of the non-life insurance segment extended to the conception and running of property and accident insurance. The segment used to be made up of MLP Versicherung AG. MLP Versicherung AG was sold in the third quarter of 2005 and deconsolidated. The Group is no longer active in this segment.

The information supplied concerning the individual segments is based on standardised accounting and valuation methods which were also applied for establishing the consolidated figures of the Group's financial statements.

Presentation of the individual business sectors (primary segments) takes place after consolidation of internal transactions within the individual business sectors, but before cross-segment consolidation.

To offer comparability against the income statement prepared in line with IFRS 5, the consulting and sales, banking and internal services segments have been grouped together under continuing operations, while the life insurance and non-life insurance segments are grouped together under discontinued operations. The consolidation within the continuing and discontinued operations is shown separately.

Intrasegment supplies and services are settled in principle at normal market prices. In the case of intra-group allocations, an appropriate general overhead surcharge is levied on the direct costs actually incurred.

Segment reporting is classified mainly in conformity with the consolidated income statement with a view to attaining greater transparency as regards earning power and prospects. The items of the consolidated income statement are allocated to the various operative segments.

The average number of employees of the Group in strategic business segments during the financial year was as follows:

	2005	2004
Consulting and sales	1,359	1,301
Banking	126	138
Internal services and administration	39	39
	1,524	**1,478**
Life insurance	134*	186
Non-life insurance	88*	111
	222	**297**
Total	**1,746**	**1,775**

* In the financial year 2005, MLP Lebensversicherung AG and MLP Versicherung AG were included pro rata up to the point in time of their sale.

All segments perform their economic activities predominantly in Germany. The consulting and sales segment also has minor operations in Switzerland, Austria, the Netherlands, Great Britain and Spain.

As the Group chiefly confines its business activities to Germany (proportion of foreign revenue in the period under review and in the previous year is less than three percent), a geographic (secondary) breakdown of the segments is not required.

13. Additional information concerning the banking business

13.1 Residual period breakdown concerning the banking business

The breakdown of receivables and liabilities from the banking business as a function of the residual period is as follows:

All figures in €'000	31 Dec 2005						
	Indefinite term	Due on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Total
Assets							
Receivables from clients	174,049	–	6,791	10,872	32,855	48,231	272,798
Receivables from financial institutions	–	86,470	99,198	50,000	2,557	–	238,225
							511,023
Liabilities and shareholders' equity							
Liabilities due to clients	–	472,868	5,440	–	179	503	478,990
Liabilities due to banks	–	990	10	27	477	18,788	20,292
							499,282

All figures in €'000	31 Dec 2004						
	Indefinite term	Due on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Total
Assets							
Receivables from clients	147,204	–	6,100	8,589	27,076	40,169	229,138
Receivables from financial institutions	–	82,434	60,069	–	–	–	142,503
							371,641
Liabilities and shareholders' equity							
Liabilities due to clients	–	332,359	3,085	10	179	503	336,136
Liabilities due to banks	–	548	7	20	354	18,343	19,272
							355,408

13.2 Concentration of assets and liabilities

The client loan business of MLP Bank AG focuses on construction and medical practice financing as well as on the granting of collateral loans. The breakdown in percent is as follows:

All figures in percent	2005	2004
Loans		
Construction financing	25.85	22.90
Medical practice financing	37.36	30.90
Lombard loans	32.19	43.50
Remaining lending business	4.60	2.70
Total	**100.00**	**100.00**

The remaining lending business concerns receivables from accounts and from the credit card business.

13.3 Contingent and other liabilities

All figures in €'000	31 Dec 2005	31 Dec 2004
Contingent liabilities		
Liabilities on account of aval and warranty agreements	17,636	18,341
Other liabilities		
Irrevocable credit commitments	9,725	9,750
Total	**27,361**	**28,091**

13.4 Assets pledged as collateral for own liabilities due to the banking business

A security with a face value of €1,500 thsd (previous year: €1,500 thsd) was deposited as security with Clearstream Banking AG, Frankfurt am Main, to cover the replacement risk on account of stock market transactions.

In addition, MLP Bank AG has pledged to Deutsche Bundesbank, Frankfurt am Main, a security with a face value of €4,000 thsd (previous year: €4,000 thsd) to secure lombard loans.

Securities with a face value of €5,000 thsd (previous year: €5,000 thsd) were pledged to the Kreditanstalt für Wiederaufbau (KfW) for liabilities payable of €16,903 thsd (previous year: €16,063 thsd) as at the balance sheet date.

13.5 Trust transactions in the banking business

The volume of trust transactions in the banking business not recognised in the balance sheet is as follows:

All figures in €'000	31 Dec 2005	31 Dec 2004
Trust assets		
Receivables from clients	400,349	392,739
Trust liabilities		
Liabilities due to clients	400,349	392,739

13.6 Commission result

The commission result comes to €32,838 thsd (previous year: €29,054 thsd).

[24] 14. Profit from the sale of discontinued operations

As part of the continued focus on core business, the MLP Group sold its subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG. MLP Lebensversicherung AG was deconsolidated on 5 September 2005 and MLP Versicherung AG on 16 August 2005.

We succeeded in agreeing a total sales price of approximately €333,805 thsd for the two companies. €293,805 thsd of this was paid in cash in 2005, with a further €40,000 thsd coming from a subsequent profit component in the years 2005 to 2008.

The influence of discontinued operations on the segment results is given on page 100.

14.1 Notes to the profit from the sale of discontinued operations

The net assets of MLP Lebensversicherung AG and MLP Versicherung AG at the time of deconsolidation and at 31 December 2004 are as follows:

All figures in €'000	Time of deconsolidation	31 Dec 2004
Intangible assets	39,362	36,506
Property, plant and equipment	349	213
Deferred acquisition costs	392,671	357,600
Investments held on account and at risk of life insurance policyholders	1,947,433	1,564,065
Deferred tax assets	–	2,912
Receivables due from reinsurance business	36,562	30,482
Financial investments	209,330	144,430
Receivables and other assets	35,080	42,467
Cash and cash equivalents	16,384	43,773
Actuarial provisions	–512,082	–431,639
Actuarial provisions for investments held on account and at risk of life insurance policy holders	–1,947,433	–1,564,065
Other provisions	–11,643	–3,010
Deferred tax liabilities	–2,757	–
Reinsurance liabilities	–51,361	–36,594
Other liabilities	–30,493	–84,704
Minority interest, negative difference and available-for-sale reserves	–1,318	–
Shareholders' equity	**120,084**	**102,436**
Costs to sell	31,985	
Income taxes from the sale	16,341	
Profit from the sale	125,395	
Total revenue from the sale	**293,805**	
Settled by:		
Cash	293,805	
Deferred consideration	–	
	293,805	
Net cash inflow arising on disposal:		
Cash consideration received	293,805	
Costs to sell	–13,633	
Cash and cash equivalents disposed of	–72,879	
	207,293	

14.2 Income statement of discontinued operations

The earnings of MLP Lebensversicherung AG and MLP Versicherung AG included in the consolidated financial statements for the period from 1 January 2005 to the deconsolidation date and from 1 January to 31 December 2004 are as follows:

All figures in €'000	Time of deconsolidation	2004
Income from insurance business	166,553	221,486
Other income	684	1,337
Total income	**167,237**	**222,823**
Change in deferred acquisition costs	43,967	88,052
Expenses for insurance business	–135,986	–257,434
Personnel expenses	–10,299	–15,457
Depreciation/amortisation	–695	–7,253
Other expenses	–13,251	–22,012
Profit from operations (EBIT)	**50,973**	**8,719**
Other interest and similar income	452	295
Other interest and similar expenses	–219	–62
Finance cost	**233**	**233**
Profit before tax (EBT)	**51,206**	**8,952**
Income taxes	–17,330	–1,615
Operating result from the discontinued operations	**33,876**	**7,337**
Profit from the sale of discontinued operations	141,736	–
Income taxes	–16,341	–
Profit from the sale of discontinued operations after tax	**125,395**	**–**
Net profit from discontinued operations	**159,271**	**7,337**
Earnings per share in €	1.47	0.07
Diluted earnings per share in €	1.44	0.07

14.3 Notes to the income statement

14.3.1 Income from insurance business

The following table shows the income from the insurance business:

All figures in €'000	Time of deconsolidation	2004
Income from insurance premiums	133,192	182,664
Income from financial investments	5,885	5,007
Other income from insurance business	27,476	33,815
Total	**166,553**	**221,486**

Premiums from conventional life insurance policies with surplus-sharing pursuant to FAS 120 were recognised as income on the premiums' due date.

Of the life insurance premiums where the policyholder bears the investment risk (for example, unit-linked life insurance policies), the only amount disclosed as premiums was that required to cover the risk and the costs, pursuant to FAS 97. Only payouts which exceeded the corresponding policyholder's fund balance were charged to the income statement. Realised and unrealised gains and losses from fluctuations in the value of the corresponding capital investments were credited or debited to the policyholders directly and were not taken to the consolidated income statement.

Non-life insurance premiums were entered at the beginning of the term of the contract pursuant to FAS 60. They contained the amount necessary to cover the insurance risk and all surcharges. The shares of the premiums that are attributable to future financial years were deferred depending on the policy, and formed the unearned premium reserves reported in the balance sheet. The premiums that were actually attributable to the financial year are shown as premiums earned. They were calculated from the posted premiums and the changes in unearned premium reserves. After deduction of the reinsurance premiums earned, the net premiums earned for own account remained.

Insurance premiums break down as follows:

All figures in €'000	Life insurance		Non-life insurance	
	Time of decon-solidation	2004	Time of decon-solidation	2004
Posted gross premiums	171,426	225,016	44,117	42,651
Released reinsurance premiums	−15,821	−28,123	−5,650	−9,402
Change in unearned premium reserves (gross)	−45,391	−48,564	−14,826	−82
Change in unearned premium reserves from reinsurance	−2,424	1,159	1,761	9
Total (net)	**107,790**	**149,488**	**25,402**	**33,176**

The reconciliation effects disclosed in the segment report resulted from the different amount of unearned revenue liability included in the unearned premium reserves of the Group and of the life insurance segment.

Gross premiums from life insurance business include €729 thsd (previous year: €730 thsd) from reinsurance.

Income from financial investments and the other income from insurance business are shown below:

All figures in €'000	Time of deconsolidation	2004
Interest and similar income	4,121	3,889
Non-current income from investments	1,764	1,118
Income from syndicate business	14,446	17,751
Other actuarial income	13,003	16,036
Other income	27	28
Total	**33,361**	**38,822**

14.3.2 Change in deferred acquisition costs

Deferred acquisition costs relating to life and non-life insurance changed as follows year on year:

All figures in €'000	Life insurance		Non-life insurance	
	Time of deconsolidation	2004	Time of deconsolidation	2004
Capitalisation	39,373	107,028	5,233	4,882
Portion of reinsurers	4,091	−19,629	−1,039	−1,672
	43,464	**87,399**	**4,194**	**3,210**
Interest added	18,879	25,414	–	–
Portion of reinsurers	−5,024	−8,164	–	–
	13,855	**17,250**	**–**	**–**
Amortisation	−30,087	−45,858	−3,430	−4,868
Portion of reinsurers	15,282	29,248	689	1,670
	−14,805	**−16,610**	**−2,741**	**−3,198**
Total	**42,514**	**88,039**	**1,453**	**12**

The reconciliation effects shown in the segment overview of discontinued operation for the change in deferred acquisition costs result from the different allocation of this item from the Group perspective. It is particularly important to note here that the commission payments underlying capitalisation naturally differ for the intra-group insurance portfolio.

14.3.3 Expenses for insurance business

Actuarial expenses break down as follows:

All figures in €'000	Life insurance		Non-life insurance	
	Time of deconsolidation	2004	Time of deconsolidation	2004
Claims payments (gross)	7,285	4,392	14,293	19,865
Change in the claims reserve (gross)	2,219	4,269	4,127	8,462
Gross claims expenditure	**9,504**	**8,661**	**18,420**	**28,327**
Reinsurers' share	−6,007	−3,909	−3,799	−8,856
Net claims expenditure	**3,497**	**4,752**	**14,621**	**19,471**
Change in insurance provisions for investments held on account and at the risk of life insurance policyholders (gross)	7,470	22,133	–	–
Reinsurers' share	−3,942	−3,334	–	–
Change in the provision for premium refunds (gross = net)	6,383	31,182	–	–
Total (net)	**13,408**	**54,733**	**14,621**	**19,471**

The change in the provision for premium refunds of €6,409 thsd (previous year: €32,805 thsd) was split into the contractual part of €1,681 thsd (previous year: €1,133 thsd) and the deferred part of €4,728 thsd (previous year: €31,672 thsd). The changes to the deferred provision for premium refunds included in the operating results came to €6,383 thsd (previous year: €31,182 thsd).

The table shows a breakdown of the other expenses for insurance business:

All figures in €'000	Time of deconsolidation	2004
Interest and similar expenses	21,434	27,095
Expenses for investments	60	90
Other expenses	39,548	58,426
	61,042	**85,611**
Commissions paid	49,128	128,285
Reinsurance commission received	−2,213	−30,666
Total	**107,957**	**183,230**

The reconciliation effects disclosed in the segment overview concern the item "Commissions paid" of the life insurance segment. This is the change in advance payments on commissions not yet earned from the direct insurance business. The difference results from the variance between intra-group payments in this regard and payments to self-employed commercial agents.

The significant drop in reinsurance commission received is due to the reduction in reinsurance cession of the new business in 2005.

At €20,392 thsd (previous year: €24,336 thsd), interest charges comprised the interest on deposits from reinsurance business.

The other expenses consisted largely of direct credits to policyholders.

Expenses for investments from insurance business were incurred as follows:

All figures in €'000	Time of deconsolidation	2004
Losses on the disposal of available-for-sale securities	40	88
Amortisation of other investments	19	2
Amortisation of financial assets	1	–
Total	**60**	**90**

14.4 Notes to the balance sheet

14.4.1 Deferred acquisition costs

The deferred acquisition costs at the deconsolidation date of €392,671 thsd (previous year: €357,600 thsd) resulted from the deferred acquisition costs (gross) and reinsurers' shares. At MLP Lebensversicherung AG €510,574 thsd fell to the deferred acquisition costs (gross) and €119,376 thsd to the reinsurers' shares. At MLP Versicherung AG €1,826 thsd fell to the deferred acquisition costs (gross) and €353 thsd to the reinsurers' shares. Consequently for MLP Lebensversicherung AG a total (net) for deferred acquisition costs of €391,198 thsd and of €1,473 thsd for MLP Versicherung AG had to be disclosed.

14.4.2 Investments held on account and at risk of life insurance policyholders

The investments of policyholders from unit-linked life insurance policies were also disclosed at the deconsolidation date under this item. These were kept separate from the internal Group financial investments. They are offset on the liabilities side by the "Insurance provisions for investments held on account and at risk of life insurance policyholders" at the same amount. Alongside the premium-induced increase, this significant rise of €1,564,065 thsd to €1,947,433 thsd is due to the positive trend on the stock exchange in the financial year.

Of the investments held on account and at risk of life insurance policy holders, at the deconsolidation date, €1,780,699 thsd (previous year: €1,432,761 thsd) was from the fund of funds, €166,474 thsd (previous year: €130,981 thsd) from individual funds and €260 thsd (previous year: €323 thsd) from cash funds.

14.4.3 Receivables due from reinsurance business

This item is made up of reinsurance receivables and reinsurers' share in insurance provisions as at the deconsolidation date. From the total of €36,562 thsd (previous year: €30,482 thsd), €26,997 thsd is attributable to MLP Lebensversicherung AG and €9,565 thsd to MLP Versicherung AG. The reinsurers' share in insurance provisions is €26,629 thsd for MLP Lebensversicherung AG and €9,107 thsd for MLP Versicherung AG.

14.4.4 Financial investments

Financial investments were essentially made up of available-for-sale securities, investment funds and other investments.

14.4.5 Actuarial provisions

As at the deconsolidation date, the actuarial provisions amounted to €471,815 thsd for MLP Lebensversicherung AG and €40,267 thsd for MLP Versicherung AG. At MLP Lebensversicherung AG the actuarial provisions were mainly made up of a premium backlog of €266,040 thsd, insurance provisions for investments held on account and at the risk of life insurance policy holders of €97,236 thsd and provisions for premium refunds of

€95,942 thsd. At MLP Versicherung AG the actuarial provisions consisted of €25,298 thsd of provisions for insurance claims not yet settled and of €14,969 thsd of unearned premium reserves to be accounted for on an accrual basis during the year.

The life insurance segment accounts for €856 thsd (previous year: €753 thsd) in the insurance provisions and €707 thsd (previous year: €744 thsd) in the claim provisions for reinsurance business.

Of the provisions for premium refunds, deferred provisions amount to €85,009 thsd (previous year: €80,280 thsd).

14.4.6 Actuarial provisions for investments held on account and at risk of life insurance policy holders

At the deconsolidation date, gross insurance provisions for investments held on account and at risk of life insurance policyholders on the liabilities side corresponded to the investments held on account and at risk of life insurance policyholders on the assets side at the same point in time.

14.4.7 Reinsurance liabilities

On the deconsolidation date, this item comprised unsettled claims of €32,294 thsd and deposit liabilities of €19,067 thsd. Unsettled claims of €31,917 thsd related to life insurance and €377 thsd to non-life insurance business. The growth in unsettled claims in the life insurance segment comes from the discontinuation of commission from the reduction in reinsurance cession for new business.

14.5 Diluted and basic earnings per share for the earnings from discontinued operations

The calculation for the basic and diluted earnings per share for the net profit from discontinued operations is based on the following data:

All figures in €'000	2005	2004
Earnings		
Basis of the basic earnings per share (net profit)	159,271	7,328
Effect of the potential share dilution:		
Interest on convertible debentures (after tax)	1	1
Basis of the diluted earnings per share	**159,272**	**7,329**

	2005	2004
Number of shares		
Weighted average number of shares for the basic earnings per share	108,589,477	108,640,686
Effect of the potential share dilution: Convertible debentures	1,494,232	1,041,540
Weighted average number of shares for the diluted earnings per share	**110,083,709**	**109,682,226**

The basic earnings per share for the net profit from discontinued operations amounts to €1.47 (previous year: €0.07), and €1.44 for the diluted earnings per share (previous year: €0.07). Due to the small number of convertible debentures issued so far, the previous year's figures are identical.

15. Risk management policy and hedging strategies

15.1 General information obligations

As a financial services provider, MLP is exposed to various financial and other risks. It is our corporate policy to timely identify and control these risks through a group-wide risk management and monitoring system.

15.2 Performance-related risks

MLP is significantly influenced by performance-related risks. In particular this affects developments in winning and keeping clients, the number of consultants, the level of margins and the acceptance of the products we sell. To monitor these risks, we use monitoring and control instruments with which we can make trends in operating results transparent and, with the inclusion of simulation calculations, derive necessary controlling measures.

15.3 Financial risks

15.3.1 Default risk

Default risks arise from the advances granted to consultants, our commission receivables from product partners and loan receivables of MLP Bank AG's own commitments. Furthermore, there is an issuer's risk from the securities acquired by MLP.

We counter these risks by means of efficient receivables management and strict criteria when selecting our business partners. Loans are granted using a standardised Group loan strategy under application of the usual credit assessment standards for the market based on a scoring approach. Accounts that are regarded as carrying risk have been adjusted accordingly.

We reduce the risk of default by issuers of the securities acquired within the scope of capital investment management through the strict creditworthiness requirements of our capital investment directive.

15.3.2 Market risk

Shares, bonds and promissory note bonds in the inventory can be subject to an exchange risk due to fluctuations in market interest or changes in creditworthiness. Through constant monitoring and evaluation of our portfolio, possible effects on results caused by strong exchange rate fluctuations can be addressed early on.

The Group faces an interest risk from the incongruities of the terms of interest between loans granted by MLP Bank AG and the products which finance them. These maturity transformation risks are continuously monitored and evaluated in compliance with supervisory requirements (stress scenarios). In order to reduce the interest risk, we use derivative financial instruments (interest rate swaps).

15.3.3 Liquidity risk

MLP funds its business operations from current cash flow. Ensuring solvency at all times is the core function of our Group treasury. The fundamental principles of liquidity control and planning are defined in the internal capital investment directives.

The liquidity control is performed via a daily disposition to defined planning horizons, taking into account possible cash flow scenarios from our planning and simulation tools and the results of solvency planning created by controlling. Appropriate short and medium-term credit lines have been agreed with a number of financial institutions to safeguard against a short-term liquidity shortfall.

15.3.4 Supervisory risk

There are particular risks with regard to possible non-compliance with supervisory regulations for the operation of banking and financial services businesses. This also concerns legal solvency regulations, prescribing a minimum shareholders' equity backing of these companies. This year, MLP Bank AG again exceeded the legal solvency limits by a significant margin. The existing planned/actual invoices guarantee continuous monitoring and, thus, continually adequate equity capital backing.

There are no significant procedures of particular importance following the close of the financial year other than those already named.

16. Miscellaneous information

16.1 Other financial commitments

Payments for operating leases include rental charges for PC hardware, notebooks and copiers. The leases have a term of 36 months subject to a purchase option in favour of the Group. This expenditure for the financial year amounted to €55,781 thsd (previous year: €53,205 thsd).

On the balance sheet date, rent and leases were subject to the following financial commitments:

All figures in €'000	Due 2006	Due between 2007 and 2010	Due from 2011	Total
Rent of offices	12,766	37,497	10,027	60,290
Outsourcing IT technology	18,952	19,900	–	38,852
IT equipment	8,001	4,751	–	12,752
Maintenance/licence contracts	2,393	–	–	2,393
Other rents	453	246	–	699
Sponsoring	485	861	–	1,346
Total	**43,050**	**63,255**	**10,027**	**116,332**

The purchase commitment comprises treasury stock of €544 thsd, intangible assets less than €1 thsd and property, plant and equipment of €205 thsd.

The income from subletting notebooks to MLP consultants amounts to €4,573 thsd.

16.2 Assets accepted as collateral

In order to minimise the default risk of the credit portfolio, MLP Bank AG accepted normal banking collateral.

16.3 Contingent and other liabilities

On the balance sheet date, liabilities on account of sureties and warranties amounted to €17,636 thsd (previous year: €18,341 thsd) and irrevocable credit commitments of €9,725 thsd (previous year: €9,750 thsd).

In connection with the termination of the contract of employment, the former Chairman of the Executive Board is granted profit-related remuneration for the period 2006 to 2007.

As it is composed of companies from different business sectors, the Group is exposed to a variety of legal risks. These may include, in particular, risks in the fields of warranty, fiscal law and other litigation. The outcome of currently pending or future legal actions cannot be forecast with any degree of certainty and it follows that expenditure could be incurred as a result of decisions, which has not been fully covered by insurance and which is liable to generate major effects on the business and its results. In the Executive Board's opinion, decisions producing a major effect on the assets and income at the Group's expense are not anticipated with regard to the currently pending legal actions.

The purchase contract signed between MLP AG and Clerical Medical International Holdings B.V., Maastricht, Netherlands, for the sale of MLP Lebensversicherung AG contains a purchase price adjustment clause for the years 2005 to 2007 which allows for an increase or reduction of the purchase price by a maximum of €15 million. Given the current situation, we do not expect any repayment.

The purchase contract signed between MLP AG and Gothaer Allgemeine Versicherung AG, Cologne, on the sale of MLP Versicherung AG contains a purchase price adjustment clause which, in the worst case, allows for a maximum reduction in the purchase price of €7.25 million in 2010. Given the current situation, we do not expect any repayment.

[25] 16.4 Earnings per share

The calculation for the basic and diluted earnings per share for the total net profit of the Group is based on the following data:

All figures in €'000	2005	2004
Earnings		
Basis of the basic earnings per share (net profit)	199,693	50,301
Effect of the potential share dilution:		
Interest on convertible debentures (after tax)	28	8
Basis of the diluted earnings per share	**199,721**	**50,309**

	2005	2004
Number of shares		
Weighted average number of shares for the basic earnings per share	108,589,477	108,640,686
Effect of the potential share dilution: convertible debentures	1,494,232	1,041,540
Weighted average number of shares for the diluted earnings per share	**110,083,709**	**109,682,226**

The basic earnings per share for the consolidated net profit amounts to €1.84 (previous year: €0.46), and €1.81 for the diluted earnings per share (previous year: €0.46). Due to the small number of convertible debentures issued so far, the previous year's figures are identical.

16.5 Number of employees

The average number of staff employed by the MLP Group dropped from 1,775 in 2004 to 1,746 in 2005. The downturn is mainly attributable to the sale of MLP Lebensversicherung AG and MLP Versicherung AG, which are included pro rata temporis up to their deconsolidation date.

The average number of staff employed by the companies included in the consolidated financial statements during the financial year was as follows:

	2005			2004		
	Total	Germany	Foreign operations	Total	Germany	Foreign operations
Employees	1,376	1,282	94	1,398	1,299	99
Marginal part-time employees	370	363	7	377	373	4
Total	**1,746**	**1,645**	**101**	**1,775**	**1,672**	**103**

In addition an average of 111 (previous year: 136) people underwent commercial training in Germany.

The distribution over the individual segments is shown on page 165.

16.6 Executive bodies of MLP AG

Executive Board

Dr. Uwe Schroeder-Wildberg, Heidelberg
Chairman
Responsible for planning and strategy, human resources, communication, legal affairs, audit and IT

Eugen Bucher, Bammental
Responsible for sales

Gerhard Frieg, Heidelberg
Responsible for product management and purchasing

Nils Frowein, Frankfurt
Chief Financial Officer
Responsible for controlling, accounting, tax, treasury and general administration

Supervisory Board

Manfred Lautenschläger, Gaiberg
Chairman

Gerd Schmitz-Morkramer, Munich
Vice Chairman

Dr. Peter Lütke-Bornefeld, Bergisch-Gladbach

Johannes Maret, Burgbrohl

Maria Bähr, Sandhausen, Employees' representative, departmental head at MLP Finanzdienstleistungen AG

Norbert Kohler, Oftersheim, Employees' representative, team leader at MLP Finanzdienstleistungen AG

	Mandates in other statutory supervisory boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
	MLP Bank AG (Chairman) MLP Lebensversicherung AG (Chairman until 26 September 2005) MLP Versicherung AG (Chairman until 6 September 2005)	Deutsche Bank AG, Mannheim (Advisory Board) MLP BAV GmbH (Chairman)
	–	–
	–	AXA Konzern AG (Advisory Board) MLP Private Finance Correduria de Seguros S.A., Madrid, Spain (Chairman) MLP BAV GmbH BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH
	–	MLP Vermögensberatung AG, Vienna, Austria MLP BAV GmbH

	Mandates in other statutory supervisory boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
	MLP Finanzdienstleistungen AG, Heidelberg (Chairman)	Heidelberg Universitätsklinikum, Heidelberg
	Merck Finck & Co., Munich (Chairman of the Shareholders' Committee until 27 October 2005) Merck Finck Vermögensbetreuungs-AG, Munich Merck Finck Treuhand AG, Frankfurt am Main (Chairman) bmp AG, Berlin (Vice Chairman) YOC! AG, Berlin (Chairman)	Mannheimer Versicherung AG, Mannheim (Vice Chairman of the Advisory Board) Taurus Investment Holding, Boston, USA (Chairman of the Advisory Board) Life Trust One GmbH & Co KG (Expert Advisor)
	Europa Rückversicherung AG, Cologne VPV Lebensversicherungs-AG, Stuttgart Delvag Rückversicherungs-AG, Cologne	Group companies: General Re Corporation, Stamford, USA General Corporation, Stamford, USA Cologne Reinsurance Company (Dublin) Ltd., Dublin, Ireland General Re Life Corporation, Stamford, USA GeneralCologne Re Capital GmbH, Cologne Others: Deutsche Kernreaktor-Versicherungsgemeinschaft, Cologne (Chairman) Faraday Reinsurance Co., London, Great Britain Faraday Holdings Limited, London, Great Britain
	Nordwind Capital, Cologne (Managing Director) DAB Bank AG, Munich	Gebrüder Rhodius KG, Burgbrohl (Chairman of the Advisory Board) The Triton Fund, Jersey, USA (Investment Committee Member) Xchanging Ltd., London, Great Britain (Non Executive Director)
	–	–
	–	–

16.7 Related party disclosures

16.7.1 Emoluments of the Executive Board

The members of the Group's Executive Board are entitled to both a fixed and a variable (performance-linked) remuneration in accordance with the concluded contracts of employment. The members of the Executive Board were granted a bonus in addition to the profit-sharing payment for the financial year 2005. The basis for assessment of the profit-sharing payment is the net profit achieved by MLP AG and its subsidiaries. The key figure is the net profit that would have resulted without deduction of corporate income tax, trade tax and profit-sharing payments. The profit from the sale of the insurance subsidiaries was not included in the calculation of the profit-sharing payments. The variable remuneration is calculated on the basis of a fixed percentage of the assessment basis. Should a contract of employment commence or terminate during the course of a financial year, the profit-sharing payment for this financial year is granted pro rata temporis.

In addition there are long-term remuneration components. Three of the four members of the Executive Board hold convertible debentures issued by the company between 2002 and 2004.

In 2005, the first Long-Term Incentive Programme (LTI) was set up, the participants of which were to include not only the Executive Board but also selected managers from the MLP Group. This is a company performance plan based on key figures, which takes into account both the earnings before tax (EBT) and the rise in share price. In November 2005, as part of the Long-Term Incentive Programme, the Chairman of the Board received 27,567 performance shares (phantom shares). The other three members of the Executive Board each received 20,675 performance shares. The cash payout of these phantom shares takes place only if the Group's EBT result for the years 2005 to 2007 attains a level previously set by the Supervisory Board. The assessment by the Supervisory Board as to whether a payout is due will take place in spring 2008. On 12 December 2005, a further tranche was approved for the financial year 2006.

	Fixed portion of remuneration 2005 (in €'000)	Variable portion of remuneration 2005 (in €'000)	Total 2005 (in €'000)	LTI: phantom shares 2005 (in €'000)	Convertible debentures Allotted in total (no. of shares)
Dr. Uwe Schroeder-Wildberg (Chairman and CEO)	414	378	792	17	12,300
Eugen Bucher	304	270	574	13	13,624
Gerhard Frieg	309	270	579	13	13,624
Nils Frowein	312	270	582	13	–
Total	**1,339**	**1,188**	**2,527**	**56**	**39,548**

16.7.2 Emoluments of the Supervisory Board

In addition to reimbursement of expenses, each member of the Supervisory Board receives a fixed payment to be paid at the end of the financial year. Additional payments are granted for chairman and deputy functions. Functions in committees are remunerated separately.

	Fixed portion of remuneration 2005 (in €'000)	Varaiable portion of remuneration 2005 (in €'000)	Total 2005 (in €'000)	Convertible debentures Allotted in total (no. of shares)
Manfred Lautenschläger (Chairman)	–	–	–	–
Gerd Schmitz Morkramer (Vice Chairman)	73	–	73	–
Dr. Peter Lütke-Bornefeld	55	–	55	–
Johannes Maret	48	–	48	–
Maria Bähr	35	–	35	115
Norbert Kohler	35	–	35	97
Total	**246**	**–**	**246**	**212**

According to MLP AG's articles of association, Mr Lautenschläger is entitled to a remuneration of €78 thsd plus value-added tax for his work as the Chairman of the Supervisory Board. Mr. Lautenschläger has foregone this remuneration.

Retired Executive bodies received €450 thsd (previous year: €652 thsd). On 31 December pension provisions of €6,237 thsd (previous year: €6,050) was in place for this group.

16.7.3 Other related party transactions

MLP AG has entered into the following major transactions and legal relationships to related parties:

Within the scope of the ordinary business, legal transactions were made between the Group and members of the Executive Board and the Supervisory Board. The legal transactions concern the conclusion of insurance policies or business regarding payment transactions/private wealth management. These legal transactions were completed under standard market or employee conditions.

At 31 December 2005, members of the Executive bodies had overdrafts of €17.5 thsd. The interest paid on these was 6.7 percent. At 31 December 2004 there were no loans to members of the Executive bodies.

In addition there is consultancy agreement in place between MLP AG and the Chairman of the Supervisory Board, Mr. Lautenschläger. For his consulting activities, Mr. Lautenschläger is provided with an office, a secretary and a company vehicle which may also be used privately. Mr. Lautenschläger does not receive any remuneration for this. The pecuniary advantage from the private use of the company car amounted to €22 thsd in the financial year 2005 (previous year: €26 thsd). In addition to this, Mr. Lautenschläger stood surety for loan receivables of MLP Bank AG, essentially to consultants at MLP Finanzdienstleistungen AG.

16.8 Shareholdings of members of the Executive and Supervisory Boards as at the balance sheet date

Shareholding as at 31 December 2005 was as follows:

	Ordinary shares 2005 no. of shares	Ordinary shares 2004 no. of shares	Proportion of the share capital 2005 %	Proportion of the share capital 2004 %
Manfred Lautenschläger	17,316,597	17,316,597	15.94	15.94
Other members of Executive bodies and remaining shareholders	91,324,089	91,324,089	84.06	84.06
Total	**108,640,686**	**108,640,686**	**100.00**	**100.00**

The other Executive bodies each hold less than 5 percent of the share capital.

16.9 Disclosures pursuant to §§ 21 (1), 22 German Securities Trading Act (WpHG)

Mr. Manfred Lautenschläger informed us on 15 June 2002 that he had dropped below the threshold of 25 percent of the voting rights in MLP AG on 28 May 2002. He now has a 20.33 percent share of the voting rights. This corresponds to 22,087,097 votes. This share comprises 14,501,295 voting rights (13.35 percent), allocated to him in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG). Up until 12 June 2002 this share comprised 484,110 voting rights (0.45 percent) that were to be allocated to him in line with § 22 (1) sentence 1 no. 2 of the German Securities Trading Act (WpHG) and 3,473,850 voting rights (3.2 percent) that were to be allocated to him in line with § 22 (1) sentence 1 no. 2 of the German Securities Trading Act (WpHG).

Manfred Lautenschläger Beteiligungen GmbH informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Heidelberg, exceeded the threshold of 10 percent on 24 April 2003 and is now 13.35 percent. This corresponds to 14,501,295 votes. Some 0.95 percent of these (1,027,446 votes) are to be allocated in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

Termühlen Beteiligungen Verwaltungs GmbH, Gaiberg, informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG exceeded the threshold of 10 percent on 26 May 2003 and is now 11.19 percent. This corresponds to 12,152,380 votes.

Dr. Bernhard Termühlen, Gaiberg, informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that his share of the voting rights in MLP AG exceeded the threshold of 10 percent on 26 May 2003 and is now 13.69 percent. This corresponds to 14,875,811 votes. Some 11.19 percent of these (12,152,380 votes) are to be allocated in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

Angelika Lautenschläger Beteiligungen Verwaltungs GmbH, Gaiberg, informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Heidelberg exceeded the threshold of 10 percent on 8 July 2003 and is now 10.91 percent. This corresponds to 11,867,781 votes.

Bankgesellschaft Berlin GmbH, Alexanderplatz 2, 10178 Berlin, informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Heidelberg, exceeded the threshold of 5 percent on 30 November 2004 and is now 5.03495 percent. This corresponds to 5,470,000 votes. The State of Berlin informed us in line with § 21 (1), 22 (1), sentence 1 no. 1 of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, represented by the Senate Department of Finance, Klosterstraße 59, 10179 Berlin, exceeded the threshold of 5 percent on 30 November 2004 and is now 5.03495 percent. This corresponds to 5,470,000 votes. These voting rights are to be allocated to the State of Berlin in line with § 22 (1), sentence 1, no. 1 of the German Securities Trading Act (WpHG).

16.10 Auditor's fees

The fees paid for the services of the auditor, Ernst & Young AG , in the financial year 2005 were as follows:

All figures in €'000	2005
Audit	1,991
Other certification and assessment services	572
Tax advisory services	163
Other services	388
Total	**3,114**

The item “Audit” contains the fees paid for the audit of the Group accounting and for the audit of the legally stipulated financial statements of MLP AG and its subsidiaries. This item also includes fees for audit work performed in the context of meeting submission obligations and staying in line with other legal stipulations.

17. List of holdings

The following subsidiaries have been included in the consolidated financial statements:

Name, registered office	Share in %
MLP Finanzdienstleistungen Aktiengesellschaft, Heidelberg	100.00
MLP Lebensversicherung Aktiengesellschaft, Heidelberg[2]	99.86[1]
MLP Bank Aktiengesellschaft, Heidelberg	100.00
MLP Versicherung Aktiengesellschaft, Heidelberg[2]	100.00
MLP Login GmbH, Heidelberg	100.00
MLP BAV GmbH (100 % subsidiary of MLP Finanzdienstleistungen AG), Heidelberg	100.00
BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH (51.08 % subsidiary of MLP Finanzdienstleistungen AG), Bremen	51.08
BERAG Versicherungs-Makler GmbH (100 % subsidiary of BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH), Bremen	51.08
MLP Vermögensberatung AG (100 % subsidiary of MLP Finanzdienstleistungen AG), Vienna, Austria	100.00
MLP Private Finance plc. (100 % subsidiary of MLP Finanzdienstleistungen AG), London, Great Britain	100.00
MLP Private Finance Correduria des Seguros S.A. (100% subsidiary of MLP Finanzdienstleistungen AG), Madrid, Spain	100.00
MLP Private Finance AG (99,93 % subsidiary of MLP Finanzdienstleistungen AG), Zurich, Switzerland	99.93

1) Ordinary shares 100 %; non-voting shares 99.639 % (5,978,323 shares)
2) Pro rata until the deconsolidation date

The following subsidiaries have not been included in the consolidated financial statements:

	Share in %	Shareholders' equity as at 31 Dec 2005 in €	Profit/loss as at 31 Dec 2005 in €
Name, registered office			
Academic Networks GmbH[1)] (90 % subsidiary of MLP Finanzdienstleistungen AG), Wiesloch[1)]	90.00	−648,668.75	−21,451.87
MLP Consult GmbH, Heidelberg[1)]	100.00	1,554,494.86	46,609.80
MLP Media GmbH (100 % subsidiary of MLP Finanzdienstleistungen AG), Heidelberg[1)]	100.00	25,788.72	−27,154.47

[1)] Not included in the scope of consolidation since negligible

18. Events after the balance sheet date

On 26 January 2006, some 29,440,686 shares in MLP AG were listed on the official market on the stock exchanges in Stuttgart and Frankfurt am Main and on the segment of the official market with additional quoting requirements (Prime Standard) on the Frankfurt stock exchange. The shares originate from a capital increase through contributions in kind from 2002. All of these newly listed shares have been participating since 1 January 2002. The shares may not be sold on the stock exchange or otherwise within the first six months of being listed.

On 15 March 2006, MLP Finanzdienstleistungen AG received permission to provide financial services for investment and acquisition brokerage in accordance with §§ 32 (1), 1 (1a) sentence 2 no. 1 and no. 2 of the German Banking Act (KWG). More specifically, MLP Finanzdienstleistungen AG can now perform brokerage of individual wealth management services. We shall offer this new service to wealthy MLP clients wishing to receive an individual mutual fund managed in accordance with their personal wishes and needs. Sales shall be made by selected MLP consultants.

In the course of restructuring its foreign business, MLP is considering far reaching changes at its Swiss subsidiary MLP Private Finance AG, Zurich, which would entail a discontinuation of the operative business and a focus on supporting existing clients.

To further streamline the Group's structure, MLP is planning to merge MLP Login GmbH with MLP Finanzdienstleistungen AG.

Apart from those described here, there were no other appreciable events after the balance sheet date with effects on the MLP Group's financial and asset situation.

19. Release of consolidated financial statements

The Executive Board drew up the consolidated financial statements on 20 March 2005 and will present them to the Supervisory Board for publication on 27 March 2006.

Heidelberg, 20 March 2006

MLP AG

Executive Board

Dr. Uwe Schroeder-Wildberg

Eugen Bucher

Gerhard Frieg

Nils Frowein

Audit opinion

"We have audited the consolidated financial statements prepared by the MLP AG, Heidelberg, comprising the income statement, the balance sheet, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the Group management report for the business year from 1 January to 31 December 2005. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Stuttgart, 22 March 2006

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Pfitzer
Wirtschaftsprüfer
(German Public Auditor)

Skirk
Wirtschaftsprüfer
(German Public Auditor)

Annual document according to paragraph 10 of the German Securities Prospectus Act (WpPG)

MLP issues securities and is, as such, obliged to provide its audience at least once a year with a so-called "Annual Document" in accordance with paragraph 10, section 1 of the German Securities Prospectus Act (WpPG).

The following table provides an overview of all information published or provided to the audience during the 2005 financial year in line with the guidelines in paragraph 10, section 1 of the German Securities Prospectus Act (WpPG). These include, in particular, adhoc announcements, announcements concerning Directors' Dealings, the year-end accounts, interim reports and the invitation to the MLP AG Annual General Meeting. The table includes information about where the corresponding information was published or provided to the audience and also where it can be viewed by the audience.

Heidelberg, in January 2006
MLP AG

Type of Information	Date of publication	Availability of information
Ad hoc announcement: Q1 2005 figures exceed previous year's values	18 May 2005	MLP AG homepage
Ad hoc announcement: MLP successfully divests its insurance subsidiaries	17 June2005	MLP AG homepage
Ad hoc announcement: MLP clearly increases pre-tax profits	16 August 2005	MLP AG homepage
Ad hoc announcement: MLP launches share buyback programme	11 November 2005	MLP AG homepage
Ad hoc announcement: Dynamic profit growth at MLP	22 November 2005	MLP AG homepage
Group Annual Report 2004: Year-end Results 2004	20 April 2005	Annual Report on the MLP AG homepage
MLP AG Annual Report	20 April 2005	MLP AG homepage
Interim report: Results for 1st Quarter 2005	25 May 2005	Interim Report on the MLP AG homepage
Interim report: Results for 2nd Quarter 2005	24 August 2005	Interim Report on the MLP AG homepage
Interim report: Results for 3rd Quarter 2005	23 November 2005	Interim Report on the MLP AG homepage
Invitation to the MLP AG Annual General Meeting	2 May 2005	Published in the electronic Federal Gazette and on the MLP AG homepage
Dividend announcement for FY 2004	22 June 2005	German newspaper Börsen-Zeitung (only available in German)
Financial calendar	continually	MLP AG homepage

Glossary

Amortised cost	• *Amortised cost* is the historical cost less scheduled depreciation and amortisation and impairment losses.
Available-for-sale	• *Available-for-sale* securities are securities that are not to be held to maturity and have not been acquired for sale in the near term. These securities are shown at fair value.
Cash flow statement	• The *cash flow statement* illustrates flows of cash and cash equivalents during a financial year, broken down into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities.
Consolidation	• *Consolidation* involves combining the separate financial statements of companies belonging to the Group so as to prepare a set of consolidated financial statements. Transactions between the individual Group companies are eliminated on consolidation.
Contingent liabilities	• *Contingent liabilities* are liabilities whose occurrence is improbable. Although they are not carried in the balance sheet, they must be disclosed in the notes, e.g. as liabilities on account of sureties.
Corporate governance	• *Corporate governance* refers to the legal and practical framework for managing and monitoring companies. Corporate governance regulations serve to offer greater transparency, thereby increasing confidence in responsible company management and supervision oriented toward added value.
Deferred acquisition costs	• *Deferred acquisition* costs are the costs incurred by the insurance company in connection with the acquisition of new insurance policies or the renewal of existing policies. They include commissions paid and the costs of processing proposals.
Deferred tax assets and liabilities	• *Deferred tax assets and liabilities* are based on limited-time differences in the methods of balancing of accounts according to the International Financial Reporting Standards and the corresponding national tax law (so-called temporary differences). If, in the consolidated financial statements in line with IFRS, assets are stated at a lower (higher) level or liabilities at a higher (lower) level than in the tax balance sheet of the respective Group company, the future tax relief that arises from this must be recorded as deferred tax asset (liability). Deferred tax assets can also be recorded as tax loss carryforwards. Deferred tax assets are value-adjusted if it seems unlikely that the corresponding level of tax receivables will arise.

Derivative financial instruments	• *Derivative financial instruments* are financial instruments whose value depends on the price performance of an underlying asset. Examples of derivative financial instruments include swaps.
Earnings per share	• *Earnings per share* is the ratio of the consolidated profit or loss for the year to the average number of shares issued. For diluted earnings per share, the number of shares and the consolidated profit or loss for the year are adjusted by the dilutive effects of any subscription rights that have been or can still be exercised. Subscription rights arise in connection with issues of convertible debentures and share options.
EBT	• *EBT* is earnings before tax.
EBIT	• *EBIT* is earnings before interest and tax.
Fair value	• *Fair value* is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Fair value usually corresponds to the stock market or market value or to a value derived from this. In some cases, the fair value is calculated as the present value.
Financial Accounting Standards	• *Financial Accounting Standards* (FAS) are US accounting standards that govern individual accounting issues in detail. They must be adhered to by companies that prepare their financial statements in accordance with -> US GAAP (US Generally Accepted Accounting Principles).
Goodwill	• *Goodwill* is recognised by the acquirer as an asset from the acquisition date and is initially measured as the excess of the cost of the business combination over the acquirer's share of the net fair values of the acquiree's identifiable assets, liabilities and contingent liabilities. Any goodwill resulting from business combinations after 31 March 2004 is not amortised but is subject to an impairment review. If necessary, an impairment loss is recognised (impairment only approach).
Gross or net	• Insurance items are shown *gross or net*, i.e. before or after deduction of the portion attributable to reinsurance business.
Held-to-maturity securities	• The company holds *held-to-maturity securities* with the intent and ability to hold these securities to maturity.

Insurance provisions	• *Insurance provisions* are calculated using actuarial methods and cover policyholders' future claims.
Interest rate swaps	• *Interest rate swaps* are used to exchange payment obligations that are denominated in the same currency but subject to different interest terms (fixed/variable). In the case of interest currency swaps, the payment obligations being exchanged are denominated in different currencies.
IAS and IFRS	• *International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)* are accounting standards promulgated by the International Accounting Standards Board (IASB), which is responsible for issuing IASs/IFRSs. Since 2002, the standards issued by the IASB are known as "IFRS"; the standards issued previously were called "IAS".
Investments held on account and at risk of life insurance policyholders	• *Investments held on account and at risk of life insurance policyholders* include those shares in investment funds which policyholders are entitled to directly under -> unit-linked life insurance.
Premium	• The *premium* is the amount that the insured party pays, on an ongoing basis or as a one-off amount, for the insurance cover provided. Posted premiums are the total premium income that became due in the financial year. The premiums that are actually attributable to the financial year are shown as premiums earned. Premiums received for future risk periods are accrued in the unearned revenue liability.
Provisions for premium refunds	• *Provisions for premium refunds* cover premiums paid in advance that have to be refunded to policyholders under national legal or contractual obligations. In accordance with US GAAP, provisions for premium refunds also cover policyholders' potential claims resulting from all valuation differences caused by the switch from HGB to IFRS (deferred provisions for premium refunds). Provisions for insurance claims not yet settled (claims reserve) are established for losses that occurred before the end of the financial year but have not yet been settled.

Segment reporting	• *Segment reporting* is financial information based on the consolidated financial statements, reported by business segment and region.
Unit-linked life insurance	• The benefits payable under *unit-linked life insurance* depend primarily on the performance of the investments in a mutual fund. The policyholder shares equally in the profits or losses of the underlying investments.
US GAAP	• *US GAAP (US Generally Accepted Accounting Principles)* are US accounting principles that are obligatory and binding for quoted companies in the USA.

Acknowledgements

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Dr. Gero Brugmann, lawyer, Hamburg
www.unverzagtvonhave.com

Anne-Marie Franz, graduate engineer, Moers
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Ulf Langemeier, graduate engineer, Bonn
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Dr. Alexander Runge, dentist and specialist for oral surgery, Kiel
www.friends-of-padhar.de

Dr. Jörg Meurer, business graduate, Kerpen
www.uniplan.de

Our promise

- MLP is the leading independent financial adviser for academics and other discerning clients. Our aim is to build on this position.

- We provide our clients with expert, comprehensive high-grade advice throughout their lives.

- Through our insistence on quality, our independence and our market position, we set high standards in client consulting and consistently provide top-quality service.

- With individually tailored financing concepts from MLP, our clients are able to reach their goals concerning health and old-age provision, insurance cover, financial investments or loans and mortgages.

- The focus on academics and other discerning clients forms the basis for our high productivity. This guarantees excellent earning power which we aim to increase continually in a sustainable manner.

- Our employees are our company’s basis. Their careful selection, intensive training and development is therefore of great importance to us.

- Transparency and credibility linked with fairness, in the sense of responsibility for each other mark the relationships between clients, employees and the company.

- Our employees think and act in an entrepreneurial manner. Performance-related remuneration allows them to share in MLP's success.

- MLP is not resting on its laurels. We are continually striving to improve performance – for the benefit of our clients and shareholders.

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Setting targets,
achieving targets.

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Setting targets,
achieving targets.

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Financial calendar 2006

10 May 2006
Results for the 1^{st} quarter 2006

31 May 2006
Annual General Meeting 2006 in Mannheim

9 August 2006
Results for the 2^{nd} quarter 2006

8 November 2006
Results for the 3^{rd} quarter 2006

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