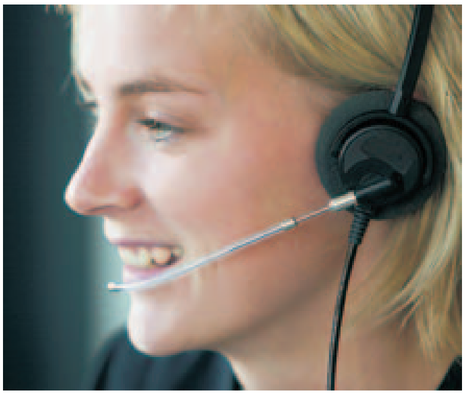
Annual Report 2002

MLP PRIVATE FINANCE



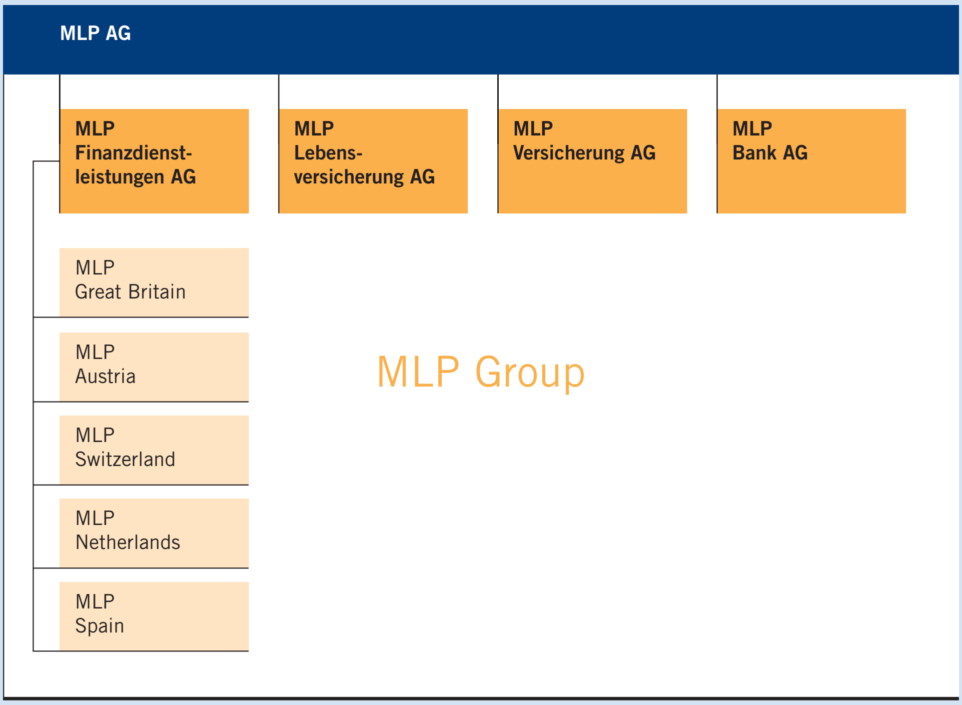
The MLP Group

	2002 EUR million	2001 EUR million
Total revenue	1,126.4	1,046.6
Pre-tax profit	–36.6	150.8
Net profit	–47.6	98.9
Investments	59.0	48.5
Total dividend	0.0	39.6
Dividend per share in EUR	0.0	0.5
DVFA earnings per share in EUR	–0.23	1.05
Shareholders' equity*	178.7	225.6

* adjusted for dividends paid

	2002 Number	2001 Number
MLP consultants**	2,989	2,566
Employees**	1,472	1,300
Clients**	504,858	453,017
Branch offices**	390	325

** on 31 December



At a Glance

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- MLP is a leading financial services company for graduates and sophisticated private clients in Europe. Our objective is to expand this position.
- We provide competent, comprehensive and high-quality consultation to our clients covering all financial and economic matters, if possible for life.
- Our quality levels, independence and market position oblige us to set standards in client consultation and to provide top services at all times.
- We offer our clients individual, tailored financial concepts for their insurance coverage, their pension provisions, as well as their asset and financing objectives.
- Our strategy of focusing on graduates and sophisticated private clients coupled with our organic growth forms the foundation for our extraordinary productivity. This guarantees high profitability, and one of our major corporate objectives is to realize sustained profit increases.
- Our employees form the basis of our Company, and we place great importance upon both their selection and their intensive vocational and ongoing training.
- Openness, credibility and fairness coupled with a conscious responsibility for one another shape the relationships between the Company, the employees and the clients.
- Our corporate philosophy commits all employees to work and think in an entrepreneurial fashion. We involve them in our corporate success with performance-related remuneration.
- We do not rest on our laurels, but instead seek steady improvements – for our clients’ benefit.

The Executive Board of MLP AG: Eugen Bucher, Dr. Bernhard Termühlen, Dr. Uwe Schroeder-Wildberg, Gerhard Frieg

The members of the Executive Board:

Dr. Bernhard Termühlen
Chairman and CEO, MLP AG
Planning and Strategy, Corporate Communication, IT, Legal Issues, Revision and Human Resources

Eugen Bucher
Bank, Financing and Investment

Gerhard Frieg
Life Insurance, Non-life Insurance and Health Insurance

Dr. Uwe Schroeder-Wildberg
Accounting, Tax and Controlling

Returning to growth and normalcy

Dear shareholders,

The year 2002 was a difficult one for business and industry in general. For MLP, it was surely one of the most challenging years in the Company's over 30-year history. Fears of terrorism and war and a loss of confidence in big business all over the world combined with regional and industry-specific structural problems to trigger a downturn that appeared to snowball as the year progressed. This trend affected not only share prices but also the growth forecasts of economic experts. Investment and spending behaviour were marked by uncertainty and restraint among consumers and business enterprises alike. A financial services provider like MLP was virtually predestined to feel the impact of these developments. Moreover, massive criticism and deliberate market manipulation caused considerable damage to our corporate image. The resulting negative impact on MLP operating results during the past business year was unavoidable. These factors, exacerbated by general stock market weakness, led to a substantial decline in the value of MLP shares.

Deficits eliminated at MLP

MLP took advantage of the crisis as an opportunity to undertake a critical review of business processes and structures. We have taken all criticism seriously and tackled existing deficits aggressively. We have strengthened internal structures on a sustainable basis. We have created a position for a CFO and filled it with a highly qualified expert. We have launched a transparency campaign dedicated to putting MLP among the best in terms of financial communication. And, last but not least, we have made our financial accounting substantially more transparent.

MLP achieves growth again in 2002

Despite its many burdens and the extremely unfavourable conditions affecting business operations, MLP continued to grow during business year 2002. The number of clients rose by 11 per cent to 505,000, and thousands of new customers were acquired during each quarter of the year. Gains in new business provide further evidence of our sound business model. We recorded increases of 5 per cent in both the life insurance and health insurance sectors. The number of MLP consultants rose by 17 per cent to nearly 3,000, and we opened 65 new branch offices during the 12-month reporting period. Both figures are impressive proof that our business model is intact and our strategy sound.

Old-age pension and health care reforms speak for MLP

The years to come will be marked by sustained, significant operating growth. There can be no doubt that MLP is involved in what will surely be one of the most interesting and dynamic sectors of the next few decades: private old-age pension and health insurance. The ageing population, structural reforms in the health care and old-age pension systems, and our Company's established market leadership position virtually guarantee positive growth for MLP in the years to come. We offer a combination of financial services, insurance and banking in a unique all-round concept under the MLP label.

Strong growth in 2003 despite a weak economy

Total focus on operating results will once again be the most important factor in MLP's success. Employees will concentrate on optimizing financial planning for existing clients and on attracting new clients. Our goal for 2003 is to increase our client base by 14 per cent. By the end of the year, we expect the number of clients to rise from the present 505,000 to about 575,000. All signs point to an upward trend in profits as well. Given its strength, anticipated market developments and its effective business model, MLP expects to achieve long-term growth well ahead of the average for the financial services sector.

We hope to return to operational normalcy in 2003. Despite the difficult economic conditions, we expect that 2003 will be another gratifying year for MLP shareholders. All MLP employees are committed to making every effort to strengthen confidence in MLP.

We wish to thank you, our shareholders, for standing by your Company. MLP is on the road to success, and we thank you for accompanying us along the way.

Yours

Dr. Bernhard Termühlen
Chairman and CEO, MLP AG

Report of the Supervisory Board

The Supervisory Board gave extensive consideration to the business and financial status and the corporate strategy of the MLP Group at four regular meetings and three extraordinary meetings during business year 2002. In addition, meetings were held by the Personnel Committee and the Ad-hoc Commission established in conjunction with the introduction of the Corporate Governance Principles.

In-depth reports on the situation of MLP AG and Group companies as well as on risks and risk management were presented at all of the meetings of the Supervisory Board. The Supervisory Board was directly involved in all decisions of essential importance to the Company. The Board reviewed all relevant business transactions and discussed business development, strategy and important corporate events in consultation with the Executive Board. The Chairman of the Supervisory Board also maintained regular contact with the Executive Board during the intervals between meetings. Thus, the Supervisory Board fulfilled its duties and obligations as defined by law and detailed in the Articles of Association.

Supervisory Board meetings and important resolutions

The April 2002 meeting focused primarily on the 2001 Financial Statements for MLP AG and the MLP Group. The Supervisory Board was also informed about current business developments. Other matters of importance on the agenda included preparations for the Annual General Meeting and resolutions on Corporate Governance and Compliance Principles.

The focal points of the Supervisory Board meeting in May 2002 were a discussion of the First Quarterly Report 2002 and current business activities of Group subsidiaries. The Supervisory Board meeting in August was devoted to a discussion of the Second Quarterly Report 2002 and current business developments at Group subsidiaries.

In November 2002, the Supervisory Board reviewed the Third Quarterly Report 2002 and current developments at Group subsidiaries. The Board also heard reports by the Compliance and Corporate Governance Commissioner and voted on resolutions regarding changes in the Rules of Procedure of the Executive Board and the Supervisory Board. At this meeting, the Board also was informed in depth regarding the preliminary proceedings of the Public Prosecutor's Office against corporate organs and accusations raised by insiders. The Board also resolved to appoint an Ad-hoc Commission as a special committee. The Ad-hoc Commission met in November and December.

At its extraordinary meeting in May, the Supervisory Board decided to appoint the firm of Ernst & Young as a second auditor. Current developments were also discussed at two other extraordinary meetings in August and October. On these occasions, the Supervisory Board focused particular attention on the Group's public image.

With the exception of the November meeting, which one member was unable to attend, all members of the Supervisory Board were present at all meetings.

On 9 February 2003, the Balance Sheet Committee presented the preliminary figures for business year 2003, emphasizing in particular the changes in accounting. This matter was also on the agenda of the regular Supervisory Board meeting held on 10 February 2003 and the extraordinary meeting on 11 February 2003.

Annual Financial Statements and Group Financial Statement Audit

The Annual Financial Statements prepared by the Executive Board of MLP AG in accordance with the provisions of the German Commercial Code (HGB) and the Corporation Law (AktG), the Group Financial Statements and the consolidated Management Report for Business Year 2002 were audited by the certified public accountants Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Mannheim, and Rölfs WP Partner AG Wirtschaftsprüfungsgesellschaft, Düsseldorf. These statements and reports were the focus of intensive deliberations in the Balance Sheet Committee and at the Supervisory Board meeting on 23 April 2003. The auditors attended these meetings, reported on their findings and answered questions.

The Supervisory Board has reviewed the Annual Financial Statements, the Group Financial Statements and the consolidated Management Report for MLP AG for Business Year 2002 and found no deficiencies. The Supervisory Board approved the Annual Financial Statements for 2002 and the Group Financial Statement for 2002 at its meeting on April 23, 2003. The Supervisory Board concurred with the Executive Board's recommendation that no dividend be paid for business year 2002.

Changes affecting the Supervisory and Executive Boards

On 5 April 2002, Mr. Christian Strenger resigned from his position on the Supervisory Board in deference to the provisions of the German Corporate Governance Code in order to avoid a possible conflict of interest. The Supervisory Board wishes the thank Mr. Strenger for the significant contributions he made as a member of the Supervisory Board. At the Annual General Meeting on 28 May 2002, Dr. Peter Lütke-Bornefeld was elected to succeed him on the Supervisory Board with immediate effect.

On the recommendation of the Personnel Committee, which met in November 2002, Dr. Uwe Schroeder-Wildberg was appointed to the Executive Board as Chief Financial Officer for a period of five years beginning on 1 January 2003. The Supervisory Board wishes Dr. Schroeder-Wildberg the best of success in his new position.

The Supervisory Board would like to express its thanks to the Executive Board and the respective management as well as the employees of the MLP Group for their strong personal commitment and their achievements during a difficult business year 2002.

Heidelberg, April 2003

The Supervisory Board
Manfred Lautenschläger
Chairman

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- Hopes of economic recovery unfulfilled in 2002.
- Positive and negative tendencies in the insurance sector.
- Increasing trend toward private old-age pension and health insurance.
- MLP business model favours financial solutions designed to meet specific client needs.
- MLP continues to achieve growth in operating business in an extremely difficult environment.

MLP Group and MLP AG Management Report

This Management Report contains statements regarding the status of both the MLP Group and MLP AG.

General economic situation

Disappointing economic development in 2002

The hopes for rapid and broad-based global economic recovery expressed by many experts in early 2002 did not materialize. Fear of war and terror, financial accounting scandals, struggling financial markets and debates regarding tax issues clearly dampened the mood of investors and the business community over the course of the year. The German economy recorded only marginal growth of 0.2 per cent over 2001, and GDP growth actually slowed to zero in the fourth quarter. Thus, 2003 growth fell well below the most recent ten-year average of 1.5 per cent. Private household consumption in Germany declined slightly by 0.7 per cent last year. The total number of insolvencies (corporate and personal) rose for the third year in a row, reaching a new record high of approximately 82,400 (2001: 49,510) – an increase of 66.4 per cent. No reversal of this trend was evident in the first quarter of 2003.

Loss of investor confidence

As stock markets continued to suffer under the influence of waning confidence and a sluggish economy worldwide, the demand for fixed-interest securities as an investment alternative increased substantially during the reporting year. The German bond index Rex (10-year bonds) rose from 263.2 to 291.1 over the course of the year. Consequently, the yield on 10-year German treasury bonds fell from 4.97 per cent to 4.15 per cent within the same time frame.

Reorientation in the banking community

The entire financial services sector suffered under the influence of these generally negative trends in 2002. In addition to stock market losses and declining yields in the bond market, key factors included very poor performance in investment banking, a marked rise in risk provisions for corporate loans, and low margins in the consumer credit sector. The resulting process of consolidation in the banking community is likely to continue in 2003.

Mixed signals from the insurance sector

The insurance sector experienced both positive and negative developments. The National Association of German Insurance Companies (GDV) reported that premiums by its member organizations increased by 4.0 per cent to EUR 140.8 million in 2002. This growth was fuelled primarily by the positive trend in the life insurance and private health insurance sectors.

In view of heavy losses on investments in shares and mutual funds, life insurance is still regarded as a safe investment in old-age provisions. Premium income in the life insurance sector in Germany rose by 4.3 per cent. Gross premiums revenue rose from EUR 62.4 billion to EUR 65.1 billion. Private health insurers profited from widespread uncertainty regarding the future of the statutory health insurance system. The trend in favour of supplemental private insurance led to a rise in premium income of 6.4 per cent to EUR 23.1 billion. Premium income for motor insurance and other non-life policies rose by 2.9 and 3.4 per cent, respectively. The total value of motor insurance claims declined, while that of the other forms of non-life insurance increased.

Trend toward private old-age pension and health insurance in the future

Thanks to improvements in medical treatment, the European population is ageing rapidly. This imposes a heavy burden on the statutory old-age pension system and increases the demand for private pension and health insurance plans. The prevailing mood of uncertainty with respect to the impact of future legislation and changing tax requirements has created a sense of insecurity among private clients. MLP is specialized in old-age pension solutions for its target group. As an independent insurance broker, MLP will be able to respond rapidly and effectively to changes in relevant laws with innovative consulting and product concepts.

Public response to the programme of government subsidies for private old-age pension plans introduced in 2002 has been hesitant at best. The state-subsidized “Riester Pension” is intended to represent the first phase of a private old-age pension system backed by private capital. Three million contracts were concluded – a small fraction of the total market potential. This weak demand is attributable to the complicated regulations governing government premiums on pension plan savings.

Anticipated developments in the health care sector also offer little reason for optimism and, thus, private health insurance is expected to play an increasingly important role. Initial proposals issued by the Rürup Commission established by the Federal Government include cost-cutting measures designed to save statutory health insurers more than EUR 14 billion. This savings potential is to be realized almost entirely through reductions in benefits provided by statutory insurers. Consequently, the demand for supplementary insurance to compensate for further cuts in statutory coverage can be expected to rise substantially.

General corporate situation

Business activity

As an independent financial services provider, MLP has developed a unique business model based upon a comprehensive financial concept for its target group. The Group comprises a financial services broker, a bank with an asset management department, a life insurance company and a non-life insurance provider. The bank, the life insurance and the non-life insurance firms act as broker platforms. They develop and refine financial solutions and organize the exchange of information with clients and partner companies. Employing modules developed in-house or supplied by a range of different partner organizations, they create tailor-made financial solutions adapted to the specific needs of our clients. Thus, for example, the roughly 3,000 specially trained consultants of MLP Finanzdienstleistungs AG can respond appropriately to each client's needs with a tailor-made financial concept. This platform strategy generates price/performance advantages for clients and ensures that clients receive the best service.

Organization and structure

MLP AG is the strategic management and holding arm of the MLP Group. MLP AG manages and develops the business portfolios of the companies within the Group. The MLP Group identifies the following business segments in its 2002 Annual Report: Consulting and Sales, Life Insurance, Non-life Insurance, Banking, Internal Services and Administration. The Consulting and Sales segment comprises MLP Finanzdienstleistungen AG and all of its foreign branches (Austria, Switzerland and the Netherlands) and subsidiaries (Great Britain and Spain) as well as MLP Media GmbH. The Life Insurance segment consists of MLP Lebensversicherung AG and the Austrian MLP-Lebensversicherung AG, Vienna. The Non-life Insurance sector is represented by MLP Versicherung AG, and the Banking segment comprises MLP Bank AG. The Internal Services and Administration segment includes MLP AG, MLP Login GmbH and MLP Consult GmbH. MLP AG and MLP Finanzdienstleistungen AG, as well as MLP Finanzdienstleistungen AG and MLP Media GmbH have concluded a controlling and profit transfer contract.

The Consulting and Sales segment generates revenue from commissions on new and existing business. Revenue in the Life Insurance and Non-life Insurance segments comes from premium income and consortium leadership fees. Bank revenue includes commissions and interest income.

The MLP Group optimized its corporate structure in 2002. In this context, MLP AG acquired a 100-per-cent interest in the subsidiaries MLP Versicherung AG (previously 50.40 per cent), MLP Vermögensverwaltung AG (previously 50.01 per cent) and MLP Login GmbH (previously 50.40 per cent), as well as a 99.85-per-cent interest in MLP Lebensversicherung AG (previously 41.29 per cent) in May 2002. These shares were added as non-cash contributions within the context of an equity capital increase for MLP AG (Holding) of EUR 79.20 million to EUR 108.64 million. This capital increase was entered in the Commercial Register on 31 May 2002, thus implementing the resolution authorizing the issue of a maximum of EUR 29.5 million in new shares passed at an extraordinary shareholders' meeting on 17 November 2000.

Within the framework of efforts to streamline and optimize Group structure, MLP Vermögensverwaltung AG and MLP Bank AG were merged during the fourth quarter of 2002. The merger became final upon entry in the Commercial Register on 17 December 2002.

MLP Lebensversicherung AG also sold its stake in MLP-Lebensversicherung AG, Vienna, to the Austrian UNIQA Group, which already held a 50-per-cent interest in the company, in the fourth quarter of 2002. In Austria, MLP Finanzdienstleistungen AG now offers the full range of products marketed by the German MLP Lebensversicherung AG.

The MLP Group in 2002: The most difficult year in corporate history

Business year 2002 was the most difficult year in the corporate history of MLP. Apart from the weak state of the economy overall, the Group was also confronted with massive negative influences of a more specific nature. Criticism of MLP's financial accounting practices bred severe uncertainty in capital markets and, to a certain extent, among clients as well. The criticism in question focused primarily on factoring activities and the reinsurance operations.

Despite these extraordinarily unfavourable circumstances, MLP once again succeeded in expanding its business operations. The number of clients rose by 51,841 to 504,858, an increase of 11 per cent. At year-end, MLP employed a total of 2,989 consultants (2001: 2,566 consultants) at 390 branch offices (2001: 325). This amounts to an increase of 17 per cent in the number of consultants and of 20 per cent in the number of branch offices.

We see it as our duty to set progressively higher standards for client consulting.

Brokered new business in the life insurance and health insurance sectors rose in 2002. Premium income from brokered life insurance policies rose by 5 per cent from EUR 6.0 billion in 2001 to EUR 6.3 billion in 2002. New business in the private health insurance sector also rose by 5 per cent from EUR 71.0 million in 2001 to EUR 74.7 million in annual premiums in 2002. Investor restraint and the negative trend in capital markets had a corresponding impact on investments in mutual funds and MLP-managed assets. Investments in mutual funds, which amounted to EUR 995 million in 2001, declined by 33 per cent to EUR 664 million, in line with the negative trend in the entire sector. Total assets managed by the MLP Group fell by 12 per cent to EUR 2.9 billion (2001: EUR 3.3 billion). The influence of the weak economy and corresponding consumer uncertainty was also apparent in the financing sector. The total volume of brokered loans fell by 20 per cent to EUR 893 million (2001: EUR 1.12 billion).

Increased transparency and financial accounting measures in 2002

Continuous improvement in the transparency of external reports, which began with the extensive quarterly reports issued in 2002, is also reflected in the present annual report. Discussion on the subjects of reinsurance and factoring revealed a particularly urgent need for improvements in reporting in these areas.

By way of explanation, we wish to point out that the insurance companies within the MLP Group pass a portion of their business to reinsurance companies. The reinsurance practice is an important part of controlling and reducing insurance-related risks for MLP. In the Life Insurance segment, reinsurance also serves as a means of generating income with which to fund new business.

Reinsurance involves reinsurance companies in the payment of insurance benefits and additions to insurance-related reserves. In addition, the Life Insurance segment receives commissions on reinsured policies. Reinsurance premiums must be paid in return. The resulting accrual of technical interest raises the contribution of reinsurers to the insurance-related reserves and, thus, has no impact on profits.

Profits earned on the sale of MLP-Lebensversicherung AG, Vienna, enable MLP Lebensversicherung AG to cover most of the costs of acquiring new business itself. Thus, the impact of financing costs by reinsurance has been significantly reduced. Reinsurance commissions decreased from EUR 79.9 million to EUR 9.1 million. This effect, along with the scheduled amortization of existing policies, caused a negative reinsurance result of EUR –29.9 million in 2002 (2001: EUR 39.7 million) for MLP Lebensversicherung AG.

MLP-Lebensversicherung AG, Vienna, was deconsolidated as of 30 September 2002. The amount of EUR –1.8 million (2001: EUR 1.0 million) from this company flowed into segment pre-tax profits.

MLP Versicherung AG recorded a reinsurance result of EUR –1.1 million in 2002, as compared to EUR 2.0 million in 2001. The reinsurance result amounted to EUR 0.7 million (2001: EUR 4.6 million).

In business years 1998–2001, MLP Finanzdienstleistungen AG sold future claims for commissions on unit-linked policies from MLP Lebensversicherung AG. Most of this revenue was realized in business years 2001 (EUR 57.5 million) and 2000 (EUR 42.6 million). In business years 1999 (EUR 2.8 million) and 1998 (EUR 9.4 million), these revenues were in the single-digit million range. No factoring transactions have been effected since business year 2002.

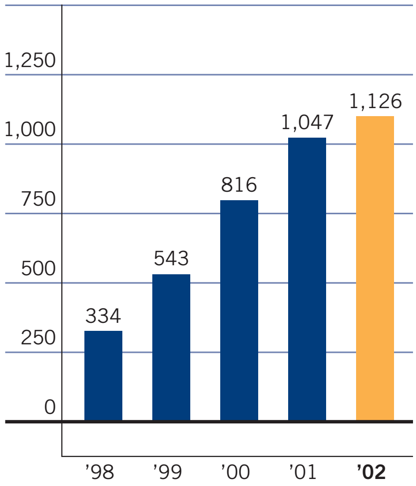
Under the influence of the increasingly difficult business environment, the Company decided to make conservative use of the leeway permitted by law with respect to balance sheet accounting. Therefore, it has set aside provisions equivalent to the nominal maximum risk of EUR 120.1 million for obligations to the various purchasers of future claims for commissions on the aforementioned factoring transactions. These provisions will be released to income by 2012.

MLP's financial development during the business year

A successful year despite a difficult business environment

In spite of the difficulties MLP faced in business year 2002, total revenue for the MLP Group rose to EUR 1.13 billion, an increase of 8 per cent over the preceding year. This figure includes proceeds of EUR 83.7 million from the sale of MLP-Lebensversicherung AG, Vienna.

MLP Group total revenue
in EUR million



MLP Group – Breakdown of total revenue	2002 EUR million	2001 EUR million
Sales revenue	298.0	314.2
Other capitalized service	2.3	6.8
Interest income from banking operations	13.4	9.8
Insurance premiums income	517.6	446.6
Income from reinsured business	186.6	240.4
Other operating income	108.4	28.7
Total revenue	**1,126.4**	**1,046.6**

Sales revenue declined by 5 per cent to EUR 298.0 million. Nearly half of this revenue, or EUR 141.1 million, was generated by life insurance brokerage. The 26-per-cent decrease (2001: EUR 191.0 million) is primarily attributable to the fact that no income from factoring of commissions receivable was realized (2001: EUR 57.5 million).
Particularly strong gains were achieved in revenue from health insurance brokerage, where the Group recorded an increase of 54 per cent to EUR 73.6 million (2001: EUR 47.9 million). Revenues from brokered loans increased by 36 per cent to EUR 15.5 million at year-end (2001: EUR 11.4 million). Weak capital markets exerted downward pressure on income from investment funds, which declined by about 13 per cent to EUR 40.3 million (2001: EUR 46.1 million). However, income from brokered non-life insurance policies rose by 6 per cent to EUR 15.3 million (2001: EUR 14.5 million).

Insurance premiums rose by 16 per cent to EUR 517.7 million (2001: 446.6 million), well above the average for the German insurance market. MLP Lebensversicherung AG contributed EUR 443.2 million to that total, achieving a 19-per-cent increase. Premium income for MLP-Lebensversicherung, Vienna, which was sold during the fourth quarter, was included for the first three quarters only – totalling EUR 44.1 million for those three quarters (full year 2001: EUR 51.7 million). MLP Versicherung AG increased premium income by 30 per cent to EUR 30.3 million (2001: EUR 23.4 million).

Income from reinsured business declined by nearly 22 per cent to EUR 186.6 million (2001: EUR 240.4 million), primarily due to significantly lower reinsurance commissions.

Interest income from banking operations reflected the continued downward trend in interest rates but rose by 37 per cent to EUR 13.4 million (2001: EUR 9.8 million).

The substantial rise in other operating income is the result of the sale of MLP-Lebensversicherung AG, Vienna (EUR 83.7 million).

Costs included one-time special effects totalling EUR 151.2 million, of which only EUR 5.2 million have a cash effect:

1. An expense in other accounting periods of EUR 120.1 million was recorded for MLP Finanzdienstleistungen AG, representing provisions for obligations accruing from factoring transactions.

2. Provisions for risks EUR 2.0 million, value adjustments and allowance EUR 1.0 million, as well as other expenses EUR 8.1 million.

Under the influence of the special effects cited above, Group pre-tax profits fell from EUR 150.8 million in 2001 to EUR –36.6 million in 2002. The consolidated net loss reached EUR 47.6 million after a net profit of EUR 98.9 million in 2001. The individual business segments contributed to the overall result as follows:

The Consulting and Sales segment achieved a loss of EUR –96.2 million before taxes and profit/loss transfer (2001: EUR 118.5 million). This result reflects the impact of provisions for obligations accruing from factoring transactions. Due to the organic-growth strategy, the still young foreign companies and branches experienced starting losses which were covered by the German MLP Finanzdienstleistungen AG. All tolled, foreign business operations contributed a negative amount of EUR –11.0 million (2001: EUR –1.6 million) to pre-tax loss for the business segment.

Profits in the Life Insurance segment reflect the substantial effect of the reinsurance result of EUR –29.2 million (2001: EUR 44.3 million) and book profits accruing from the sale of the Austrian subsidiary. MLP Lebensversicherung AG contributed EUR 53.6 million (2001: EUR 13.3 million) and MLP-Lebensversicherung, Vienna, EUR –1.8 million (2001: EUR 1.0 million) to the net pre-tax profits of EUR 51.8 million (2001: 14.3 million) for this business segment.

The decline in pre-tax profits for the Non-life Insurance segment to EUR 1.7 million (2001: 2.8 million) is primarily the result of changes in motor liability reinsurance rates.

Pre-tax profits in the Banking segment fell from EUR 10.4 million to EUR 2.1 million. This decline is attributable primarily to the weak capital markets and the necessity for the bank to set aside increased risk provisions.

The Internal Services and Administration segment achieved pre-tax profits of EUR 10.9 million (2001: EUR 0.4 million). MLP AG contributed the largest share of profits at EUR 10.4 million (2001: EUR 0.3 million).

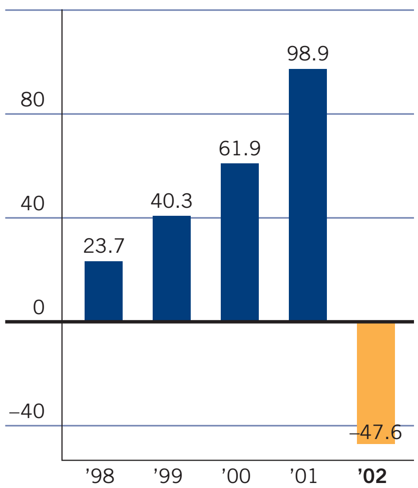
Balance sheet

The balance sheet total rose by 8 per cent from EUR 1,713 million to EUR 1,855 million. The balance sheet picture is influenced significantly by items which result from the peculiarities of the different companies within the MLP Group. These include, for example, the investment stock for unit-linked life insurance policies. This very same amount is included in the line item Insurance-related reserves. Consequently, trust assets and trust liabilities also accrue on trust business by the MLP Bank AG.

Intangible assets rose by 51 per cent to EUR 51.7 million (2001: EUR 34.2 million) as a result of investments in IT infrastructure and related software purchases. Investments in the new corporate headquarters in Wiesloch also increased total capital assets by 19 per cent to EUR 108.3 million (2001: EUR 91.0 million). Accounts receivable due from sales representatives rose by 27 per cent from EUR 53.5 million to EUR 68.0 million due to the increase in the number of consultants.

The annual deficit of EUR 47.6 million and the 2002 dividend payment reduced MLP Group equity by 33 per cent to EUR 178.7 million (2001: EUR 265.6 million). Subscribed Group capital was increased by the capital increase against contribution in kind effected in May by 37 per cent from EUR 79.2 million to EUR 108.6 million. Total non-insurance-related provisions by the MLP Group tripled in value from EUR 44.2 million to EUR 146.7 million. This figure includes the appropriation of provisions amounting to EUR 120.1 million for

Group pre-tax result
in EUR million



obligations accruing from factoring transactions. Liabilities accrued primarily from ordinary operating activity. An external loan of EUR 30 million for the new Group headquarters facility is the only long-term liability of the MLP Group.

Cash flow and investments

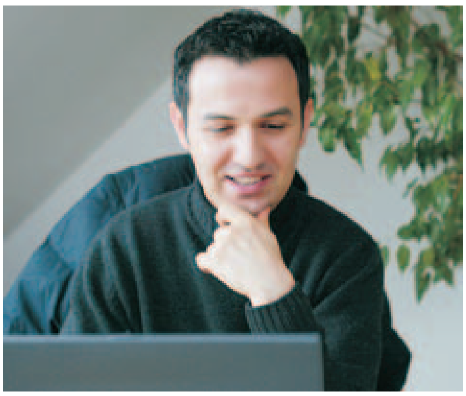
The financial resources increased by EUR 32.2 million to EUR 87.9 million. As in 2001, MLP once again invested in the new Group headquarters and the expansion of its branch office network. Investments in IT infrastructure amounted to EUR 30.5 million. This figure was nearly matched by EUR 28.5 million in investments in the branch office network expansion and the new Group headquarters facility in Wiesloch, which included office and business equipment and furnishings.

Innovative financial products

MLP took advantage of its brokerage platform and again developed a number of new financial solutions in 2002. The bestpartner concept® introduced to the market in 2001 was adapted to the "Riester Pension" in 2002. In applying its bestpartner concept, MLP as a broker relies on the principle of distributing risk over a broad range of investment, insurance and pension-plan solutions. Through diversification, encompassing multiple independent producers within a single contract, the client's risk of capital loss is reduced under the MLP bestpartner concept. The broad selection of high-performance partner companies also offers the client good prospects for an above-average return on investments. As a broker, MLP is able to realize these benefits for its clients at a very reasonable cost. In keeping with this philosophy, the MLP balanced invest pension plan and the MLP bestpartner classic pension plan were introduced to the market for "Riester Pension" solutions.

In the investment sector, the MLP top portfolio achieved market maturity. With the top portfolio concept, MLP makes optimum use of its experience in professional mutual funds management. Like the bestpartner concept, the MLP top portfolio plan is based on the principle of diversification of risk. The multi-manager approach is pursued in cooperation with a number of high-profile investment firms. The allocation of assets to a given investment fund is determined by MLP. This principle reduces administrative costs significantly and enables MLP to provide professional asset management even for small amounts and low savings installments.

We expect our employees to think and act as entrepreneurs. And we recruit the best minds available for that purpose.



Employees

MLP once again created new jobs and training positions in 2002. The number of permanent employees rose from 1,300 to 1,472 at year-end. Another 180 people were enrolled in vocational/professional training programmes (2001: 152). The largest single employer within the Group is the brokerage firm MLP Finanzdienstleistungen AG in Germany, which employed 1,093 people at the end of 2002 (2001: 909).

The Executive Board wishes to thank all MLP employees for their achievements during the difficult year 2002. Their commitment and dedication have helped MLP to take a big step forward.

Responsible use of resources

Though MLP is a non-producing enterprise, it is fully aware of its obligation to protect the environment. It goes without saying that the employees of the MLP Group are encouraged to exercise responsibility toward the environment. The new Group headquarters meet applicable standards for low-energy facilities and are integrated within the natural water circulation system through a rainwater collection system. All level roofs are covered with vegetation and thus contribute to climate regulation.

Research and development

For the most part, research and development activities are focused on product development and the creation of specific software designed for use within the Company. Each business segment maintains a marketing support department that keeps track of market developments and detects new trends. MLP also has its own product development departments. As a broker, MLP responds to market requirements on its brokerage platforms in collaboration with a number of partner firms.

Broad social commitment

As a leading financial services provider, the MLP Group is well aware of its social responsibilities. In 2002, MLP's activities in this context included a donation of EUR 50,000 to the German federal state of Saxony to help alleviate the effects of severe flooding during the year. MLP employees themselves also launched a campaign to provide aid for flood victims. The in-house appeal for donations yielded EUR 70,000 for the benefit of flood victims. With another donation of EUR 250,000, MLP also supported efforts to improve education and training opportunities for disadvantaged children and youth in 2002. In cooperation with the Ministry of Culture of the state of Baden-Württemberg, MLP has co-sponsored a programme devoted to the realization of specific projects at primary and special schools since 2001.

Risk report for the MLP Group

This risk report has been prepared for the MLP Group in accordance with DRS 5. The report also contains information relevant to DRS 5-10 and DRS 5-20, wherever applicable to the Group.

Business activity offers opportunities and poses risks as well. MLP has created a corporate culture that enables us to recognize risks early on and to respond appropriately to them.

Risk management system

Each company assumes operational responsibility for its own business segment. Accordingly, risk management responsibility is also distributed to the individual companies. The risk management system has been improved in the following ways: Risk management guidelines were established on a Group-wide basis in a handbook. Each company has appointed a risk manager tasked with providing a risk report to the Group Risk Management Committee at regular intervals. The Risk Management Committee is to meet at least once each quarter.

The following potential risks have been identified for MLP:

Performance-related risks

MLP Finanzdienstleistungen AG sells financial products through independent commercial agents (MLP consultants) working at MLP branch offices. New business could be negatively affected by continued fluctuation among MLP consultants and branch office managers. MLP has taken steps to keep fluctuation at a low level. This risk is not regarded as a danger to MLP business operations.

MLP Lebensversicherung AG and MLP Versicherung AG issue insurance policies on their own account. Only clearly defined insurable risks are underwritten for which an offsettable insurance portfolio can be built up within a foreseeable period of time and of which the company is confident that it will achieve predictable insurance profits. Premiums are calculated on the basis of conservative assumptions and include adequate security surcharges. Insurance-related risks are also reduced through individual vertical and horizontal risk distribution among non-Group risk underwriters in the form of reinsurance and co-insurance. Although these MLP companies remain subject to insurance-related risks, these risks are not regarded as a danger to existing business operations.

MLP Bank AG has granted loans on its own account in certain areas of its private-client segment, which must also be classified as default risks. These default risks are managed on the basis of single-transaction credit approvals, rigorous, regular and extensive portfolio monitoring and audits performed by the internal auditing department. In light of the fact that the greater part of the portfolio is secured by property assets and securities, the risk of default is limited. Appropriate valuation allowances were made for risks associated with loans. The risk of changes in interest rates is low due to the low term transformation and is monitored and assessed on a continuous basis.

MLP is confident that it is not exposed to significant performance-related risks.

Business environment and sector-related risks

An extended decline in market share in the target group could conceivably have a negative impact on the business development of the MLP Group. A decline of this kind could result from a substantial impairment of our corporate image. MLP is currently under investigation by the Public Prosecutor’s Office. The outcome of this investigation could affect MLP’s corporate image to an extent that could in turn impact upon future business development. Although it is not possible to predict the effects of this situation at the present time, a negative influence cannot be ruled out.

Client loyalty to MLP depends to a considerable degree on MLP consultants. Therefore, MLP will continue to focus on quality in the selection and training of MLP consultants. At Group level, additional quality assurance measures have been taken for the purpose of counteracting potential image loss. Because MLP offers unique, tailor-made products for its target group, MLP does not anticipate that market shares in target groups served by MLP will decline to an extent that would pose a significant danger to business operations.

MLP could also be exposed to the negative influence of pesistent weakness in the general economy in Germany and the resulting deterioration of financial strength in its client base. Such a development could emerge from increased unemployment among university graduates in Germany. Although unemployment among university graduates rose in 2002, it nevertheless remains at a relatively low level. In the long term, this risk should be limited by an increasing international orientation. Sustained weakness in the economy is not regarded as a serious risk to MLP.

It should also be noted that conditions affecting the financial services sector could have an effect on new business and the susceptibility of existing contracts to termination. Such developments could include changes in tax incentives for private life insurance policies, restrictions affecting private health insurance or significant movements in capital markets – such as stock market developments resulting in changes in investor behaviour. MLP confronts these risks with a consulting concept which combines a variety of elements from the banking and insurance sectors in a manner designed to meet the needs of our clients. Thus, for example, products for which no subsidies or tax incentives are offered can be replaced by new subsidized products. Through the progressive expansion of corporate client business, increased revenue can be generated from corporate client consulting and corporate client brokerage services. This will also enable MLP to participate in the growth of the corporate pension market.

Overall, we do not feel that MLP is exposed to serious business environment or sector-related risks.

Information technology risks

An extended IT system failure would pose a risk for MLP, as a large number of central business processes depend upon IT systems. In keeping with the importance of information technology for MLP, the following measures have been instituted to ensure optimum IT security:

1. The intensive use of information technology is controlled at MLP by a Steering Committee composed of representatives at board level from each MLP company. Support for the implementation of decisions made by the Steering Committee is provided by an Operations Committee and an IT Controlling Department. This organizational structure enables MLP to pursue a uniform IT strategy throughout the Group.

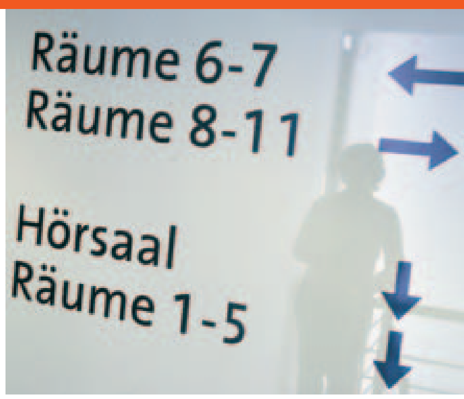
2. For the most part, MLP uses standard software provided by well-known suppliers and used by other companies – including other banks and insurance companies, for example. In some cases, standard software is supplemented by specific applications developed by MLP. In the interest of ensuring complete and effective function, every software programme is thoroughly tested prior to use in MLP systems.

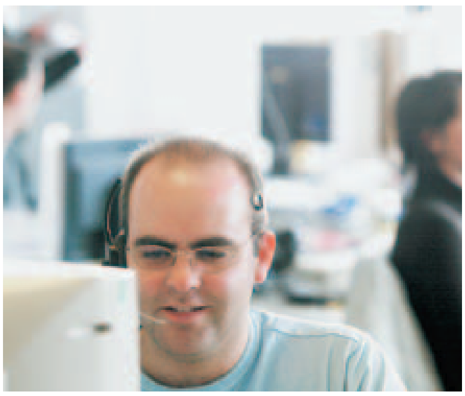
3. Computer centre functions are outsourced to two external service providers and distributed to several different locations. Back-up concepts have been developed for system failures, and service-level agreements providing for short response times have been concluded for essential computer systems. Measures have also been taken to protect against virus attacks and third-party intrusion.

4. MLP systems are protected against unauthorized access by an authorization concept.

IT risks are not assessed as a serious threat to MLP.

We place great emphasis on in-depth training and continuing education for our employees and consultants.





Financial risks

In principle, MLP is able to fund business operations from operating cash flow. MLP's cash flow is controlled by a Group-wide cash-management system. Short-term cash flow plans are based on daily and monthly assessments. Appropriate credit lines have been established at several different banks to cover temporary cash-flow shortages.

The liquidity of the MLP Group depends to a significant degree on the productivity of MLP consultants. Calculations have therefore been performed on the basis of several different scenarios. Given the importance of MLP-consultant productivity, this productivity is subject to continuous monitoring. For this purpose, MLP developed additional tools for the measurement of sales-unit productivity during the past business year.

At the strategic level, the risk of financial losses resulting from temporary declines in new business transacted by MLP consultants can be reduced with income from funds generated by MLP Lebensversicherung AG, MLP Versicherung AG and MLP Bank AG. Business expansion in all three of these companies has progressed to the point that they are capable of funding their new business largely from operating cash flow.

MLP consultants receive a non-performance-linked advance during their first two years of service in order to assist them in developing their business. Thus, MLP Finanzdienstleistungen AG has accounts receivable accruing from advances to MLP consultants and branch office managers. Defaults on these accounts could represent a risk to the company, therefore they are monitored within the framework of sales controlling. Valuation allowances are made for any accounts receivable which are currently regarded as subject to risk.

The need for valuation allowances for or default of capital investments and other receivables may pose an additional risk. As a matter of principle, capital investments are made only for debtors who have a good credit rating. MLP Lebensversicherung AG and MLP Versicherung AG maintain accounts receivable from clients for insurance premiums. The risk of default is monitored and limited by a payment reminder system. Outstanding accounts were further reduced during the business year.

Statutory solvency regulations prescribe sufficient equity capital backing for companies involved in insurance and banking business. All MLP companies which are subject to these regulations – MLP Lebensversicherung AG, MLP Versicherung AG and MLP Bank AG – are covered by appropriate amounts of unencumbered capital. Planning calculations ensure that sufficient equity capital coverage is available.

The new administrative centre in Wiesloch is currently undergoing major expansion which will enable the Company to concentrate jobs in a single location. The expansion process is expected to generate some 900 workstations. Work on the new facility is being funded in part through long-term loans from external banks.

In the event that additional capital is required, MLP still has authorized capital equivalent to 7,920,000 ordinary shares at its disposal. At the present time, MLP sees no need to exercise its option to issue these shares, and such an issuance is not regarded as advisable under the conditions currently prevailing in stock markets. However, exercise of this option could generate additional funds for further expansion of business operations if the need arises.

MLP is presently not exposed to significant financial risks.

Other risks

Given the small scope of current international operations, the risks associated with international expansion are not regarded as threats to MLP business operations at this time.

The annulment actions filed by two small shareholders against resolutions adopted at the extraordinary shareholders' meeting held on 17 November 2000 are still pending. A detailed statement concerning the contents of these actions and MLP's assessment of the situation was provided in the 2000 Annual Report. The court rulings handed down so far fully confirm the legal position taken by MLP AG. The Regional Court of Heidelberg dismissed both suits in its judgement of 26 June 2001. The appeals of this decision were also unsuccessful: In its ruling of 28 August 2002, the Intermediate Court of Appeals in Karlsruhe denied the appeals in question. A petition for appeal for revision submitted to the German Supreme Court (BGH) was also rejected. The plaintiffs have filed a complaint against the denial of petition for appeal for revision with the BGH. No decision has been rendered with respect to this complaint.

A rigorous and extensive assessment of risks posed to the Group clearly indicates that no further risks which might endanger continued business operations of the MLP Group can be identified at this time.

The risks described above could have a negative impact on the predictions detailed in the following section.

Outlook for MLP AG and the MLP Group for business year 2003

Few signs of economic upswing in 2003

A significant improvement in the state of the world economy is not expected during business year 2003.

Economic experts originally forecast growth at a rate of 1.8 per cent for the countries of the euro region. Most economic research institutes have altered their predictions markedly downward since the outbreak of war in Iraq. The growth forecast issued by the Institute for Global Economy in Kiel, for example, foresees only 1 per cent growth in the euro region and 0.4 per cent growth in Germany. The German Federal Government continues to predict 1 per cent growth, but this seems increasingly unlikely in view of the war in Iraq.

The economic environment offers little reason for optimism in the financial services sector. Persistently weak stock market performance in the new year has worsened the situation in the German banking and insurance sectors. Positive impulses are unlikely to come from investment banking or the private-client sector.

In light of the reforms of the old-age pension and health insurance systems planned by the German Federal Government, it is reasonable to expect a rising number of new products for old-age pension plans and private health insurance policies. The weak economy and resulting consumer uncertainty will also affect loan activity. The inflow into mutual funds is also expected to stagnate at a low level due to the situation at the capital markets.

MLP expects further marked improvement in earnings in 2003

Despite the negative influences cited above, MLP will continue to profit from its specific client structure. Over time, the demand for financial solutions will continue to rise among this increasingly prosperous client group.

Continued growth of the client base

The communication campaign now in progress combined with continuous improvements in transparency should produce a calming influence on the public discussion regarding Group financial accounting. This will strengthen confidence in the Company. At the same time, MLP consultants will also be able to concentrate once again on new client acquisition. They had very little time for this activity during the latter half of 2002, as considerably more time and effort had to be invested in providing guidance and information to existing clients –

an entirely understandable situation, given the predominantly negative media coverage. New client referrals are becoming increasingly important. Whereas referrals accounted for about 30 per cent of new clients in 2002 (2001: 45 per cent), MLP anticipates that this percentage will increase over the next few years. Thus, MLP management anticipates that the total number of clients will reach 575,000 by the end of the current business year.

Moderate rise in the number of consultants

MLP does not plan to increase the size of its consultant force significantly in 2003. A slight rise from about 3,000 at the end of 2002 to a maximum of 3,200 is expected. MLP intends to make use of its training capacities primarily to build on the leadership in consulting. The capacities developed in branches will be exploited more fully in 2003.

Despite a persistently weak economy, MLP expects to improve its performance in all business segments. Given a volume of new business comparable to that of the previous year, MLP anticipates earning pre-tax profits of approximately EUR 65 million in 2003. An increase in the demand for conventional life insurance products is also expected.

Financial basis and investment planning

With liquid funds and short-term securities amounting to roughly EUR 97.4 million and the likelihood of a positive cash flow, the MLP Group finds itself on a solid financial footing in 2003. MLP expects a low level of investment in 2003, as essential investments in IT have been made during the past years. Group investments are expected to amount to EUR 37.4 million, of which EUR 25.1 million are earmarked for the second phase of construction at Group headquarters in Wiesloch and for office and business furnishings and equipment for the Group. EUR 12.3 million are to be invested in Group IT infrastructure.

Dividends

MLP pursues a dividend policy dedicated to ensuring that shareholders benefit from the Company's success. A dividend has been paid every year since MLP went public in 1988. Due to balance sheet adjustments having a one-time negative effect on the Company's earnings picture, no dividend is to be paid for business year 2002.

Medium- and long-term planning

In the medium and long term, MLP plans to return to a growth course for its client base and earnings from ordinary business operations, which exceeds the average of the financial services sector.

The confidence with which this aim is pursued is based on the following key factors:

- MLP is Europe’s leading independent financial services provider for university graduates and affluent private clients.

- The widely recognized qualifications and consulting strengths of MLP consultants represent a solid basis for long-term corporate success.

- With its unique brokerage platform strategy, MLP offers an all-round financial concept that covers the full range of financial services.

- MLP is able to offer tailor-made financial solutions at favourable conditions.

- Given their strong career potential, MLP’s more than 500,000 clients represent a unique asset in the European market. MLP will therefore focus on expanding its client base.

- With their extensive know-how, MLP’s nearly 3,000 consultants offer their clients comprehensive guidance and support over the entire life cycle.

- Private old-age pension plans and private health insurance will continue to gain in importance. Proposals for legislative reforms also support this trend.

Heidelberg, 31 March 2003

The Executive Board

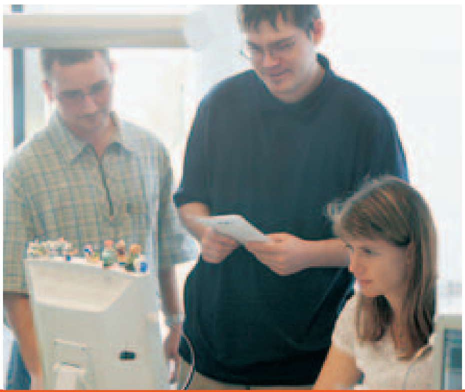
Dr. Bernhard Termühlen

Eugen Bucher

Gerhard Frieg

Dr. Uwe Schroeder-Wildberg





Intelligent financial consulting also requires emotional intelligence. Accordingly, we take great care in selecting our employees.




The MLP share: Development affected by troubled stock markets and negative media coverage

Slumping stock markets and massive criticism of MLP made 2002 the most difficult year in Company history for MLP shareholders. Although all of the world's major stock exchange indexes suffered significant losses, MLP shares were particularly hard-hit and declined in value by 88 per cent. MLP responded constructively to criticism of its policies and took steps to eliminate existing deficits. These measures included the appointment of a chief financial officer and a comprehensive campaign to enhance transparency.

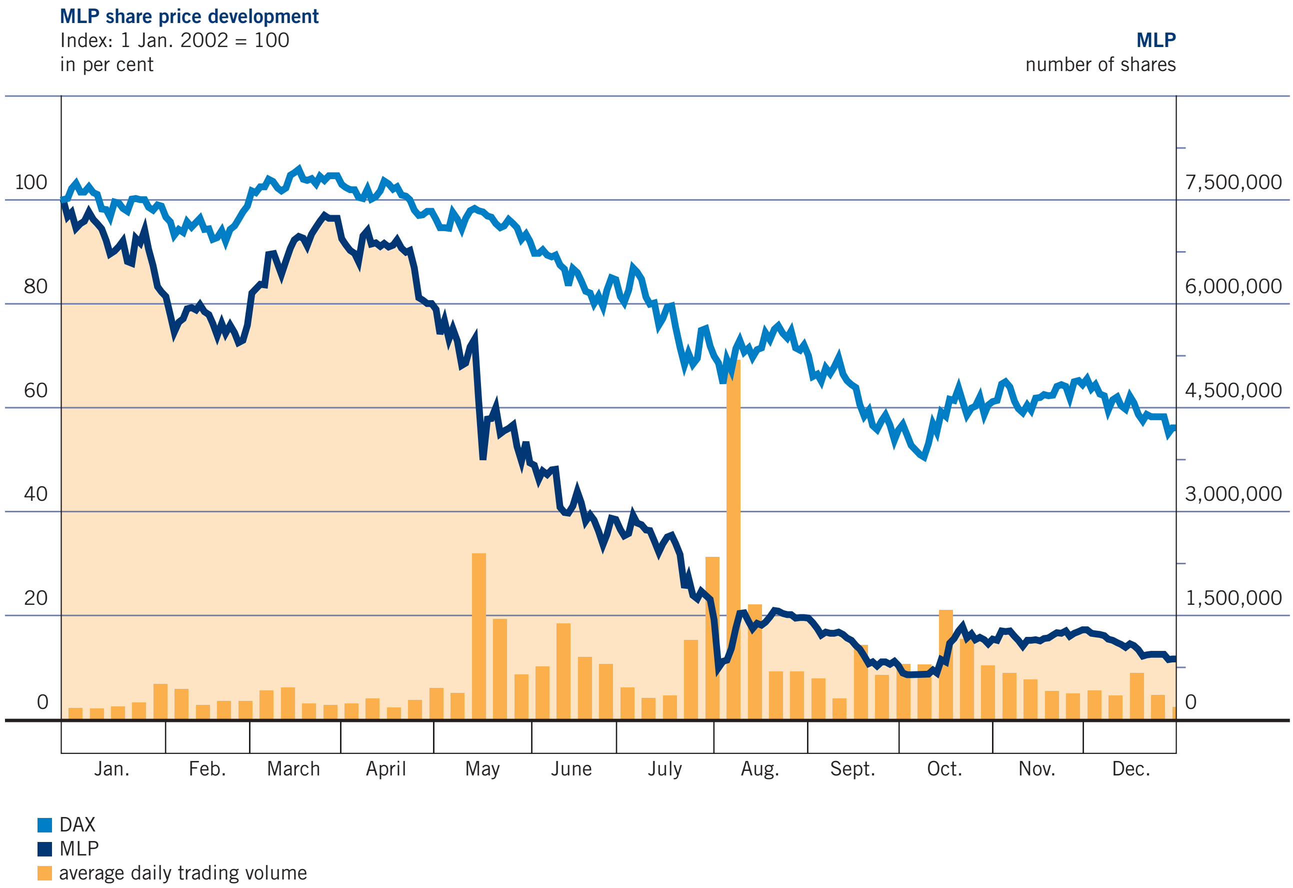
A very difficult year for stock markets

2002 was certainly one of the weakest years in stock exchange history. Fear of war and terrorism, profit warnings and progressive weakening of the global economy over the course of the year forced share prices downward, and many stocks suffered massive losses. The DAX, Germany's most important stock market index, fell by 44 per cent in business year 2002. Marked declines were also recorded on the European Stoxx 50 index (–36 per cent) and the US Dow Jones (–17 per cent) and Nasdaq (–33 per cent) indexes. Financial stocks, including MLP shares, suffered disproportionately heavy losses. The CDAX Financial Services and the DAX 100 Banks & Financial Services indexes each fell by 49 per cent during the year.

MLP share price under massive pressure since May

MLP shares lost 88 per cent of their value during business year 2002. In addition to the general stock market weakness and disproportionate across-the-board losses, media reports on alleged financial accounting irregularities which began to appear in May 2002 had a severe impact on the price of MLP shares.

Until early May, MLP share prices more or less kept pace with the DAX at a relatively stable level, fluctuating between EUR 60 and EUR 80. The price peaked at its year's high of EUR 79.84 on 9 January 2002. The substantial decline of more than 50 per cent by the end of June was triggered by the simultaneous appearance of critical reports in several financial media and massive attacks from a previously unknown source in Switzerland. The accusations related primarily to the Company's financial accounting policies, and they fell on fertile ground in view of the massive downturn on stock markets all over the world that began at about the same time. Despite strong support from respected stock market experts, MLP was unable to regain the confidence of the capital markets.



Share at year's low in early October

Further negative reports put additional pressure on MLP shares in June and July, and the share priced reached a new low following a profit warning. MLP was forced to issue the warning in the face of earnings that fell well below expectations under the influence of prevailing negative business conditions. During the next several months, MLP shares were the focus of stock market speculation. Within two weeks, speculators catapulted the price from EUR 8 to over EUR 17, only to let it fluctuate severely and finally fall to the year's low of EUR 6.12 in early October.

MLP shares remained highly volatile until the end of the year. By analogy with the DAX, which also reached its year's low in early October, MLP shares recovered somewhat by the last day of trading and closed the year at EUR 9.40.

Market capitalization follows share prices downward

Under the pressure of the massive collapse in share value, MLP also lost a substantial part of its market cap. As of the balance sheet date of 31 December 2002, MLP's market cap amounted to EUR 1.02 billion. According to the German Stock Exchange's indexing system, MLP shares were ranked 48th in terms of market capitalization at the end of the reporting year. Average daily turnover was 725,299 shares. On peak trading days in August 2002, as many as 8.0 million shares were bought and sold. Approximately 90 per cent of trading was effected through XETRA. On the basis of trading volume, MLP shares rose in the DAX rankings from 24th to 22nd place.

MLP shares remain listed in the DAX in 2002

MLP shares remained listed in the DAX following the regular review by the German Stock Exchange Commission in July 2002 and after the resegmentation of the stock market in February 2003. The shares are also listed in other major national and international stock market indexes.

Indexes

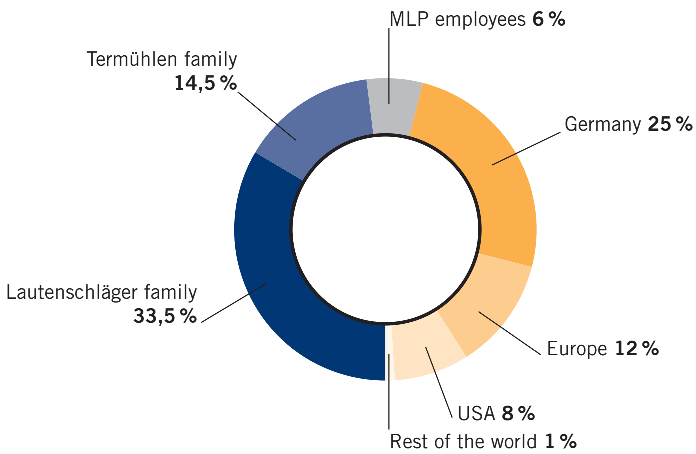
MLP shares are listed in the following indexes:	
DAX	Dow Jones Stoxx 600
DAX 100	Dow Jones Germany Titans 30
DAX 100 Banks & Financial Services	Dow Jones Euro Stoxx Financial Services
CDAX Gesamt	MSCI Germany Small Cap
CDAX Financial Services	

Over half of all shares held by portfolio investors

As in the previous year, the families of Company founder and Supervisory Board Chairman Manfred Lautenschläger and Executive Board Chairman Dr. Bernhard Termühlen held the largest blocks of MLP shares, with 33.5 per cent and 14.5 per cent, respectively. MLP management and employees hold another 6 per cent of shares. For indexing purposes, the German Stock Exchange lists 52 per cent as free float. The total number of shares was increased on 31 May 2002 from 79.2 million to roughly 108.6 million. This measure was based on a capital increase against contribution in kind on the form of shares of the subsidiaries MLP Lebensversicherung AG, MLP Versicherung AG, MLP Vermögensverwaltung AG and MLP Login GmbH.

Institutional investors own more than half of the free float. Except for the two major shareholders, MLP is not aware of any other shareholder who holds voting rights equivalent to more than 5 per cent. In geographic terms, German investors hold the largest portion of shares, while other significant contingents are held by British and North American investors.

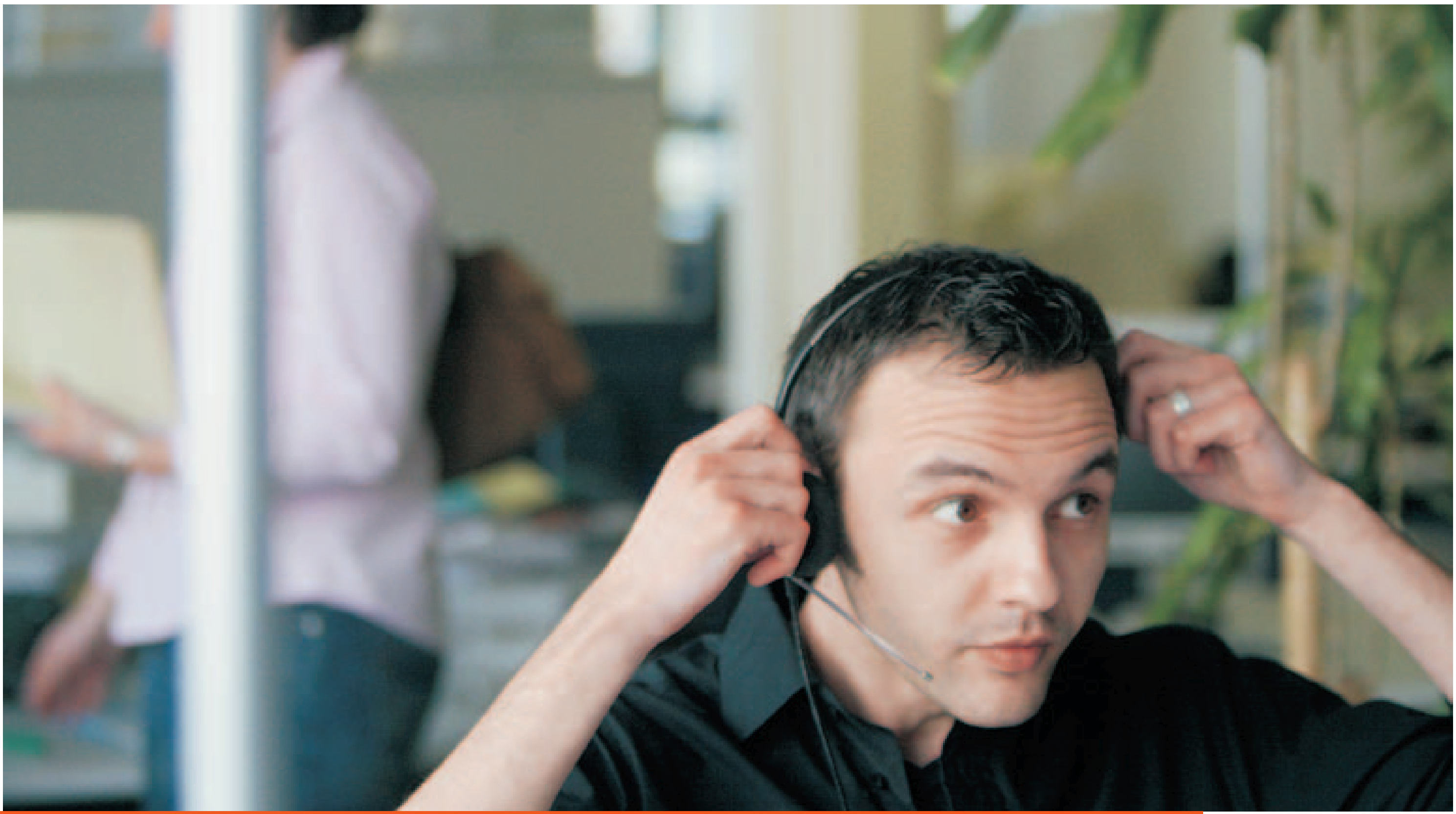
Shareholder structure
in per cent



According to § 15a of the German Securities Trading Act (WpHG), members of the Executive and Supervisory Boards have been required since 1 July 2002 to disclose all transactions involving shares of their own company (so-called directors' dealings) immediately. MLP meets this obligation via its homepage www.mlp.de.

Dividends and earnings per share

MLP pursues a dividend policy that allows shareholders to participate in the Company's success. Thus, dividends have been paid every year since MLP went public in 1988. In view of the changes in accounting adopted during business year 2002, which had a one-time negative effect on Group earnings, no dividend is to be paid for business year 2002.
DVFA profit per share fell from EUR 1.05 to EUR –0.23.



High-quality consulting goes hand in hand with first-rate training.

Key data	
Number of shares issued as of 31 December	108,640,686 shares
Share price as of 31 December	EUR 9.40
Year's share price	
– high	EUR 79.84
– low	EUR 6.12
Market capitalization as of 31 December	EUR 1.02 billion
Trading volume (average daily turnover)	725.299 shares

Investor relations activities significantly expanded

During the reporting year, MLP took part in numerous road shows, conferences and business analysts' conferences in Europe and North America and also maintained close contact with its most important investors through conference calls and one-on-ones. Despite the difficult business situation, over 30 of the most highly reputed financial institutes in the world continue to monitor and analyse MLP shares. Efforts have also been made to strengthen dialogue with private investors. In this context, MLP participated in the 1. Stuttgarter Aktienforum organized by the Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW).

Basic MLP share data	
WKN (security ID number)	656 990
ISIN	DE0006569908
Reuters code	MLPG.ETR
Bloomberg code	MLP GY
Most important trading venue	XETRA
Other trading venues	all German stock exch.

Comprehensive information for all investors

MLP now relies to an increasing extent on the Internet as a medium of communication, particularly with private investors. The purpose of this policy is to ensure that all investors are treated equally. Information about the Company and its shares, live transmissions of conference calls, analysts' meetings and press conferences are offered at the website www.mlp.de. Quarterly and annual reports can also be downloaded from the site.

In addition, interested investors are invited to join the MLP Shareholders' Club in order to receive more in-depth information about the Company.

Corporate Governance

The term "Corporate Governance" refers to standards for responsible and transparent corporate management.

The presentation of the German Corporate Governance Code provided us with a yardstick against which internal rules and procedures of the Supervisory Board, the Executive Board and the Annual General Meeting as well as our transparency and our corporate accounting and auditing during the past business year were to be measured. On that basis, the Executive and Supervisory Boards developed a set of principles for corporate governance which were adapted specifically to the MLP business model and are published on our website (www.mlp.de). The members of the Supervisory and Executive Boards and the management of MLP are bound by these principles and have made corresponding declarations of commitment.

The Executive and Supervisory Boards do not regard these principles for corporate governance as rigid directives intended to apply for all times but as standards which will be subject to continuous adaptation and optimization. Thus, they will undergo periodic review on the basis of new insights, new laws and regulations and changing national and international standards. Suggestions from shareholders, clients and employees will be taken into consideration. A key element in this process is the appointment of a Corporate Governance Commissioner, who will report to the Executive and Supervisory Boards.

MLP AG already largely complies with the recommendations of the Government Commission for the German Corporate Governance Code. Specific departures from these recommendations are based upon important considerations which are detailed in the Declaration of Compliance submitted by the Executive and Supervisory Boards and reprinted below.

In many areas, the corporate governance principles of MLP go beyond the recommendations of the German Corporate Governance Code. References to the relevant sections of the German Corporate Governance Code are provided to facilitate comparison.

In December 2002, the Executive and Supervisory Boards submitted the first Declaration of Compliance in accordance with § 161 of the German Corporation Law (AktG). This declaration states that MLP AG complies with the recommendations of the Government Commission for the German Corporate Governance Code in all but very few points. One of these qualifications was eliminated, after which the Executive and Supervisory Boards amended the Declaration of Compliance in accordance with § 161 AktG in January 2003 and made it permanently accessible to shareholders on the Company's website. The text of the declaration is as follows:

"On 26 November 2002, the Federal Ministry of Justice published the recommendations of the 'Government Commission for the German Corporate Governance Code' in the version of 14 November 2002 in the official announcements section of the electronic Federal Government Bulletin. The Executive Board and the Supervisory Board hereby declare that of these recommendations the following were not or will not be met during business year 2002:

Item 7.1.1, Sentence 3 (Accounting: International Principles of Accounting)

The German Corporate Governance Code provides that consolidated financial statements and interim statements are to be prepared in accordance with internationally recognized accounting principles. For technical reasons, this recommendation will not be applied by MLP to the consolidated financial statements before the end of business year 2003.

Item 7.1.2, Sentence 2, Clause 1 (Accounting: Consolidated Financial Statements)

According to the provisions of the German Corporate Governance Code, the consolidated financial statements are to be published within 90 days of the end of the business year.

Due to technical accounting constraints, MLP is unable to meet this requirement. The consolidated financial statements will be published within 120 days of the end of the business year.

Item 7.1.2, Sentence 2, Clause 2 (Accounting: Interim Financial Statements)

According to the provisions of the German Corporate Governance Code, interim financial statements are to be published within 45 days of the end of a given reporting period. Due to technical accounting constraints, MLP is unable to meet this requirement. Interim financial statements will be published within 60 days of the end of a given reporting period."

MLP AG

Executive Board Supervisory Board

- As the leading independent financial services provider for university graduates and discerning private clients in Europe, MLP concentrates on financial consulting for these client groups.
- MLP stands for a unique, high-quality comprehensive financial concept.
- As a broker, MLP offers its clients individualized, tailor-made financial solutions.
- MLP serves more than 500,000 clients with above-average income and wealth potential.
- MLP is the financial services provider with the most modern and innovative information technology.

Conditions ensure sustained growth

As Europe's leading independent financial services provider for university graduates and discerning private clients, MLP serves a market that is expected to become increasingly dynamic in future. Since going public in 1988, MLP has continually achieved double-digit annual growth. One of the reasons for this excellent outlook is a trend that is characteristic of European society as a whole: population ageing.

Population ageing – a challenge to future societies

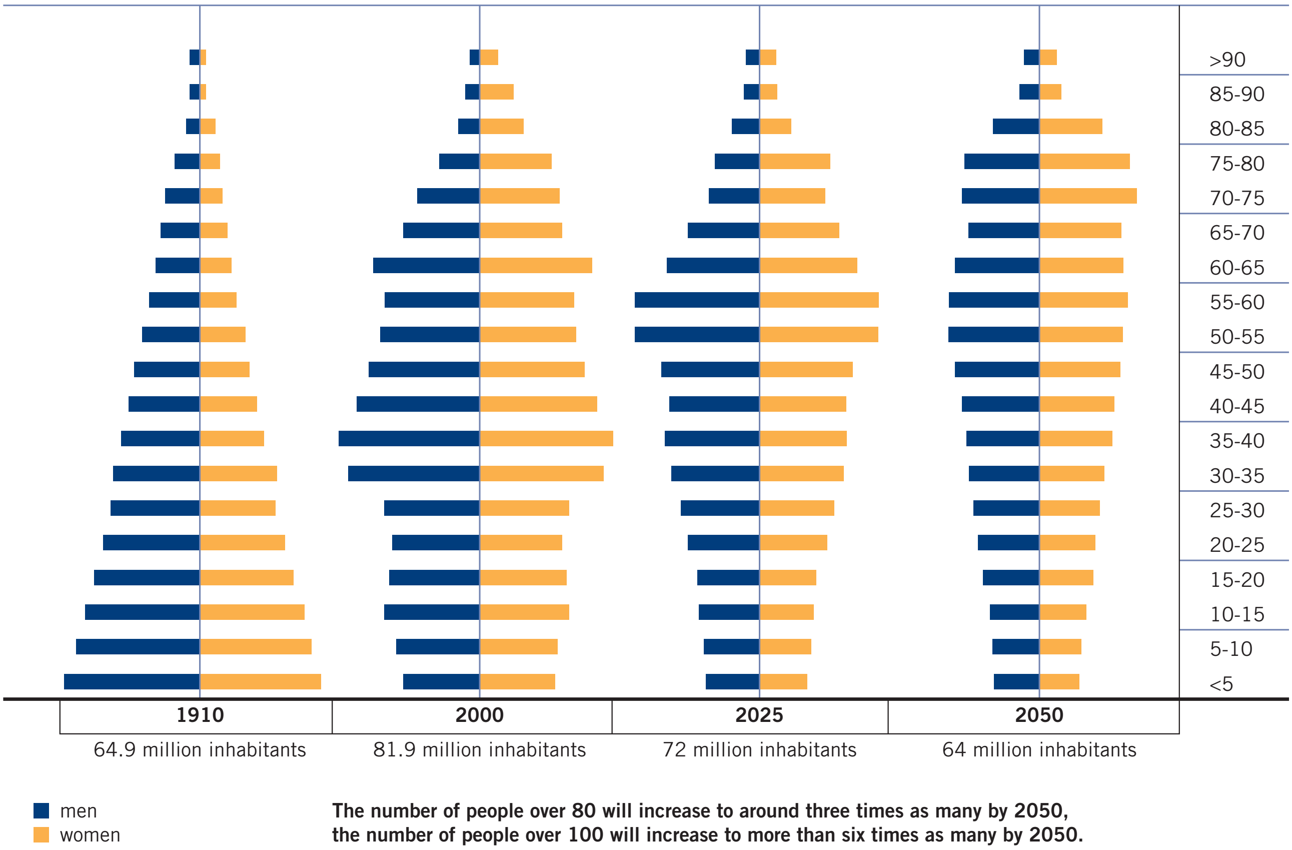
The demographic phenomenon of population ageing is the product of declining birth rates in most industrialized countries coupled with a higher average life expectancy. Average life expectancy for European males rose from 68.4 years in 1970 to 74.9 years in 2000, and for women from 74.7 to 81.2 years during the same period. This trend is expected to continue. Thus, while the number of older people is steadily rising, the number of younger people – particularly those of working age – is steadily declining. The most dramatic effect of this development is its impact on old-age financial security. A look at the German old-age pension system gives a good indication of the scale of the problem: While two people contribute to the system for every person receiving benefits today, the ratio is expected to rise to 1:1 by the year 2030.

If the existing system of old-age pension funding, i.e. the principle of covering pension benefits with current pension contributions, remains in force it will be necessary – under the economic conditions prevailing today – either to double pension contribution rates or to halve statutory old-age pension benefits by the year 2030.

Major reforms planned for the health care system

The same applies to the health care system, which is also funded on the above principle of "pay-as-you-go". The system does not provide for sufficient capital reserves to cover shortfalls during difficult times, although the per capita costs of health care increase significantly in old age, especially when the costs of care during periods of infirmity are taken into account. Thus, the health insurance system now faces the threat of a virtual cost avalanche. As the elderly population expands, the contribution base continues to shrink.

Germany's changing age distribution
Age in years



The number of people over 80 will increase to around three times as many by 2050, the number of people over 100 will increase to more than six times as many by 2050.

Source: Prof. Dr. Birg (Institut für Bevölkerungsforschung und Sozialpolitik, Bielefeld; November 1999)

Gaps in coverage must be filled by private investments in old-age provisions

It is becoming increasingly clear that the state will be unable to support the public social security system in its present form beyond the short term. The role of the public sector in social security will presumably be reduced to a minimum as the government shifts the burden of responsibility to private citizens. To an increasing extent, individuals will be called upon to fill gaps in social security coverage on their own initiative and to cut back on expenditures for consumption in favour of contributions to health insurance and old-age pension schemes.

In this context, private social security will require a shift away from the government-regulated contribution coverage system in favour of a capital-based system in which pensions and health costs in old age will be funded from capital accumulated by private citizens during their working lives. On the one hand, this ensures significantly broader property rights; on the other, it will offer private citizens greater latitude for individual solutions and positive incentives for self-initiative.

The current public debate on the reform of the health care system and the resulting intensification of focus on private supplementary insurance is likely to produce an increase in demand for corresponding products from financial services providers.

Acceptance low for “Riester Pension”

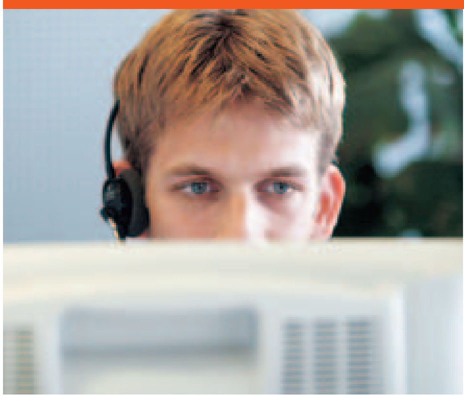
The “Riester Pension” represents a first small step toward a private, capital-based old-age pension system in the Federal Republic of Germany. However, this approach does not even come close to meeting the challenge posed by the demographic trend anticipated for the years to come. Complicated prerequisites for subsidies and restrictive government requirements regarding product design make the “Riester Pension” difficult to understand and diminish its appeal to private citizens. According to a recent survey conducted by the German Institute for Old-Age Security, 72 per cent of all German citizens between the ages of 18 and 65 do not intend to conclude a “Riester Pension” contract. This clearly suggests that the “Riester Pension” in its present form does not represent a solution to the problems the old-age security system is facing. Thus, the demand for other pension concepts can be expected to increase substantially in the years to come. This creates a strong market potential for MLP as a financial services provider with many years of experience in developing individualized old-age pension concepts for its clients.

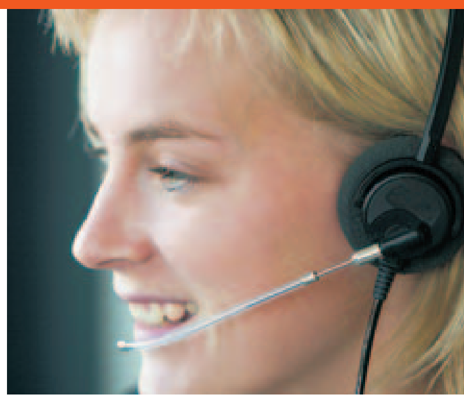
A marked increase in inherited assets

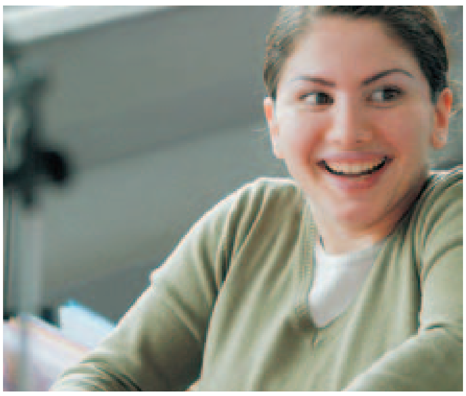
Another factor favouring continued growth for MLP is also the product of demographic developments. The number of inheritances has increased significantly during the past ten years. The total value of inherited assets has doubled over the last 15 years, and this trend will continue in future. One of the consequences of this phenomenon is that the number of households classified as very affluent in 2000 will rise from 2.6 million to nearly 4 million by the year 2005.

The increase in disposable private wealth necessarily fuels the demand for investment solutions. Strong growth rates are predicted especially in the fields of asset management and asset consulting, as most investors will be looking for individualized concepts that reflect their personal investment goals and risk/return profiles.

Contexts are more important than figures. We offer our clients tailor-made financial solutions.







Keys to success for MLP

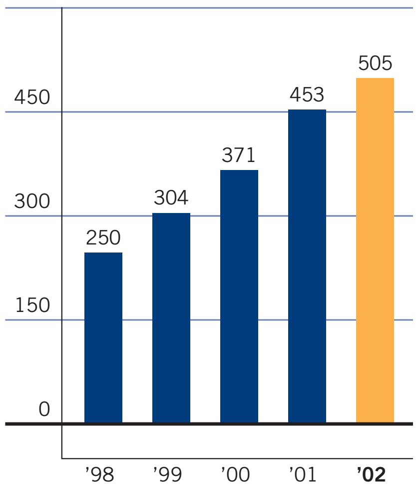
A unique comprehensive financial concept creates a competitive advantage

In order to realize its outstanding growth prospects, MLP has developed a business model based on a unique comprehensive financial concept. The Group combines the expertise of a brokerage firm, a bank with an asset management department, a life insurance firm and a non-life insurance company. This places MLP in an unrivalled position in the financial services market. The bank and the life insurance and non-life insurance companies operate as brokerage platforms. They develop and customize financial solutions and organize the interaction between independent brokers and their clients. On the basis of modules provided by a wide range of banks, investment companies and insurers, these companies develop individualized financial solutions tailored to meet the needs of their clients, working closely with clients to define specific goals and wishes for the different phases of life.

Outstanding client structure

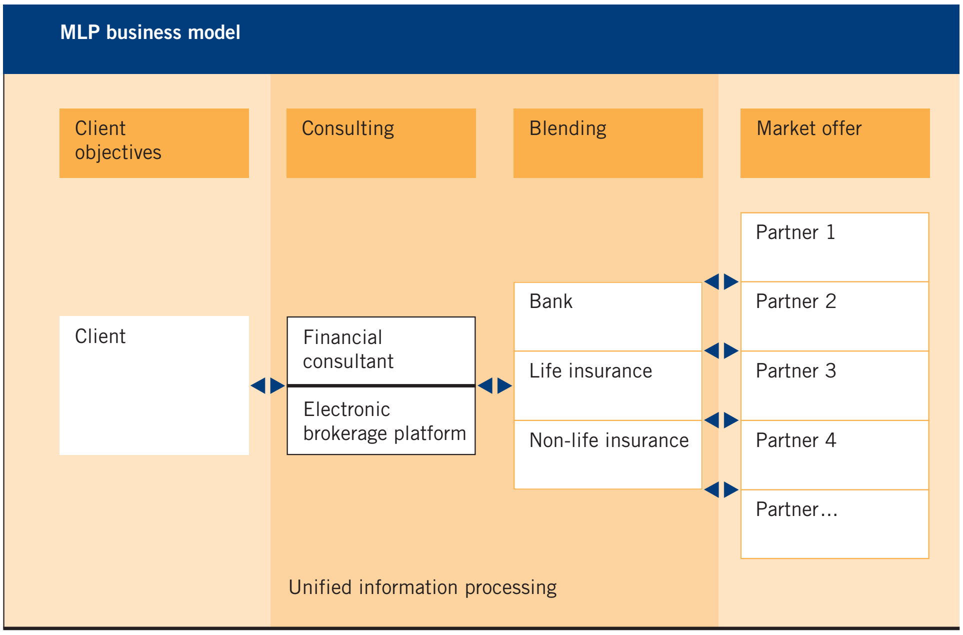
MLP defines its primary client group as consisting of discerning university graduates, i.e. people who not only have more favourable income expectations than the average European household but also have substantially greater insurance and social security needs and exhibit extremely attractive risk profiles. Two-thirds of MLP's new clients are less than 34 years of age. As of the balance sheet date for 2002, the average age of the 505,000 MLP clients was around 34.

Client base
in thousands



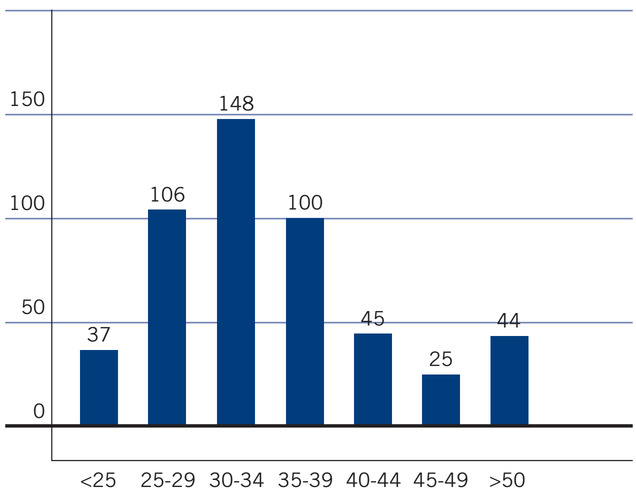
MLP has developed a clearly defined target group consisting of university students and graduates in the fields of engineering, law, medicine, dentistry, and business and economics. Particular emphasis is placed on clients who are likely to achieve affluence. They lay the foundation for their professional careers at universities. Some 220,000 people graduate from German universities every year. Of these, about 50 per cent earn degrees in the fields favoured by MLP.

Strong client loyalty ensures MLP sustained growth and offers compelling evidence of a high level of client satisfaction. A satisfied client is the best possible advertisement for MLP. Many of the newly acquired clients within the target group are already well along the way in their careers. Due to their relatively higher incomes and income expectations, as compared to university graduates, they represent a particularly interesting client group.

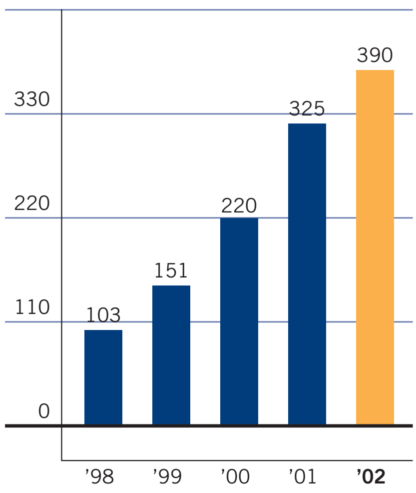


In addition to its private clients, MLP also works successfully with numerous corporate clients whose needs with respect to corporate retirement pension schemes have increased substantially in recent years. More than 240 MLP consultants have specialized in corporate pension schemes and are ideally qualified to provide consulting support for companies developing corporate pension schemes. MLP has closed contracts for pension programmes with prominent corporate clients in all business sectors.

Client age groups
in thousands



Branch offices



High-quality consulting

MLP consultants focus their consulting activities on specific occupations and age groups. Young consultants, for example, advise university graduates and clients just starting out in professional life. Clients who have already acquired several years of career experience are served by consultants who have reached a comparable stage of professional life.

Consultants receive systematic training focused on the specific requirements of their respective occupational groups at the MLP Corporate University.

Proximity to the client and the above-average qualifications of MLP consultants are key factors in productive cooperation with MLP clients. MLP places great emphasis on this aspect, applying a principle that has worked well for more than 30 years: Consultants who work for MLP are highly qualified and work exclusively and full-time on behalf of MLP. Nearly all MLP consultants are university graduates themselves, and about 70 per cent have degrees in business or economics. Most of these consultants serve clients with comparable educational backgrounds and career experience. The advantage this offers is that consultants speak the same language as their clients and have a more thorough understanding of their specific needs and desires.

Optimum training concept

A university degree is the ideal basis for new employees who enter the lengthy and intensive training programme leading to qualification as an MLP consultant. The training programme prepares them for the specific profession of the MLP consultant. During their first two years with MLP, they learn the basic principles of the MLP comprehensive financial concept. Every new employee completes about 300 hours of instruction during the first three months at the Company. By the end of the second year, each consultant-trainee has completed another 400 hours of training, delving progressively deeper into the specific principles and practices of comprehensive financial consulting. Over the course of the next few years, MLP consultants participate regularly in advanced training programmes on the campus of MLP Corporate University and in the seminar rooms maintained at MLP branch offices. Consultants complete the MLP training programme described above in two years. After two further years, a consultant is expected to achieve full productive potential. At present, only approximately one-fourth of MLP consultants have reached the full-productivity phase. In other words, the majority of consultants are still in the process of building their client base. From the standpoint of MLP, this means that the organic development of qualified consultant personnel will be reflected in continuous revenue growth in the coming years.

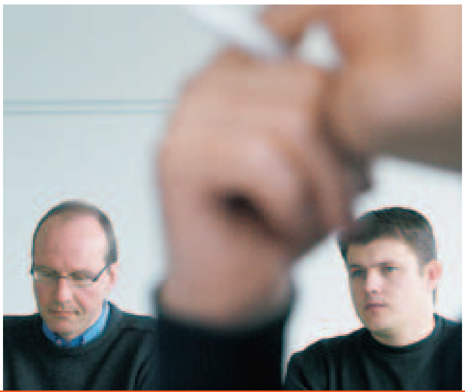
The training and continuing education programmes of the MLP Corporate University set progressively higher standards of quality and training intensity for the financial services sector. In order to ensure optimum training and continuing education for the rising number of MLP consultants in the future as well, capacity has been expanded over the past years to provide for 270,000 man/days of training annually.

MLP with the lowest fluctuation rate in the financial services sector

Due primarily to massive public criticism of MLP during the year 2002, consultant fluctuation rose to 20 per cent, well above the rates of previous years. However, a 20-per-cent fluctuation rate is unusually low for the financial services sector. Two-thirds of the consultants who left the Group were relative newcomers who had been with MLP for less than two years. A similar effect can be observed in many consulting companies during periods of staff expansion. MLP anticipates that the fluctuation rate will decline to a much lower level once the focus of public concern shifts again to ordinary business operations.



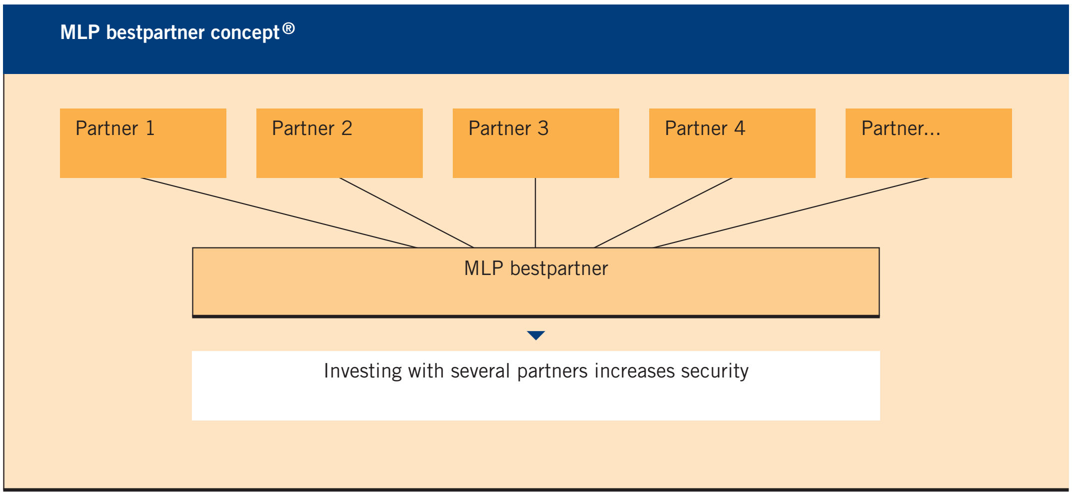





University graduates advise university graduates – that is an integral part of our strategy. Nearly all MLP consultants have university degrees.

Tailor-made solutions: The MLP bestpartner concept®

MLP develops individualized financial solutions from the banking and insurance sectors for its clients. The starting point is a thorough analysis of the client's needs. On the basis of that analysis, solutions designed to address specific customer needs are then "tailor-made" within the framework of the bestpartner concept®.



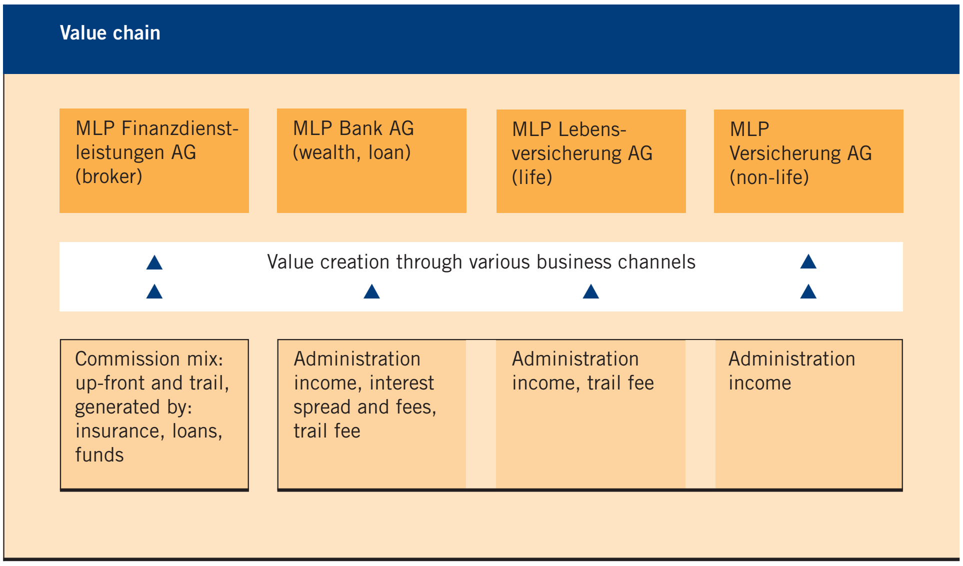
MLP applies its bestpartner concept® to the fields of social security/health insurance and financial, asset and risk management. Clients' premiums are distributed among several high-performance partners. This helps to cut costs and increases the probability of achieving above-average returns while ensuring a broad diversification of the capital.

For this purpose, MLP relies on extremely innovative information technology. MLP also uses the kind of electronic brokerage platforms employed by investment consultants world-wide for insurance services. This use of electronic brokerage platforms for multiple purposes is unprecedented in the world.

Equally unique is the MLP Internet banking service. In addition to the benefits offered by online banking, clients also have instant access through the MLP Financial Pilot to all MLP banking and insurance contracts, as well as those of selected other providers. Thus, clients can review their complete account, asset, liquidity and insurance status at any time. Clients also use the Financial Pilot to transact their MLP-brokered securities transactions and have access to information about stock exchanges and financial markets. With its Financial Pilot, MLP sets the state-of-the-art standards for online banking and finance.

Productive value chain

Electronic brokerage platforms make MLP a financial services provider with a broad-based value chain. MLP derives a key competitive advantage from its fundamental orientation to solutions rather than products, a philosophy it is able to apply consistently thanks to its position as a leader in the use of information technology spanning all four business segments – MLP Finanzdienstleistungen AG, MLP Lebensversicherung AG, MLP Versicherung AG and MLP Bank AG.



The MLP business segments

Consulting and Sales

Consulting activity occupies a central position at MLP in that it encompasses all types of financial services and is united under the umbrella of **MLP Finanzdienstleistungen AG.** Here, MLP consultants develop individualized concepts for a wide range of different client needs and requirements. Supported by intelligent consulting software that links the different segments, they access the electronic brokerage platforms of the other business segments and create optimum financial solutions for each specific objective.

MLP Finanzdienstleistungen AG	2002 EUR million	2001 EUR million
Sales revenues	363.6	378.8
Segment pre-tax profit/loss	–96.2	118.5
Clients	504,858	453,017
Branch offices	390	325
Financial consultants	2,989	2,566

Brokered new business	2002 EUR million	2001 EUR million
Life insurance in EUR billion premium sum	6.3	6.0
Health insurance annual premium	74.7	71.0
Inflows in mutual funds	664	995
Loans	893	1,120

Continuous organic international expansion

The long-term goal of MLP is to export its successful business model to the international context, adapting it to the specific requirements of the different countries. Business activities in Germany serve as a model for this process. Thus, for example, MLP has been active in Austria since 1995 and has initiated operations in Switzerland, the Netherlands and Great Britain over the course of the following years. The first branch office in Spain opened in 2002. Current plans call for expansion into other European countries as well. At present, MLP maintains 43 branch offices outside Germany (2001: 32) staffed by 221 MLP consultants (2001: 190). In 2002, business operations abroad accounted for EUR 13.3 million of sales revenue.

Like their counterparts in Germany, the international branch offices focus on university graduates and professionals. Annual graduates in the occupational fields of greatest interest to MLP – law, medicine, engineering, and business and economics – number about 80,000 in Great Britain, 50,000 in Spain, 10,000 each in Switzerland and Austria and 15,000 in the Netherlands. With roughly 100,000 university graduates in the relevant fields, France is second among European countries only to Germany and represents another interesting future market for MLP.

In 2002, the tempo of international expansion was adjusted to keep pace with general business development. Under the influence of the weak economy, the customary costs associated with initial efforts to establish a foothold in new markets were higher than originally predicted. MLP is confident that its strategy is sound and plans to pursue further international expansion in keeping with the corporate philosophy of organic growth.

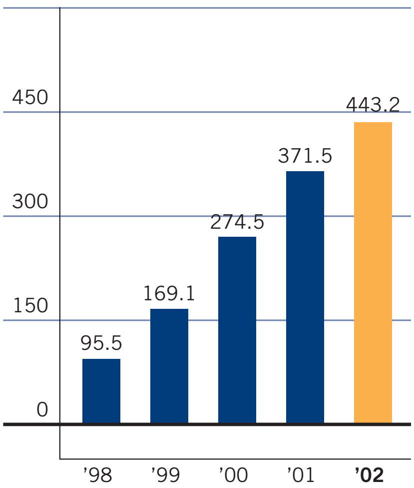
Life Insurance segment

MLP Lebensversicherung AG focuses primarily on unit-linked life insurance and retirement insurance plans, although conventional life insurance, retirement insurance, term life insurance and occupational disability insurance policies are also offered by this business segment. With regard to these types of insurance, MLP collaborates on the basis of the MLP bestpartner concept with a number of different insurers within the framework of a consortium and consistently underwrites only small policy shares itself. This enables MLP to shift its brokerage activity to the policy level, remain independent and keep its own risk to a minimum. Thus, MLP clients enjoy the benefits of highly diversified products involving several partners at the price of a single contract.

MLP Lebensversicherung AG	2002 EUR million	2001 EUR million
Premium income	443.2	371.5
Segment pre-tax profits*	51.8	14.3
Unit-linked investment stock	800	768
Total additions (insured amount in EUR billion)	3.0	4.2
– of which unit-linked (in EUR billion)	2.4	2.5

* incl. MLP-Lebensversicherung AG, Vienna (until 30 September 2002)

MLP Lebensversicherung AG
Premium income
in EUR million



Business performance in the field of occupational disability insurance was particularly gratifying in 2002. Thanks to its advantageous client structure, MLP is in a position to offer especially attractive benefits and favourable terms on policies of this kind. For example, MLP pays policy benefits beginning on the date of occupational disability even in cases in which the policyholder has taken other work and, thus, suffers no financial disadvantage.

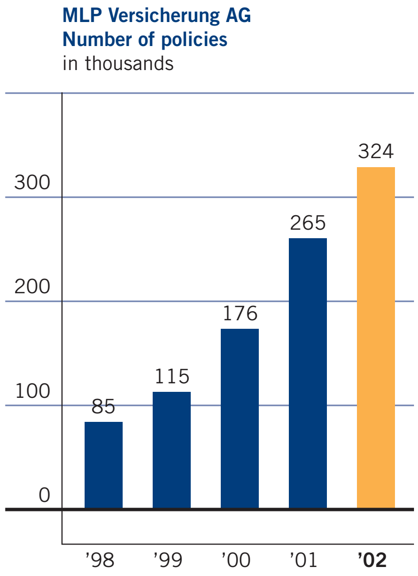
Leaner structures

MLP Lebensversicherung AG sold its stake in MLP-Lebensversicherung AG, Vienna, to the UNIQA Group in 2002. This transaction had been planned for some time as a part of the Group's restructuring and streamlining programme. In Austria, MLP Finanzdienstleistungen AG will continue to offer unit-linked life insurance policies created by the German MLP Lebensversicherung AG in future as well. This will enhance efficiency and generate additional cost advantages.

Non-life Insurance segment

MLP Versicherung AG caters for the risk management needs of private clients in the form of non-life insurance policies (accident, liability, household, legal insurance etc.) on the basis of an electronic brokerage platform. Because MLP clients file claims at a rate significantly below the national average and thus have a much better risk profile, the excellent price/performance ratio of MLP solutions places them within the top class of non-life insurance products. Here as well, risks are insured in collaboration with numerous insurers who underwrite individual policies brokered by MLP. MLP also underwrites certain shares of risks in

MLP Versicherung AG	2002 EUR million	2001 EUR million
Premium income	30.3	23.4
Segment pre-tax profits	1.7	2.8
Number of policies	324,000	265,000



amounts depending upon the specific type of insurance in question. In addition, MLP handles the entire administrative process, from policy preparation to premium collection to claims settlement.

The Banking segment

The core business of MLP Bank AG comprises MLP mutual fund asset management, mortgages and practice financing, current accounts and credit cards.

Within the framework of its structure-optimization programme for the Group as a whole, MLP effected the merger of MLP Vermögensverwaltung AG and MLP Bank AG in the year 2002, thus simplifying business processes and ensuring more effective use of available resources. This move is expected to produce sustained cost-cutting effects.

The MLP Bank manages mutual fund asset management and unit-linked life insurance portfolios. In managing these portfolios, the MLP Bank also serves as a portfolio designer. Moreover, MLP acts as an independent administrator and makes use of public funds managed by prominent investment companies within the framework of the MLP bestpartner concept.

One of the most outstanding features of this business segment is its ability to offer individualized investment concepts for MLP clients. A noteworthy example is the MLP Asset Growth Concept designed by leading capital investment firms especially for MLP.

As a component of the MLP Asset Growth Concept, the “MLP top portfolio” savings plan introduced during business year 2002 is a perfect example of the unique quality of MLP products. The multi-manager approach – which relies on the know-how of the best fund managers for a given mutual fund – also reflects the innovative strength of the asset management programme.

MLP Bank AG	2002 EUR million	2001 EUR million
Interest result	7.5	4.4
Commission result	21.1	10.9*
Segment pre-tax profits	2.1	10.4
Assets under management in EUR billion	2.9	3.3

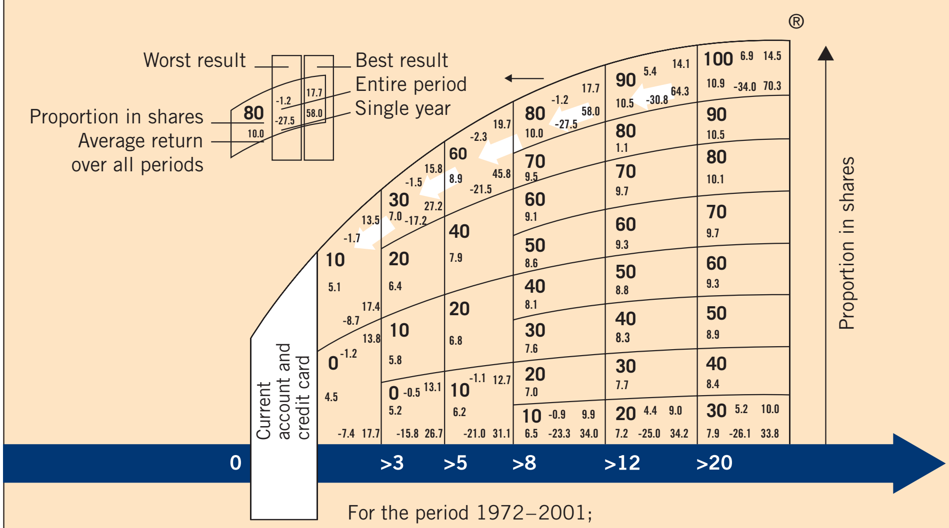
* This figure does not include income of MLP Vermögensverwaltung AG in the amount of EUR13.5 million.

Thus, this professional investment concept can also be applied even to small savings installments. Investors may choose from among 22 portfolios, depending on their own personal investment strategy. In the interest of meeting the investor's need for security, the ratio of shares to low-risk securities is reduced as the investment maturity date approaches.

The weak state of the economy and resulting consumer uncertainty slowed down the flow of funds to this business segment in 2002. However, MLP still recorded a substantial inflow (EUR 664 million) into managed asset accounts in 2002.

The newly structured business segment created through the merger with MLP Vermögensverwaltung AG generates revenue from management fees, interest earnings and recurring fees.

The MLP Asset Growth Concept®



For the period 1972–2001;
actual results in future may be above or below limit values.

The MLP Asset Growth Concept: Depending on the individual goals, investment horizon and risk preferences, customers and MLP financial consultants jointly define the optimum portfolio. General rule: The shorter the investment horizon, the lower the proportion invested in shares.

MLP stays on the road of success

MLP is confident that a more transparent annual report will bring objectivity to public discussion and a renewed focus on ordinary business operations.

In the medium and long terms, this will result in a return to above-industry-average growth. Our confidence in our ability to achieve this goal is based on the following key factors: MLP is not only the market leader among financial services providers in Europe but also offers a unique comprehensive financial management programme. The excellent qualifications of over 3,000 MLP consultants offering individual tailor-made financial concepts has already convinced more than 500,000 clients.

Goals for 2003 include the improvement of operating profitability, achievement of significant net profit and a positive free cash flow as well as a 14-per-cent increase in the number of MLP clients. MLP aims to achieve a total of 575,000 clients by the end of 2003. The Group does not plan to expand its consulting staff significantly. MLP will use its training capacity primarily for the purpose of building its quality lead in consulting and MLP financial services.

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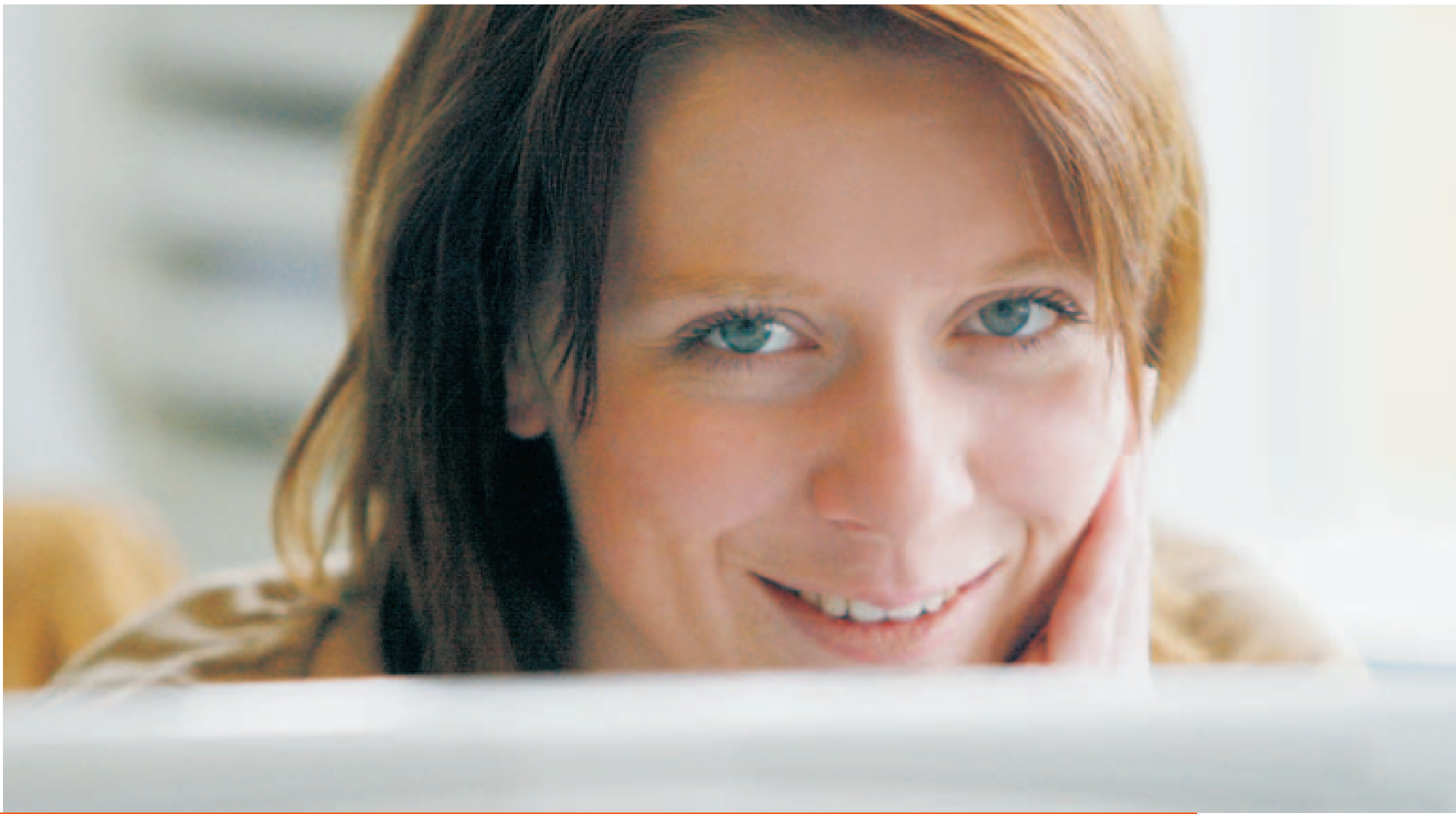
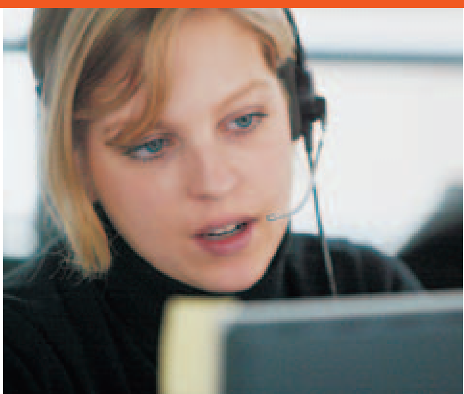
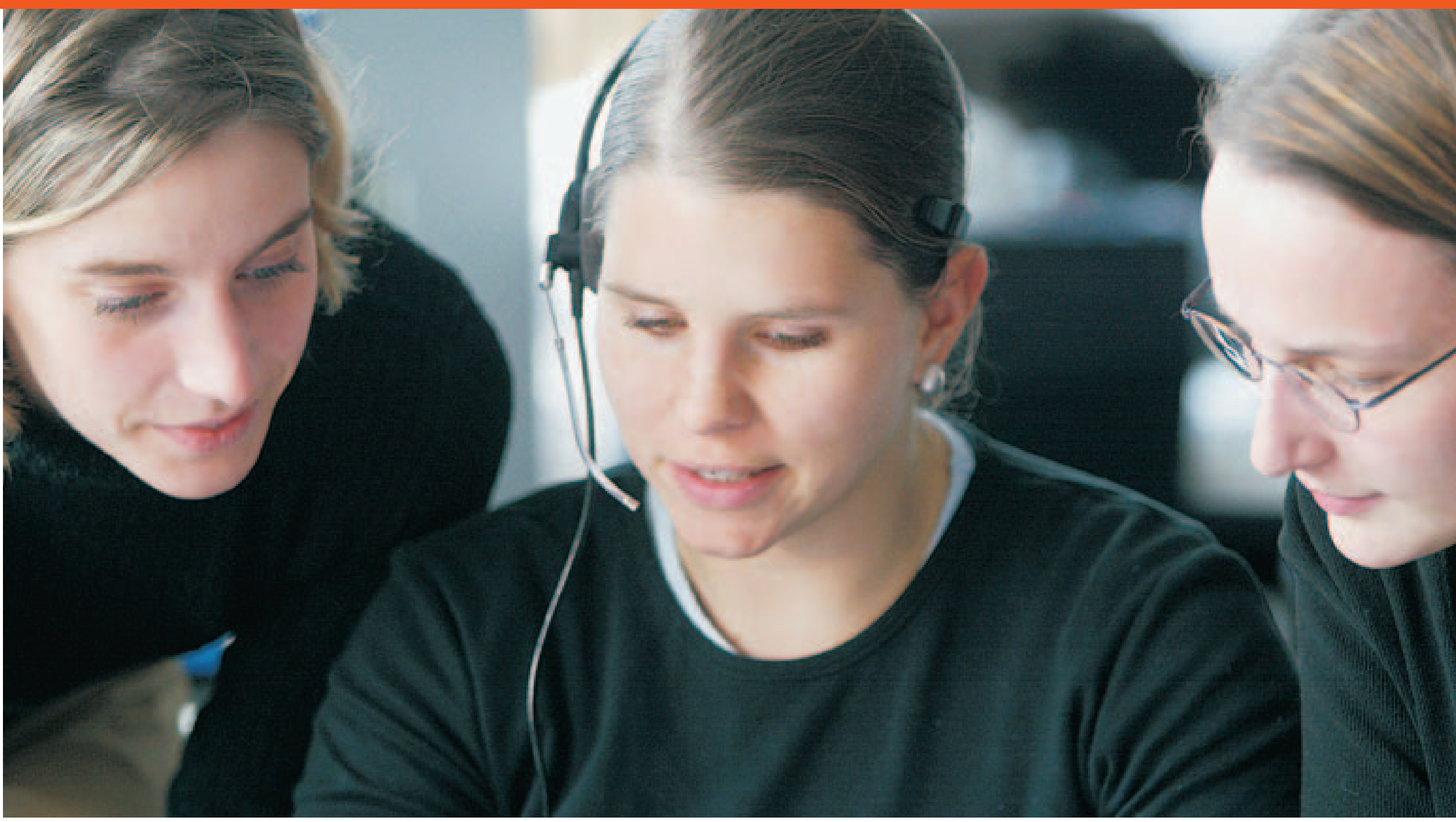


Our most important investment in the future:



Young people with a sense for openness, credibility, fairness and responsibility.



Profit and loss account MLP Group

	Notes	2002 EUR	2001 EUR
1. Sales revenue	1	298,021,470.48	314,238,600.42
2. Other capitalized own work	2	2,296,720.30	6,800,000.00
3. Interest income from banking operations	3	13,431,466.59	9,830,774.76
4. Insurance premiums	4	517,649,759.56	446,609,297.67
5. Income from reinsured business	5	186,553,561.70	240,367,693.56
6. Other operating income	6	108,433,185.76	28,710,473.27
Total revenue		**1,126,386,164.39**	**1,046,556,839.68**
7. Cost of materials	7	–154,933,391.99	–131,314,496.05
8. Personnel expenses	8	–75,462,324.37	–69,090,818.91
9. Depreciation	9	–26,634,311.67	–16,761,512.62
10. Other operating expenses	10	–379,242,735.68	–232,952,401.77
11. Expenses in other accounting periods	11	–120,143,904.00	0.00
12. Expenses related to insurance reserves	12	–46,290,645.39	–234,205,089.26
13. Reinsurance premiums	13	–200,286,205.24	–181,809,335.08
14. Financial result	14	–18,809,938.43	–8,965,191.19
15. Unrealized gains from investments	15	8,964,221.26	17,652,383.74
16. Unrealized losses from investments	16	–150,119,645.94	–38,311,499.92
17. Loss/profit on ordinary activities		**–36,572,717.06**	**150,798,878.62**
18. Taxes on loss/profit on ordinary activities	17	–10,770,023.33	–51,725,853.76
19. Other taxes	18	–242,239.13	–139,510.58
20. Loss/profit for the financial year		**–47,584,979.52**	**98,933,514.28**
21. Result carried forward		48,271,448.37	22,766,023.48
22. Transfers from retained profits		45,130,246.31	0.00
23. Transfers to retained profits	19	–41,309,761.82	–23,981,762.09
24. Minority interest	20	–4,506,953.34	–9,796,832.97
25. Unappropriated profit		**0.00**	**87,920,942.70**

Balance sheet MLP Group

Assets	Notes	31 Dec. 2002 EUR	31 Dec. 2001 EUR
A. Expenses for the start-up and expansion of operations	21	**7,000,000.00**	**9,841,735.00**
B. Fixed assets			
I. Intangible assets			
1. Concessions, trademarks and similar rights and assets and licences in such rights and assets		42,491,433.39	21,359,934.61
2. Advanced payments		9,256,023.85	12,815,839.59
		51,747,457.24	**34,175,774.20**
II. Tangible assets			
1. Land, leasehold rights and buildings, including buildings on non-owned land		54,427,173.85	55,712,072.16
2. Other fixtures and fittings, office equipment		44,923,541.96	34,455,703.19
3. Advanced payments		8,988,149.42	871,681.20
		108,338,865.23	**91,039,456.55**
III. Financial assets			
1. Share in associated companies		169,504.02	60,101.21
2. Interest in associated companies		5,112.92	0.00
3. Investments held as fixed assets		14,257,209.60	32,235,578.01
4. Other loans		143,519.39	191,375.57
		14,575,345.93	**32,487,054.79**
IV. Investment stock of unit-linked life insurance	22	799,801,797.85	889,226,356.46
		974,463,466.25	**1,046,928,642.00**
C. Current assets			
I. Accounts receivable and other assets			
1. Trade accounts receivable	23	77,527,520.64	73,428,140.17
2. Accounts receivable due from bank clients – of which overdue by more than one year: EUR 70,474,000.00 (previous year: EUR 58,580,972.55)	24	228,524,522.53	196,675,276.74
3. Accounts receivable due from associated companies		231,060.10	82,202.91
4. Accounts receivable due from sales representatives (MLP consultants) – of which overdue by more than one year: EUR 51,060,350.14 (previous year: EUR 34,155,020.13)	25	68,027,893.66	53,495,911.64
5. Accounts receivable from reinsured business	26	2,631,853.96	44,019,176.84
6. Payments on account	27	23,088,492.45	0.00
7. Other assets – of which overdue by more than one year: EUR 194,099.18 (previous year: EUR 182,011.84)	28	30,512,331.71	19,595,299.39
		430,543,675.05	**387,296,007.69**
II. Securities			
1. Other securities	29	79,409,547.75	27,417,280.34
III. Cash on hand and on deposit with the Deutsche Bundesbank, cash in other current accounts	30	107,702,707.16	28,613,820.72
		617,655,929.96	**443,327,108.75**
D. Trust assets		**248,610,393.90**	**188,277,257.07**
E. Prepaid expenses and deferred charges	31	**7,028,225.24**	**23,697,596.75**
F. Deferred taxes		**0.00**	**890,400.00**
Balance sheet total		**1,854,758,015.35**	**1,712,962,739.57**

Shareholders' equity and liabilities	Notes	31 Dec. 2002 EUR	31 Dec. 2001 EUR
A. Shareholders' equity			
I. Subscribed capital	32	108,640,686.00	79,200,000.00
II. Retained capital	33	7,602,457.64	7,582,537.64
III. Retained profit	34		
1. Statutory surplus reserve		1,551,057.17	848,403.24
2. Other retained profit		62,044,674.78	71,950,136.84
3. Adjustment for elimination of intracompany results		–1,244,274.62	–3,551,382.48
		62,351,457.33	**69,247,157.60**
IV. Adjustment for shares of other partners		108,208.83	21,696,571.10
V. Unappropriated profit	35	0.00	87,920,942.70
		178,702,809.80	**265,647,209.04**
B. Special item with accrual character	36	**0.00**	**35,834.65**
C. Provisions and accrued liabilities	37		
1. Provisions for pensions and similar obligations		6,104,061.00	5,527,876.90
2. Accrued taxes		5,037,644.56	31,320,931.51
3. Other provisions and accrued liabilities		135,592,346.69	7,369,946.11
		146,734,052.25	**44,218,754.52**
D. Insurance-related reserves and custodial liabilities			
1. Insurance-related reserves for unit-linked life insurance to be covered by the investment stock	38	293,801,111.37	471,294,427.71
2. Custodial liabilities from reinsured business to be covered by the investment stock	39	506,000,686.48	417,931,928.75
3. Other insurance-related reserves	40	31,672,348.02	26,264,684.73
4. Other custodial liabilities resulting from reinsured business		9,145,395.79	8,263,429.55
		840,619,541.66	**923,754,470.74**
E. Liabilities			
1. Liabilities due to banks	41	53,725,605.95	14,658,183.77
2. Advances received		1,484,265.28	3,459,922.12
3. Trade accounts payable	42	26,216,529.76	30,399,638.30
4. Liabilities due to sales representatives	43	43,480,070.80	30,252,301.69
5. Liabilities due to bank clients	44	240,999,131.82	189,201,513.78
6. Liabilities due to associated companies		14,119.80	0.00
7. Liabilities due to reinsured business	45	35,085,033.73	0.00
9. Other liabilities – of which taxes: EUR 4,247,035.05 (previous year: EUR 2,218,841.52) – of which social security: EUR 1,510,848.07 (previous year: EUR 1,435,321.35)	46	38,787,525.84	23,017,473.30
		439,792,282.98	**290,989,032.96**
F. Trust liabilities		**248,610,393.90**	**188,277,257.07**
G. Deferred profit		**298,934.76**	**40,180.59**
Balance sheet total		**1,854,758,015.35**	**1,712,962,739.57**

Cash flow statement MLP Group

	2002 EUR '000	2001 EUR '000
Changes in net financial assets from operating activities		
Net loss/profit for period (including minorities)	**–47,585.0**	**98,933.5**
Items from other accounting periods	120,143.9	0.0
Depreciation/write-ups on capital assets	26,820.8	17,800.7
Increase/decrease in reserves	576.2	230.6
Other non-cash expenses/income	138,858.7	13,859.1
Gain/loss from the disposal of capital assets	–92,620.0	–5,503.7
Increase/decrease in inventories, trade accounts receivable as well as other assets not assignable to investing or financing activities	64,993.2	–77,648.4
Increase/decrease in trade accounts payable as well as other assets not assignable to investing or financing activities	13,512.8	317,866.5
Cash flow from operating activities	**224,700.6**	**365,538.3**
Changes in net financial assets from investing activities		
Payments received from disposals of fixed assets	91.1	59.1
Disbursements for investments in fixed assets	–28,796.8	–33,386.8
Payments received for disposal of intangible assets	68.9	0.0
Disbursements for investments in intangible assets	–29,414.8	–15,936.0
Payments from disposal of financial assets	31,080.3	1,109.4
Disbursements for investments in financial assets	–5,014.4	–8,309.8
Payments for the sale of consolidated companies and other business units	83,441.4	5,560.0
Payments from investment of financial resources in the course of short-term financial disposition	–25,954.3	0.0
Disbursements from the purchase of other capital investments	–15,961.0	0.0
Payments from the sale of capital investments of unit-linked life insurance	2,539,175.6	2,122,272.5
Disbursements for the purchase of capital investments of unit-linked life insurance	–2,729,362.2	–2,412,799.3
Cash flow from investing activities	**–180,646.2**	**–341,430.9**
Changes in net financial assets from financing activities		
Payments from transfer to equity	1,245.0	0.0
Disbursements to company owners and minority shareholders	–39,600.7	–31,148.8
Payments from issues of bonds and taking out (financing) loans	25,000.0	1,335.7
Cash flow from financing activities	**–13,355.7**	**–29,813.1**
Cash-relevant changes in financial resources	30,698.7	–5,705.7
Changes in financial resources arising from exchange rates, scope of consolidation and valuation	1,518.9	–412.4
Financial resources at beginning of period	55,680.2	61,798.3
Financial resources at end of period	**87,897.8**	**55,680.2**
The financial resources are constituted as follows:		
Liquid assets	59,928.2	28,613.8
Short-term securities	37,494.2	27,417.3
Short-term liabilities to banks	9,524.6	350.9
Financial resources at end of period	**87,897.8**	**55,680.2**

	2002 EUR '000	2001 EUR '000
Liquid assets		
Disclosure in financial resources	59,928.2	28,613.8
Inter-bank deposit	47,774.5	0.0
Disclosure according to balance sheet	**107,702.7**	**28,613.8**
Short-term securities		
Disclosure in financial resources	37,494.2	27,417.3
Securities with restraint on disposal	25,954.3	0.0
Securities of investment portfolio of unit-linked life insurance	15,961.0	0.0
Disclosure according to balance sheet	**79,409.5**	**27,417.3**

For the explanation to this cash flow statement, please refer to text notes 51-56.

Segment report MLP Group

	Segments					
	Consultation and Sales		Life Insurance		Non-life Insurance	
	2002 EUR '000	2001 EUR '000	2002 EUR '000	2001 EUR '000	2002 EUR '000	2001 EUR '000
Sales revenue	363,611	378,796	5,511	4,228	4,409	5,184
Other capitalized own work	730	2,500	829	0	315	0
Interest income from banking operations	0	0	0	0	0	0
Insurance premiums	0	0	487,369	423,258	30,281	23,351
Income from reinsured business	0	0	177,135	229,797	9,418	10,571
Total segment revenue	**364,341**	**381,296**	**670,844**	**657,283**	**44,423**	**39,106**
– thereof with third parties	258,421	270,377	670,015	657,283	44,108	39,106
– thereof with other segments	105,190	108,419	0	0	0	0
Other operating income	20,278	20,583	95,647	20,503	1,222	1,175
Cost of materials	–139,096	–115,743	–101,371	–104,575	–2,837	–2,188
Personnel expenses	–47,614	–39,594	–11,362	–9,682	–5,505	–4,908
Depreciation	–15,254	–12,305	–2,294	–1,318	–1,962	–2,403
Other operating expenses	–272,860	–112,240	–211,405	–115,747	–20,408	–14,155
Expenses related to insurance reserves	0	0	–42,706	–228,099	–3,585	–6,106
Reinsurance premiums	0	0	–189,795	–173,220	–10,491	–8,590
Financial result	–6,029	–3,516	–14,621	–10,192	866	835
– thereof: Other interest and similar income	1,022	683	1,473	1,070	907	875
– thereof: Interest and similar expenditure	–6,151	–4,199	–17,839	–14,319	–38	–40
Unrealized gains/losses from capital investment for unit-linked life insurance	0	0	–141,155	–20,659	0	0
Segment pre-tax loss/profit (before loss/profit transfer)	**–96,234**	**118,481**	**51,782**	**14,294**	**1,723**	**2,766**
Taxes on loss/profit	–1,720	–2,221	–15	–5,371	–1,127	–554
Other taxes	–135	–81	0	0	–35	–22
Loss/profit transfer agreement	95,933	–116,582	0	0	0	0
Segment loss/profit	**–2,156**	**–403**	**51,767**	**8,923**	**561**	**2,190**
Assets	211,521	186,009	967,285	1,012,030	16,199	12,013
Investment into long-term assets	26,297	19,827	29,272	8,624	800	569
Liabilities	235,572	183,109	899,000	1,020,237	9,492	5,929
Cash flow	37,508	126,077	53,689	10,417	2,283	4,643

For the notes to this statement, please refer to text notes 57-63.

Segments				Sum		Consolidation		MLP Group	
Bank		Internal Services and Administration							
2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
32,664	38,810	0	0	406,195	427,018	–108,174	–112,779	**298,021**	**314,239**
127	4,300	296	0	2,297	6,800	0	0	**2,297**	**6,800**
13,431	9,831	0	0	13,431	9,831	0	0	**13,431**	**9,831**
0	0	0	0	517,650	446,609	0	0	**517,650**	**446,609**
0	0	0	0	186,553	240,368	1	0	**186,554**	**240,368**
46,222	**52,941**	**296**	**0**	**1,126,126**	**1,130,626**	**–108,173**	**–112,779**	**1,017,953**	**1,017,847**
43,112	44,281	0	0	1,015,656	1,011,047	0	0	**1,015,656**	**1,011,047**
2,983	4,360	0	0	108,173	112,779	–108,173	–112,779	**0**	**0**
3,532	1,397	34,694	26,666	155,373	70,324	–46,940	–41,614	**108,433**	**28,710**
–17,274	–19,477	0	0	–260,578	–241,983	105,645	110,669	**–154,933**	**–131,314**
–7,363	–5,379	–3,618	–9,528	–75,462	–69,091	0	0	**–75,462**	**–69,091**
–1,673	–428	–9,234	–5,214	–30,417	–21,668	3,783	4,906	**–26,634**	**–16,762**
–21,181	–18,334	–22,869	–16,346	–548,723	–276,822	49,335	43,870	**–499,388**	**–232,952**
0	0	0	0	–46,291	–234,205	0	0	**–46,291**	**–234,205**
0	0	0	0	–200,286	–181,810	0	0	**–200,286**	**–181,810**
–190	–284	11,608	4,814	–8,366	–8,343	–10,444	–622	**–18,810**	**–8,965**
243	152	7,168	6,737	10,813	9,517	–6,726	–5,893	**4,087**	**3,624**
–433	–436	–6,273	–1,865	–30,734	–20,859	7,024	6,208	**–23,710**	**–14,651**
0	0	0	0	–141,155	–20,659	0	0	**–141,155**	**–20,659**
2,073	**10,436**	**10,877**	**392**	**–29,779**	**146,369**	**–6,794**	**4,430**	**–36,573**	**150,799**
–49	–3,563	–6,382	–38,492	–9,293	–50,201	–1,477	–1,525	**–10,770**	**–51,726**
0	0	–72	–35	–242	–138	0	–1	**–242**	**–139**
0	0	–95,933	116,582	0	0	0	0	**0**	**0**
2,024	**6,873**	**–91,510**	**78,447**	**–39,314**	**96,030**	**–8,271**	**2,904**	**–47,585**	**98,934**
549,984	421,399	192,002	280,743	1,936,991	1,912,194	–137,594	–247,349	**1,799,397**	**1,664,845**
54	1,830	54,275	54,804	110,698	85,654	–50,304	–5,048	**60,394**	**80,606**
528,001	411,608	82,052	49,254	1,754,117	1,670,137	–78,361	–222,880	**1,675,756**	**1,447,257**
3,817	2,919	17,464	–33,891	114,761	110,165	–11,174	29	**103,587**	**110,194**

Statement of changes in shareholders' equity

	Parent company		
	Subscribed capital, ordinary shares EUR	Capital reserve EUR	Self-generated Group shareholders' equity capital EUR
As of 31 Dec. 01	**79,200,000.00**	**7,582,537.64**	**157,168,100.30**
Issue of shares	0.00	0.00	0.00
Own shares purchased/called in	0.00	0.00	0.00
Dividends paid	0.00	0.00	–39,600,000.00
Changes in scope of consolidation	0.00	0.00	–30,586.66
Capital increase in kind	29,440,686.00	0.00	–3,074,362.39
Other changes	0.00	19,920.00	–4,526,714.40
Group net loss	0.00	0.00	–47,584,979.52
Group net result	0.00	0.00	0.00
As of 31 Dec. 02	**108,640,686.00**	**7,602,457.64**	**62,351,457.33**

The notes to this statement of changes in shareholders' equity can be found in section VII. In addition, information on the development of shareholders' equity can be found in text notes 32-35.

Parent company	Minority shareholders		Group
Equity	Minority capital	Shareholders' equity	Group shareholders' equity capital
EUR	EUR	EUR	EUR
243,950,637.94	**21,696,571.10**	**21,696,571.10**	**265,647,209.04**
0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00
–39,600,000.00	0.00	0.00	–39,600,000.00
–30,586.66	0.00	0.00	–30,586.66
26,366,323.61	–27,340,256.25	–27,340,256.25	–973,932.64
–4,506,794.40	1,244,940.64	1,244,940.64	–3,261,853.76
–47,584,979.52	4,506,953.34	4,506,953.34	–43,078,026.18
0.00	0.00	0.00	0.00
178,594,600.97	**108,208.83**	**108,208.83**	**178,702,809.80**

Notes to the financial statements MLP Group

I. General information

1. Preliminary remarks

1.1 General information regarding the Group

The registered office of MLP AG is in Heidelberg, Germany. The Company is enrolled in the Heidelberg Commercial Register under the number HRB 2697. As an independent provider of financial services, MLP has developed a business model based on a universal finance concept. The Group integrates a financial services brokerage, a bank with asset management capabilities, a life insurer and a non-life insurer.

1.2 Basis for the financial statements

The Group financial statements of MLP AG for the fiscal year 2002 from 1 January 2002 to 31 December 2002 were prepared in accordance with the stipulations of the German Commercial Code (HGB) and the applicable provisions of the German Companies Act (AktG). Due to the decision to use the option to apply the book value method pursuant to § 301 (1) Sentence 1 HGB and the profit-neutral settlement of business or company assets pursuant to § 309 (1) HGB, the provisions of DRS 4 were not applicable. All mandatory accounting standards of the German Accounting Standards Committee (DRSC) applicable as of 31 December 2002 were additionally adhered to.

1.3 Estimates and assumptions

The preparation of the Group financial statements requires that certain estimates and assumptions be made that can affect the stated figures for assets, liabilities and financial obligations as of the date of accounting as well as the earnings and costs of the year under review. The actual figures can differ from these estimates and assumptions.

1.4 Industry-specific characteristics

Special characteristics peculiar to insurance companies and financial institutions were considered during preparation of the Group balance sheet.

1.5 Structure and organization of the financial statements

These Group financial statements were prepared in accordance with § 290 et seq. of the German Commercial Code (HGB) and the applicable provisions of the German Companies Act (AktG).

The structure and organization of the financial statements reflect the brokerage activity of MLP. The profit and loss account was prepared using the total expenditure format pursuant to § 275 (2) HGB.

The balance sheet reflects the structural outline set forth in § 266 HGB. The segment report fulfills the requirements of DRS 3, the cash flow statement conforms with DRS 2 and the statement of changes in shareholders' equity meets DRS 7.

Due to the inclusion of MLP Bank AG as well as MLP Lebensversicherung AG, MLP-Lebensversicherung AG, Vienna, Austria, and MLP Versicherung AG, the financial statements were supplemented to cover characteristics peculiar to insurers and financial institutions. Standards DRS 2-10, 2-20 and DRS 3-10, 3-20 were applied accordingly to reflect these special circumstances.

2. Consolidation

2.1 General information

Uniform accounting and valuation methods were applied for all companies included in the Group financial statements, and the annual accounts of all companies included were prepared as of the same day of accounting as the parent company. For the insurance operations and the bank, the valuations applied there in accordance with § 208 (2) Sentence 2 HGB were retained.

2.2 General notes on the scope of consolidation

The Company first prepared a Group balance sheet in accordance with the stipulations of HGB for the accounting period ending 31 December 1992. The consolidation of capital was implemented as of the date that the subsidiaries were first included in the Group financial statements (§ 301 (2) Sentence 1 HGB).

2.3 Principles of consolidation, consolidation measures

The initial equity consolidation of all companies included in the consolidated financial statements was carried out using the book value method pursuant to § 301 (1) Sentence 1 No. 1 HGB provided that the principles of full consolidation applied to them.

Asset-side differences arising from the initial equity consolidation were openly set off against the reserves pursuant to § 309 (1) Sentence 3 HGB. Liability-side differences are stated in accordance with their respective character.

Accounts receivable and accounts payable between consolidated companies are offset against each other. The revenue from internal transactions as well as other revenue are set off against the corresponding costs for the purpose of cost and revenue consolidation.

Profits from sales between consolidated companies have been eliminated.

The reserves formed by the individual subsidiaries subsequent to the initial consolidation are stated in the Group's reserves to the extent that these are attributable to shares belonging to the Group.

2.4 Changes in the scope of consolidation

Overview of consolidated companies

Subsidiaries Company	Shareholding in %	Period reflected in Group financial statements	Date of initial consolidation
MLP Finanzdienstleistungen AG, Heidelberg	100.00	1 Jan. 02–31 Dec. 02	31 Dec. 1992
MLP Lebensversicherung AG, Heidelberg	99.85	1 Jan. 02–31 Dec. 02	31 Dec. 1992
MLP Bank AG, Heidelberg	100.00	1 Jan. 02–31 Dec. 02	31 Dec. 1997
MLP Login GmbH, Heidelberg	100.00	1 Jan. 02–31 Dec. 02	31 Dec. 1995
MLP Versicherung AG, Heidelberg	100.00	1 Jan. 02–31 Dec. 02	31 Dec. 1997
MLP Private Finance Correduria de Seguros S.A., Madrid, Spain	100.00	1 Jan. 02–31 Dec. 02	31 Dec. 2002
MLP Private Finance plc, London, Great Britain	100.00	1 Jan. 02–31 Dec. 02	31 Dec. 2001
MLP Private Finance AG, Zurich, Switzerland	99.60	Not consolidated for reasons of relative insignificance acc. to § 296 (2) HGB	
MLP Consult GmbH, Heidelberg	100.00	1 Jan. 02–31 Dec. 02	31 Dec. 1992
MLP Media GmbH Verlag und Werbeagentur, Heidelberg	100.00	1 Jan. 02–31 Dec. 02	31 Dec. 1996
Academic Networks GmbH, Heidelberg	90.00	Not consolidated for reasons of relative insignificance acc. to § 296 (2) HGB	

Companies consolidated on a pro-rata basis Company	Shareholding in %	Period reflected in Group financial statements	Date of initial consolidation
MLP-Lebensversicherung AG, Vienna, Austria	50.00	1 Jan. 02 – 30 Sep. 02*	31 Dec. 1997

* deconsolidated as of 30 September 2002

The consolidation of the acquired minority shareholdings as part of the share capital increase through non-cash contributions resulted in both **asset-side** and **liability-side differential amounts**, arising from the stated acquisition costs of the purchased holdings in the amount of the proportional increase in nominal share capital and the proportional equity of the subsidiaries.

The asset-side difference in the amount of EUR 6,208,347.09 resulting from the consolidation of the newly acquired shareholdings was openly offset against the reserves in accordance with § 309 (1) Sentence 3 HGB.

In addition, the consolidation resulted in a liability-side differential amount in the amount of EUR 4,027,909.77. This is the result of discretionary latitude under German commercial law permitting the statement of minority shareholdings acquired through

exchange transactions at the nominal value of the shares issued (hidden reserves in book value of shareholding). This figure also includes the costs for the release of capitalized start-up costs anticipated at the time of consolidation, pursuant to § 309 (2) No. 1 HGB. A portion of the liability-side differential figure amounting to EUR 3,356,242.77 is allocated to the hidden reserves in the book value of the shareholding. Due to its character as a disclosed reserve, which means that it must be treated as equity, a portion amounting to EUR 3,133,984.70 is set off profit-neutrally against the retained profits. The remaining portion amounting to EUR 222,258.07 represents a realized gain and is carried accordingly.
The rest of the liability-side differential amount results from capitalized start-up costs at MLP Login GmbH amounting to EUR 671,667.00 and will appear in the profit and loss account through amortization in future. The liability-side differential amount is stated in the reserves as a separate item. A corresponding release is exercised equivalent to the income-relevant future depreciation.

The shareholding in MLP Private Finance Correduria de Seguros S.A., Madrid, Spain, was included in the Group consolidated accounts for the first time in fiscal 2002. The initial consolidation was executed according to the book value method within the meaning of § 301 (1) Sentence 1 No. 1 HGB. In accordance with § 301 (2) HGB, the date of consolidation was deemed to be the date as of which the subsidiary was first included, 31 December 2002.

The subsidiaries Academic Networks GmbH, Heidelberg, Germany, and MLP Private Finance AG, Zurich, Switzerland, were omitted from the scope of consolidation due to their minor significance for the overall representation of the Group as permitted by § 296 (2) HGB. The portion of Group revenue and overall Group capital attributable to these companies is less than 1 per cent each. 90 per cent of the shares of Academic Networks GmbH are held by MLP Finanzdienstleistungen AG, Heidelberg, Germany, and the remaining 10 per cent are held by external shareholders. MLP Finanzdienstleistungen AG, Heidelberg, Germany, holds 99.6 per cent of the shares of MLP Private Finance AG, Zurich, Switzerland.

On the basis of the merger agreement of 20 November 2002 and the ratifying resolutions of the extraordinary shareholders' meeting on the same day, the asset management subsidiary MLP Vermögensverwaltung AG was folded into MLP Bank AG through transfer of its assets as a whole and dissolution without winding-up proceedings in accordance with applicable statute (§ 2 No. 1 UmwG) retroactively to 1 November 2002. Entry in the Commercial Register was effected on 17 December 2002. This measure has no effect on the Group financial statements.

2.5 Information regarding deconsolidation

On account of the sale of the holding in MLP-Lebensversicherung AG, Vienna, Austria, this holding was deconsolidated effective 30 September 2002. The business or company value was retained in deconsolidation and offset in a profit-neutral manner.
The total revenue considered in the Group financial statements, respectively the pre-tax profit, showed the following development (pro-rata basis):

	2002 as of 30 Sept. 2002 EUR '000	2001 as of 31 Dec. 2001 EUR '000
Total revenue	62,472	76,002
Profit from ordinary operations	–1,778	1,167

2.6 Adjustment item resulting from elimination of interim results

In the Group financial statements of 31 December 1998, an adjustment item resulting from consolidation of interim results was stated under retained profits for the first time. This item comprises all interim profits and losses eliminated since the first Group financial statements of 31 December 1992.

This consolidation adjustment item was created to increase transparency. The elimination of interim results pertains almost exclusively to software developed within the Group, and its amortization.

The change in the adjustment item with reference to the interim results is shown in the transfer to retained profit (see text note 19).

3. Currency conversion

Receivables and payables in foreign currencies are stated at the exchange rate as of the date incurred or the rate as of the day of accounting, whichever is less favourable. Financial statements drafted in foreign currencies are converted according to the date-of-record method. The table below contains detailed conversion information:

	National currency	Rate per EUR on accounting date
MLP Private Finance plc, London, Great Britain	GBP	0.64240
MLP Finanzdienstleistungen AG, Switzerland branch	CHF	1.46770

4. Methods of accounting, valuation and statement

4.1 General information

In a few specific cases, the organization and designation of individual items in the Group balance sheet and the Group profit and loss account were altered under observance of the appropriate commercial regulations so as to better reflect specific features of the MLP Group.

These pertain to items that are required by the accounting regulations for insurance companies (§ 341 et seq. HGB) in the financial statements of MLP Lebensversicherung AG, Heidelberg, MLP Versicherung AG, Heidelberg, and MLP-Lebensversicherung AG, Vienna, Austria, respectively by the accounting regulations for financial institutions (§ 340 et seq. HGB) in the financial statements of MLP Bank AG, Heidelberg.

Individual assets and liabilities affecting the asset status of MLP Lebensversicherung AG, Heidelberg, MLP Versicherung AG, Heidelberg, and MLP Bank AG are valued according to the respectively applicable principles for insurance companies and financial institutions.

4.2 Methods of accounting, valuation and statement differing from the previous year

In contrast to the previous year, the line item other assets has been broken down into receivables from sales representatives (MLP consultants), accounts receivable from reinsured business, receivables from payments on account and other assets. The statement of the figures for the previous year has been adjusted accordingly. The same applies to the item trade accounts payable, which previously included the amounts payable to outside sales representatives (MLP consultants).

Payments on account include advances paid to sales representatives which legally fall due subsequent to the date of accounting. In the previous year, the corresponding commissions were stated under prepaid expenses and deferred charges, providing that these fell due in insurance years ending subsequent to the date of accounting.

Improved settlement methods made it possible in some areas to transition expenses and commission income to settlement periods congruent with the fiscal year. As a result, the entire commission expenses and income have now been transitioned so as to be congruent.

This burdened the result by EUR 759.7 million. The experience of the past year has led to the application of a modified valuation method for receivables against sales representatives (MLP consultants). The effect of this measure on the net result amounts to EUR 13.566 million.

2002 saw for the first time the creation of a provision for obligations from factoring transactions in the amount of the maximum nominal risk.

Additionally, the item commission income shows the net of interest income and interest expenses arising from the sale of customer receivables. In the previous year, these figures were stated individually under the items interest income from banking operations and cost of materials. The figures for the previous year in the Group profit and loss account have been adjusted accordingly.

4.3 Accounting and valuation methods for individual balance sheet items

Capital assets subject to wear and tear are shown at their procurement or production cost, less scheduled depreciation. The procurement costs contain subsidiary costs incurred both internally and externally. Production costs are of minor significance for the Group.

The procurement or production costs include the respective portion of the sales tax incurred through acquisition and stated in the invoice that was not eligible for input tax deduction. Assets are depreciated according to the customary period for use as established by tax regulations, where applicable, otherwise on a linear basis over the following periods in accordance with commercial regulations:

Costs for start-up and expansion of business activities	4 years
Concessions, trademarks and similar rights and assets including licences in such rights and assets	5 – 7 or 15 years
Administration building	25 years
External building facilities	15 – 25 years
Improvements on leasehold property	duration of respective lease
Office furnishings	10 – 25 years
IT equipment and wiring	3 – 13 years
Office equipment	5 – 13 years
Automobiles	5 – 6 years
Aircraft	18 years

Assets of minor value with a net cost of up to EUR 410.00 are depreciated completely in the year of acquisition and are thus carried as disposals in the same year. In 2001, low-value fixed assets purchased in connection with the furnishing and completion of our administration building in Wiesloch are depreciated over the expected period of use.

In the case of moveable assets, additions in the first half of the year are written off at the full annual rate and additions in the second half of the year at half the annual rate. Unscheduled amortization was taken on intangible assets no longer used in the fiscal year under review.

Interest in associated companies is assessed at acquisition costs less required value adjustments.

Securities held as fixed assets are carried under financial investments and stated at their cost of acquisition.

Other loans are carried at their nominal value less any necessary adjustments.

The **investment stock of unit-linked life insurance** comprises those assets (here: shares in mutual funds) required to cover the obligations from the unit-linked life insurance. The investment stock is stated at its current value.

Receivables are stated at their nominal value minus any necessary corrections. A general allowance is made for receivables from policyholders on the basis of experience.

In comparison to the previous year, the item **other assets** is subdivided into **receivables due from sales representatives (MLP consultants), receivables due from reinsurance business, payments on account** and **other assets.** The statements of the previous year's figures have been adjusted accordingly.

The value of receivables due from sales representatives was adjusted individually as well as by a lump sum according to previous experience and estimates for the future.

Payments on account and **other assets** are stated at their nominal value.

Payments on account comprise advances paid to agents on commissions which legally fall due subsequent to the date of accounting.

Trust assets comprise trust loans granted in our own name and for the account of two financial institutions to customers of MLP Bank AG for construction financing and financing of surgeries.

Liquid assets (cash on hand, deposits with the Bundesbank and financial institutions) are stated at their nominal value.

In fiscal 1999, the latitude granted by § 250 (3) HGB was used in order to incorporate a discount on a loan agreement into the prepaid expenses and deferred charges.

The **pension reserves** set aside to meet liabilities under the Company pension scheme are calculated on the basis of the actuarially derived fractional value using an interest rate of 6 per cent as defined in § 6a of the Income Tax Act and using the mortality tables of Dr. Klaus Heubeck.

Reserves for deferred tax liabilities were formed from the balancing of deferred tax liabilities on the asset and liability side.

To provide for uncertain liabilities and impending losses from open contracts, **reserves** were formed in a scope deemed necessary according to prudent commercial judgement.

The **insurance-related reserves for life insurance** and the **custodianship liabilities from reinsured business** reported on the liabilities side of the balance sheet are equal to the aggregate individual cover of insurance, inasmuch far as the investment risk is borne by the policyholder (unit-linked life insurance). The cover of insurance comprises the mutual fund shares held as the investment stock carried at their market value on the balance sheet date.

Liabilities are stated at their redemption value.

In contrast to the previous year, the line item **other liabilities** has been broken down into **liabilities due to reinsurance business, liabilities due to sales representatives (MLP consultants), advances received** and **other liabilities,** in order to improve transparency. The figures for the previous year have been adjusted accordingly.

II. Notes to the Group profit and loss account

1 The **sales revenue** was achieved as follows:

	2002 EUR '000	2001 EUR '000
Life insurance	141,056	190,976
Health insurance	73,567	47,924
Payments into mutual funds	40,348	46,139
Non-life insurance	15,334	14,519
Loans	15,521	11,366
Other revenue	12,195	3,315
Total	**298,021**	**314,239**

The sales revenue comprises mainly commissions. The decline in sales revenue in the Life Insurance segment is due to the loss of revenue from the sale of future commissions on the part of MLP Finanzdienstleistungen AG. In fiscal 2001, this accounted for EUR 57.5 million. Sales revenue declined by 5.2 per cent, from EUR 314.2 million to EUR 298.0 million.

In contrast to the previous year, revenue from the banking business as well as other revenue are subsumed in the new line item financing. This item includes all sales revenue earned through the brokerage of financing contracts.

2 **Other capitalized own work:** This item contains the costs of adapting externally developed software to meet MLP's specific requirements. In fiscal 2001, this item also included start-up costs.

3 The **interest income from banking business** increased from EUR 9.8 million to EUR 13.4 million. Despite the continued low level of interest rates, it was possible to increase interest revenue by expanding the volume of lending.

4 The **insurance premiums** are accounted for as follows:

Insurance premiums	2002 EUR '000	2001 EUR '000
Gross premiums	508,775	442,269
Changes in gross premium carryovers	2,929	–540
Premiums from gross reserve for premium refunds	5,945	4,880
Total	**517,650**	**446,609**

The insurance premiums comprise premium income from policyholders collected by the insurance companies of the MLP Group. In comparison to the previous year, insurance premiums increased by 15.9 per cent, from EUR 446.6 million to EUR 517.6 million. Of this total, MLP Lebensversicherung AG accounted for EUR 443.2 million (2001: EUR 371.5 million), MLP-Lebensversicherung AG, Vienna, Austria, EUR 44.1 million (2001: EUR 51.7 million) and MLP Versicherung AG EUR 30.3 million (2001: EUR 23.4 million).

5 The **income from reinsured business** comprises the following:

	2002 EUR '000	2001 EUR '000
Reinsurance portion of increase in premium reserve	142,361	138,870
Reinsurance commissions	13,342	90,901
Reinsurance portion for insurance claims, repurchases and interest	30,851	10,596
Total	**186,554**	**240,368**

This line item comprises the participation of the reinsurer in the insurance benefits, his share in the increase in insurance-related reserves and reinsurance commissions. The income from reinsured business dropped by 22.4 per cent, from EUR 240.4 million to EUR 186.6 million. Reinsurance commissions declined by 85.4 per cent, from EUR 90.9 million to EUR 13.3 million. However, the protection of the insurance portfolio through transfer of risk in the form of reinsurance is unchanged, which may be seen from the reinsurer's portion of the expenses related to insurance reserves.

6 **Other operating income** comprises the following:

	2002 EUR '000	2001 EUR '000
Realized gains from investments for unit-linked life insurance policies	5,479	17,996
Income from the sale of securities of capital assets and shareholdings	92,698	5,548
Other	10,256	5,166
Total	**108,433**	**28,710**

Among other things, the line item other operating income includes realized gains from disposals of the capital stock of the unit-linked life insurance. This income has no effect on the overall picture, as it is compensated by costs in the same amount resulting from the increase in the expenses related to insurance reserves.
In addition, the subordinate line item income from the sale of securities of capital assets includes as a one-time effect a book gain of EUR 83.7 million from the sale of the 50 per cent share of MLP-Lebensversicherung AG, Vienna, Austria.
The item other essentially comprises business as a consortium leader in the area of term life insurance and occupational disability insurance for self-employed professionals, and the sale of office supplies to the sales representatives.

7 The **cost of materials** is made up as follows:

	2002 EUR '000	2001 EUR '000
Commissions to sales representatives	147,891	124,722
Interest expense from banking operations	5,645	5,211
Other costs of materials	1,397	1,381
Total	**154,933**	**131,314**

To a great extent, the item cost of materials comprises commission payments to self-employed MLP customer representatives, which they earn through the sale of products to MLP clients and by maintaining relationships with MLP clients. These increased by 18.6 per cent, from EUR 124.7 million to EUR 147.9 million.

8 **Personnel expenses** are composed of the following:

	2002 EUR '000	2001 EUR '000
Salaries and wages	63,746	59,599
Social security contributions	10,491	8,640
Expenses for old-age provisions	1,225	852
Total	**75,462**	**69,091**

In addition to the payroll costs of MLP employees, the line item personnel expenses also includes the salaries of MLP consultants in Switzerland and the Netherlands amounting to EUR 5.2 million (2001: EUR 2.7 million).

9 **Depreciation** comprises the following:

	2002 EUR '000	2001 EUR '000
Intangible assets	12,377	5,350
Fixed assets	11,415	10,270
Start-up costs	2,842	1,142
Total	**26,634**	**16,762**

The line item depreciation of intangible assets contains special depreciation for software no longer used, amounting to EUR 3,303 thousand.
The depreciation in fiscal 2002 is depicted in the statement of changes in assets (see text note 64).

10 The item **other operating expenses** comprises the following:

	2002 EUR '000	2001 EUR '000
IT expenses	49,735	45,291
Other insurance-related expenses	61,691	37,533
Cost of premises	23,353	18,562
Communications costs	17,013	13,397
Training and seminars	7,696	5,584
Office supplies	4,987	5,121
Losses from the disposal of unit-linked investment stock	143,931	66,353
Advertising expenses	11,088	10,849
Consulting expenses	15,747	8,906
Value adjustments on receivables	19,075	1,342
Expenses for sales representatives	5,896	3,954
Other	19,031	16,060
Total	**379,243**	**232,952**

The line item other operating expenses contains, among other things, the realized losses from the disposal of capital investments of unit-linked life insurance amounting to EUR 143.9 million (2001: EUR 66.4 million). These charges have no effect on the overall picture, as they are compensated by increases in the same amount from the reduction in the expenses related to insurance reserves. Adjusted for this effect, other operating expenses increased by 41.2 per cent, from EUR 166.6 million to EUR 235.3 million.

Other insurance-related expenses increased by 64.5 per cent, from EUR 37.5 million to EUR 61.7 million. These include costs of claims, repurchases and transfers to reserves for premium refunds, as well as direct credits. Additionally, higher value adjustments for receivables from sales representatives (MLP consultants) compared to the previous year of EUR 14.8 million were posted (2001: EUR 1.3 million). Consulting costs increased by 76.4 per cent, from EUR 8.9 million to EUR 15.7 million. The greater consulting expenses relate to the preparations for changing the accounting procedures to reflect international accounting principles. Furthermore, the costs of auditing the annual report rose due to the appointment of an additional auditor. In addition, further legal and consulting expenses were incurred as a result of the negative media reports regarding the accounting practices of the Company and the consequent reaction on the part of the general public. The cost of premises rose on account of the Company's growth and rent increases by 25.8 per cent, from EUR 18.6 million to EUR 23.4 million. IT costs increased by 9.7 per cent, from EUR 45.3 million to EUR 49.7 million. This increase is mainly due to the increase in the customer representatives and the growth of the Company.

11 **Expenses in other accounting periods** under review contain a one-time provision for the sale of future commission entitlements of MLP Finanzdienstleistungen AG for the years 1998 to 2001 amounting to EUR 120.1 million. In the current, generally more challenging economic climate, MLP has decided to take a conservative approach with regard to using the discretionary latitude permitted by accounting procedures. For this reason, MLP has formed a reserve for the promises from the factoring transactions toward the various purchasers of future commission entitlements in the amount of the maximum nominal risk.

12 The item **expenses related to insurance reserves** contains savings contributions from the unit-linked life insurance. In addition, this item is the offsetting item that neutralizes the gains from the increase in value of the investment stock of the unit-linked life insurance. It contains realized gains and losses from capital investment that are included in the respective items other operating income (see text note 6) and other operating expenses (see text note 10). Additionally, this item also includes unrealized gains/losses from capital investments (see text notes 15, 16). This item also includes interest income from portions of the premium reserve and other reserves for conventional products in the life and non-life insurance segments.

13 The item **reinsurance premiums** encompasses insurance premiums paid on to the reinsurer. The reinsurance premiums increased by 10.2 per cent, from EUR 181.8 million to EUR 200.3 million. The increase in reinsurance premiums is proportionally lower in comparison to gross business. In particular, this is due to the fact that in 2002, for the first time, special products were sold which, under applicable statute (AvmG), do not fall under the excess of loss component of reinsurance. This was counteracted by an increase in non-life business over the previous year. In this sector, the aim of reinsurance is the transfer of risk, and the risk is reinsured according to a specific quota. An increase in premium income, ceteris paribus, consequently results in a concomitant increase in reinsurance premiums. Reinsurance premiums attributable to non-life insurance business increased by 20.9 per cent, from EUR 8.6 million to EUR 10.4 million.

14 The **financial results** break down as follows:

	2002 EUR '000	2001 EUR '000
Income from securities	2,932	3,128
Other interest and similar income	4,087	3,624
Amortization of financial investments and securities in current assets	–2,119	–1,067
Interest and similar expenses	–23,710	–14,651
Total	**–18,810**	**–8,965**

The increase is mainly due to the formation of a reserve of EUR 3.6 million (2001: EUR 0.4 million) for interest swap transactions and technical interest of EUR 14.4 million (2001: EUR 10.9 million) from the reinsurance business.

The amortization of financial investments and securities in current assets apply to unscheduled amortization of financial investments of EUR 0.8999 million pursuant to § 253 (2) Sentence 3 HGB.

15 16 **Unrealized gains/losses from capital investments:** In accordance with applicable law, the capital investments of the investment stock of unit-linked life insurance policies must be stated at their current value, i.e. the mutual fund share prices as of the day of accounting. Gains and losses of trust units held as of the beginning of the fiscal year are carried in the Group profit and loss account under the items unrealized gains from capital investments and unrealized losses from capital investments, respectively. The offsetting position is reflected in the Group profit and loss account expenses related to insurance reserves. In sum, these accounting transactions are neutral for the MLP Group as a whole.

17 **Tax expenses** include deferred taxes amounting to EUR 4.350 million as well as effective income tax amounting to EUR 6.420 million.

18 Among **other taxes,** the line item taxes contains property taxes and country-specific taxes.

19 **Transfers to retained profits:**

	2002 EUR '000	2001 EUR '000
To statutory surplus reserves	703	200
To other retained profits	38,300	20,789
Adjustment item from consolidation of interim results	2,307	2,993
Transfers to retained profits	**41,310**	**23,982**

20 **Minority interest:**

	2002 EUR '000	2001 EUR '000
Profit shares	4,507	9,889
Loss shares	0	–92
Shares of other shareholders in results for the year	**4,507**	**9,797**

III. Notes to the statement of changes in assets

The changes in the capitalized expenditures for start-up and expansion of business activities and in capital assets, as well as depreciation in fiscal 2002 are set out in the statement of gross capital assets in text note 64 of these notes to the financial statements.

IV. Notes to the Group balance sheet

Assets

21 The **capitalized start-up and business-expansion expenses** comprise MLP Versicherung AG's capitalized expenditure connected with setting up its non-life insurance business in 1998, off-balance sheet capitalized expenditures in 2000, as well as business-expansion expenses at MLP Login GmbH capitalized in 2000. This accounting device, used in accordance with § 269 HGB, is written down by a scheduled one-fourth per year pursuant to § 282 HGB. Additional capitalized expenditure in 2001 concerns the expansion of business activities at MLP Bank AG of EUR 4.3 million and at MLP Private Finance plc, London, United Kingdom, in the amount of EUR 2.5 million.

22 The **investment stock of unit-linked life insurance** comprises the shares of the mutual fund which the life insurance carriers manage for the policyholders of unit-linked life insurance.

23 The line item **trade accounts receivable** contains commissions receivable from third parties as of the date of accounting.

24 The item **amounts receivable from bank customers** shows the amounts receivable from bank customers from current accounts and credit cards. The increased acceptance and use of current accounts and credit cards on the part of clients are the reasons for this increase.

25 The item **amounts receivable from sales representatives (MLP consultants)** increased by 27.1 per cent, from EUR 53.5 million to EUR 68.0 million. This increase is essentially due to the increase in the number of consultants and branch offices. New MLP consultants receive an advance that is successively set off against commission earnings. Due to the adverse fiscal year, advances on commissions will be offset over a longer period.

26 The item **amounts receivable from reinsured business** arises from the settlement of the reinsurance business as of the day of accounting. This amount fell from EUR 44.0 million to EUR 2.6 million. This decrease is mainly due to the restructuring of MLP Lebensversicherung AG, which is connected with the introduction of a new product generation in the second quarter. This item now solely comprises reinsurance receivables from the Non-life Insurance segment.

27 For the MLP unit-linked life insurance policy, both initial commissions and collecting commissions are paid. The collecting commissions are due annually and paid in advance for the entire insurance year. Up until 2001, that portion of the collecting commissions attributable to insurance years ending after the date of accounting were stated under prepaid expenses and deferred charges. As of 31 December 2001, this amounted to EUR 20.6 million. As of 2002, this is carried under **payments on account.**

28 The item **other receivables and assets** mainly contains tax receivables and other receivables. The increase from EUR 19.6 million to EUR 30.5 million is primarily due to an increase in tax receivables.

29 The item **other securities** comprises shares of UNIQA AG valued at EUR 15 million and secured by a put option, originating from the sale of the 50 per cent holding in MLP-Lebensversicherung AG, Vienna, Austria. The increase in this item also reflects an increase in other securities of 85.3 per cent or EUR 7.5 million, to EUR 13.9 million. Additionally, securities valued at EUR 26.0 million were purchased in fiscal 2002. This item further includes securities held in connection with various non-life insurance products, occupational disability insurance and the 1 per cent consortial share of MLP Lebensversicherung AG in the term life insurance.

30 The increase in the line item **cash on hand, deposits with the Bundesbank and financial institutions** from EUR 28.6 million to EUR 107.7 million is due in part to the increased business volume at MLP Bank AG as well as to the sale of the 50 per cent share of MLP-Lebensversicherung AG, Vienna, Austria.

31 The **prepaid expenses and deferred charges** include a discount amounting to EUR 167,500.00. In the previous year, this item contained portions of the collecting commissions of MLP unit-linked insurance which fell due for insurance years ending after the date of accounting.

Liabilities and shareholders' equity

32 The **subscribed capital** is composed of 108,640,686 ordinary shares.

Through a resolution of the shareholders' meeting of 15 May 2000, the Executive Board was authorized to increase the equity capital one or more time through the issuance of ordinary and/or preference shares in exchange for capital in cash or in kind until 31 December 2004, by a maximum amount of EUR 7,920,000.00.

The reorganization of the capital and ownership structure of the MLP Group was realized in the year under review under exercise of the resolution "Authorized Capital II" passed at the extraordinary shareholders' meeting of MLP AG and ratified by the separate meeting of the preference shareholders; both meetings took place on 17 November 2000.

The capital increase was implemented under exclusion of the shareholders' legal pre-emptive right through the issue of new ordinary shares registered in the shareholders' names in exchange for in-kind contributions. These in-kind contributions to the equity capital of MLP AG consisted of shares or holdings, respectively, in MLP Lebensversicherung AG, MLP Vermögensverwaltung AG, MLP Versicherung AG and MLP Login GmbH.

In the fiscal year under review, the equity capital of the Company was increased by EUR 29,440,686. The capital increase was entered in the Heidelberg Commercial Register on 31 May 2002. The equity capital of MLP AG is thus EUR 108,640,686.

The contribution of shares in subsidiaries held by third parties was taken into consideration as per the date of the contribution agreements of 15 April 2002. As of this date, both the commercial and the legal property were transferred to MLP AG.
The contributions brought into MLP AG were valued at the nominal value of the new registered ordinary shares granted in exchange.

33 The **capital reserve** showed the following changes:

	2002 EUR	2001 EUR
1 January	7,582,537.64	7,582,537.64
Addition	19,920.00	0.00
31 December	**7,602,457.64**	**7,582,537.64**

The addition is the difference between the repayment amount and the face value of the convertible debenture that is carried as a discount under prepaid expenses and deferred charges.

34 The changes in the **retained profits** (excluding adjustment for elemination of intracompany results) are reflected as follows:

	Statutory surplus reserves EUR	Other retained profit EUR	Total EUR
1 January 2002	848,403.24	71,950,136.84	72,798,540.08
Transferred by shareholders' meeting	0.00	38,300,000.00	38,300,000.00
Transferred from net profit	702,653.93	0.00	702,653.93
Transferred from retained profit	0.00	–45,130,246.31	–45,130,246.31
Changes due to consolidation measures	0.00	–3,075,215.75	–3,075,215.75
31 December 2002	**1,551,057.17**	**62,044,674.78**	**63,595,731.95**

35 The Group's **unappropriated profit** showed the following development:

	31 Dec. 2002 EUR	31 Dec. 2001 EUR
Unappropriated profit previous year	**87,920,942.70**	**53,951,086.87**
Dividend distribution MLP AG	–39,600,000.00	–30,888,000.00
Transfer to retained profits MLP AG	–38,300,000.00	–20,700,000.00
Transfer from retained profits MLP AG	45,130,246.31	0.00
Transfer to retained profits MLP-Lebensversicherung AG, Vienna, Austria	0.00	–88,703.22
Transfer to statutory surplus reserves MLP Lebensversicherung AG, Heidelberg	–702,653.93	–172,829.57
Transfer to statutory surplus reserves MLP Vermögensverwaltung AG, Heidelberg	0.00	–11,560.08
Transfer to statutory surplus reserves MLP-Lebensversicherung AG, Vienna, Austria	0.00	–15,894.18
Net loss for current fiscal year	–47,584,979.52	98,933,514.28
Profit carried forword for MLP Private Finance Correduria de Seguros S.A., Madrid, Spain	–30,586.66	0.00
Profit carried forward for MLP Private Finance plc, London, Great Britain	0.00	–412,473.03
Adjustment item for elimination of interim results	–2,307,107.89	–2,992,775.04
Minorities	–4,506,953.34	–9,796,832.97
Other consolidation adjustments	–18,907.67	115,409.64
Unappropriated profit	**0.00**	**87,920,942.70**

36 The special item with accrual character is no longer necessary due to the deconsolidation of MLP-Lebensversicherung AG, Vienna, Austria.

37 The **other reserves** break down as follows:

	31 Dec. 2001 EUR	Change in consolidation scope EUR	Usage EUR	Disposal EUR	Addition EUR	31 Dec. 2002 EUR
Provisions for pensions	5,527,876.90	0.00	42,797.00	0.00	618,981.10	6,104,061.00
Provisions for deferred taxes	0.00	0.00	0.00	0.00	3,407,700.00	3,407,700.00
Provisions for taxes						
Income tax	23,049,491.54	0.00	22,234,840.28	0.00	582,793.30	1,397,444.56
Federal income tax and solidarity tax	8,271,439.97	0.00	8,271,439.97	0.00	232,500.00	232,500.00
	31,320,931.51	**0.00**	**30,506,280.25**	**0.00**	**815,293.30**	**1,629,944.56**
Other provisions						
Expenses in other accounting periods	0.00	0.00	0.00	0.00	120,143,904.00	120,143,904.00
Impending losses from interest rate swaps	411,000.00	0.00	0.00	0.00	3,619,000.00	4,030,000.00
Auditing costs	1,036,000.00	0.00	990,654.41	45,345.59	3,016,813.38	3,016,813.38
Leave entitlements	2,243,204.22	–33,100.01	2,243,204.22	0.00	2,517,323.10	2,484,223.09
Commission expenses	0.00	0.00	0.00	0.00	1,111,165.00	1,111,165.00
Other miscellaneous expenses	3,679,741.89	–1,028,672.08	2,302,589.89	460,787.86	4,918,548.96	4,806,241.22
	7,369,946.11	**–1,061,772.09**	**5,536,448.52**	**506,133.45**	**135,326,754.44**	**135,592,346.69**
Total	**44,218,754.52**	**–1,061,772.09**	**36,085,525.77**	**506,133.45**	**140,168,728.84**	**146,734,052.25**

The increase in the other reserves comprises primarily provisions relating to the sale of future commission income of MLP Finanzdienstleistungen AG amounting to EUR 120.1 million, which will be released as income through 2012 (see text note 11). As this revenue from factoring transactions was already taxed in previous years, no future tax liability for this item will arise. No deferred taxes as provided for by § 274 (2) HGB were formed.
Provision in the form of formation of a reserve was made for possible repayment obligations arising from the proceeds from the sale of commission entitlements booked as income in previous years. The transfer to these reserves is stated in the profit and loss account under the item **expenses in other accounting periods** (see text note 11).
Apart from this, the other reserves include provisions for overtime, settlements and royalties. For further information on forward transactions, please refer to text note 50.

38 The item **insurance-related reserves for unit-linked life insurance to be covered by the investment stock** reflects the capital investments of the investment stock of the unit-linked life insurance. The corresponding item on the asset side is **investment stock of unit-linked life insurance.** The entire risk of this business is borne by the policyholder.

39 The item **custodial liabilities from reinsured business to be covered by the investment stock** states the capital investments of the investment stock of the unit-linked life insurance that are covered by the reinsurer. The corresponding item on the asset side is **investment stock of unit-linked life insurance**. The entire risk of this business is borne by the policyholder.

40 **Other insurance-related reserves:** This item contains provisions for the consortial share of the term life insurance, the occupational disability insurance and the reserves for the Non-life Insurance segment.

41 The item **liabilities due to financial institutions** primarily contains a subordinated loan amounting to EUR 25 million taken out to finance the second construction phase of the Wiesloch project. The loan has a term until 17 July 2011 and is secured by a certificated land charge against the existing Wiesloch office facility.

42 The item **trade accounts payable** contains obligations to third parties from current business as of the date of accounting.

43 **Liabilities due to sales representatives (MLP consultants)** represents commission claims due as of the day of accounting.

44 **Liabilities due to bank clients:** This item represents customer deposits with MLP Bank AG in current and credit-card accounts.

45 **The liabilities from reinsured business** comprise the reinsurance result from the life insurance business that was paid to the reinsurer in fiscal 2002. In the previous year, this settlement resulted in a receivable amount (see text note 26).

46 The item **other liabilities** consists mainly of commission advances from product partners and non-interest bearing convertible debentures from the 2002 MLP Incentive Programme (see text note 69). This item also contains commission withholdings against sales representatives (MLP consultants) for the event of cancellations in the amount of EUR 5.348 million.

47 The remaining terms of the stated liabilities are set forth in text notes 76 and 77 in the attached **statements of liabilities.**

48 Other financial obligations not reflected in the balance sheet

As of the date of accounting, the following financial obligations from **rental and lease agreements** existed:

	2003 EUR '000	2004 EUR '000	2005 EUR '000	Following years EUR '000	Sum EUR '000
Maintenance/licence agreements	551	33	0	0	**584**
IT hardware	8,161	2,425	220	0	**10,806**
IT outsourcing	29,377	13,944	0	0	**43,321**
Office equipment rental	175	148	73	24	**420**
Order exposure	57	0	0	0	**57**
Rent administration building	671	559	0	0	**1,230**
Rent branch offices	15,744	14,898	13,235	21,857	**65,734**
Other rent	25	25	25	86	**161**
	54,761	**32,032**	**13,553**	**21,967**	**122,313**

In addition, the second construction phase of the Wiesloch building project proceeded as scheduled. The resulting obligations until completion come to approximately EUR 30.7 million, including all furnishings necessary for office operations.

49 Liability situation

As of the date of accounting, there existed financial liabilities from guarantees and warranties amounting to EUR 12,027,863.51, and irrevocable advance loan commitments amounting to EUR 5,666,489.25.
There existed further guarantee obligations amounting to EUR 37,752,168.73. These were secured by means of securities totalling EUR 25.9 million and fixed-term deposits amounting to EUR 11.9 million. The guarantee commitment was voided and the assets committed as security were released by mutual consent effective 24 March/27 March 2003.

50 Forward transactions/hedging transactions

In order to secure what at the time was regarded as a favourable long-term interest rate in connection with the planned financing of individual construction phases of the Wiesloch building project, two interest swaps were effected in August 1999. These are so-called payer swaps, i.e. coupon swaps in which MLP AG pays a fixed rate.

The key data of the swaps are as follows:

	1st contract	2nd contract
Date of transaction	12 Aug. 1999	12 Aug. 1999
Start of term	15 Jan. 2001	16 July 2001
End of term	17 Jan. 2011	17 Jan. 2011
Nominal amount in EUR	30,000,000.00	20,000,000.00
Fixed-rate payer	MLP AG	MLP AG
Fixed rate	5.9 %	6.0 %
Variable rate	EURIBOR	EURIBOR
Settlement	semi-annually	semi-annually

A provision was made in the amount of EUR 3.375 million in fiscal 2002 for both interest rate swaps, taking into account an already existing valuation basis.

V. Notes to the cash flow statement

51 General information

The cash flow statement was made in accordance with DRS 2 of the German Accounting Standards Committee (DRSC).
In order to allow for information requirements of DRS 2-20 and DRS 2-10 and thus to account for industry-specific regulations for insurance companies and banks, additional details are provided for life insurance, Non-life Insurance and banking under text notes 55 and 56.

52 Differences to previous years

Due to the compilation of the cash flow statement according to DRS 2, DRS 2-10 and DRS 2-20, insurance-specific items are allocated to cash flow from operating activities and investing activities and thereby result in a different disclosure compared to the previous year. The values of the previous year have been adjusted accordingly.

53 Taxes on profits in fiscal 2002 amounted to EUR 48.656 million.

54 An essential change of financial assets affecting payments is the capital increase against contributions in kind in the amount of EUR 29.4407 million.

55 Additional disclosure: Life Insurance and Non-life Insurance

The following additional disclosure according to DRS 2-20 is made in order to allow for industry-specific regulations for insurance companies.

	2002 EUR '000	2001 EUR '000
Changes in net financial assets from operating activities		
Net profit for period (including minorities)	**–47,585.0**	**98,933.5**
Item from other accounting periods	120,143.9	0.0
Gains from the disposal of capital assets of the investment stock	–5,475.7	–17,996.4
Losses from the disposal of capital assets of the investment stock	143,931.4	66,353.2
Changes in insurance-related reserves (net)	6,289.6	13,914.1
Changes in custodial assets and liabilities and settlement-related assets and liabilities	51,730.9	242,170.0
Total of other changes in the net financial assets from operating activities	–44,334.5	–37,836.1
Cash flow from operating activities	**224,700.6**	**365,538.3**
Changes in net financial assets from investing activities		
Payments from the sale of capital investments of unit-linked life insurance	2,539,175.6	2,122,272.5
Disbursements from the purchase of capital investments of unit-linked life insurance	–2,729,362.3	–2,412,799.3
Total of other changes in the net financial assets from investing activities	9,540.5	–50,904.1
Cash flow from investing activities	**–180,646.2**	**–341,430.9**
Changes in net financial assets from financing activities		
Total of other changes in the net financial assets from financing activities	–13,355.7	–29,813.1
Cash flow from financing activities	**–13,355.7**	**–29,813.1**
Cash-relevant changes in financial resources	30,698.7	–5,705.7
Changes in financial resources arising from exchange rates, scope of consolidation and valuation	1,518.9	–412.4
Financial resources at beginning of period	55,680.2	61,798.3
Financial resources at end of period	**87,897.8**	**55,680.2**

56 Additional disclosure: Banking

The following additional disclosure according to DRS 2-10 is made in order to allow for industry-specific regulations for credit institutions.

	2002 EUR '000	2001 EUR '000
Changes in net financial assets from operating activities		
Net loss/profit for period (including minorities)	**–47,585.0**	**98,933.5**
Items from other accounting periods	120,143.9	0.0
Tax on profit	–5,201.7	–662.3
Interest and dividends received	13,431.5	13,322.1
Interest paid	–5,644.6	–8,548.3
Other adjustments/(net)	–2,585.2	–4,111.5
Receivables against banks	–47,774.6	0.0
Receivables against customers from banking business	–31,849.2	–66,132.0
Liabilities to banks	4,893.7	1,798.9
Liabilities to customers from banking business	51,797.6	66,556.0
Total of other changes in the net financial assets from operating activities	175,074.2	264,381.9
Cash flow from operating activities	**224,700.6**	**365,538.3**
Changes in net financial assets from investing activities		
Total of other changes in the net financial assets from investing activities	–180,646.2	–341,430.9
Cash flow from investing activities	**–180,646.2**	**–341,430.9**
Changes in net financial assets from financing activities		
Total of other changes in the net financial assets from financing activities	–13,355.7	–29,813.1
Cash flow from financing activities	**–13,355.7**	**–29,813.1**
Cash-relevant changes in financial resources	30,698.7	–5,705.7
Changes in financial resources arising from exchange rates, scope of consolidation and valuation	1,518.9	–412.4
Financial resources at beginning of period	55,680.2	61,798.3
Financial resources at end of period	**87,897.8**	**55,680.2**

VI. Reporting by business segments

57 General information

The report by segments is based on the standards of the German Accounting Standards Committee (German abbreviation: DRSC), in the version DRS 3.

Further information with regard to the Life and Non-life Insurance and banking segments are contained below in text notes 62 and 63, respectively, in fulfillment of the respective disclosure requirements of DRS 3-20 and DRS 3-10 and thus in compliance with specific legal requirements for insurance companies and financial institutions.

The information given for the individual segments and regions is based on the accounting and valuation methods which were also used to determine the consolidated values of the Group accounts.

Insofar as one segment comprises multiple companies, the mutual transactions within each segment have been eliminated through consolidation measures.
Transactions in goods and services between segments are always stated at normal market prices. In the case of Group transfer payments, an appropriate supplemental overhead charge is added to the individual costs that were actually incurred.

For the first time, reporting by segment is structured essentially similar to the Group profit and loss account in order to achieve greater transparency. Accordingly, the line items of the Group profit and loss account have been used for the various operating segments. The statements here further comply with the disclosure requirements of applicable regulations in all other respects as well.

As a matter of principle, the sum total of the information by segments differs from the corresponding financial statements reported by the Group to the extent of cross-segment relationships and other consolidation entries. In the previous year, the values of the parent company MLP AG and MLP Consult GmbH were additionally assigned to the consolidation entries in the course of the consolidation of the MLP Group; these are now assigned to the segment Internal Services and Administration.

58 Information about the formats of the report

The format of the reports is structured primarily according to business activity. The following segments of the MLP Group are subject to disclosure requirements: Consultation and Sales, Life Insurance, Non-life Insurance, Banking, and Internal Services and Administration.

Information within the context of the secondary report format (by geographical regions) is provided in accordance with standard DRS 3, text note 39.

59 Overview of segments

The operative segments are composed of individual companies of the MLP Group. The segments subject to disclosure requirements represent strategic sectors of the Group's activity which differ in terms of their products and services and their regulatory environments.

The **Consultation and Sales** segment provides consulting services to customers, especially with respect to insurance coverage, investments and financing of all kinds and brokerage of contracts for financial services. This segment consists of MLP Finanzdienstleistungen AG in Heidelberg, MLP Private Finance plc in London, Great Britain, MLP Private Finance Correduria de Seguros S.A., Madrid, Spain, (as of 2002) and MLP Media GmbH Verlag und Werbeagentur.

With this first-time inclusion of MLP Private Finance Correduria de Seguros S.A., Madrid, Spain, in the Group consolidated accounts, this segment also includes the assets of this holding as of 2002. Due to the minor significance, no adjustments of the previous year's figures were undertaken.

The range of products and services provided by the **Life Insurance** segment comprises various types of life insurance policies, insurance policies enjoying special tax privileges under the provisions of German law (AvmG), capitalization transactions and the management of pension-saving schemes. The Life Insurance segment consists of MLP Lebensversicherung AG in Heidelberg and of MLP-Lebensversicherung AG in Vienna, Austria, which is consolidated on a pro-rata (50-per-cent) basis.
Through the sale of our holding in MLP-Lebensversicherung AG, Vienna, Austria, the shareholding was deconsolidated effective 20 September 2002. The figures for the respective segments contain the corresponding line items of the profit and loss account proportionally up until the time of deconsolidation of MLP-Lebensversicherung AG, Vienna, Austria.

The business operations of the **Non-life Insurance** segment cover the development and operation of property and casualty insurance policies. This segment consists of MLP Versicherung AG.

The business covered by the **Banking** segment (referred to last year as the Bank & Asset Management division) includes financial portfolio management, trust loan business, loan and credit card business, consulting services in connection with investment decisions regarding mutual fund shares, and the creation and organizational implementation of new financial products for the MLP Group. Through the merger of MLP Vermögensverwaltung AG with MLP Bank AG, this segment comprises only the MLP Bank AG, in contrast to previous years. No adjustment of the previous year's figures was undertaken, as the merger process did not result in any changes.

The segment **Internal Services and Administration** (referred to in the previous year as "other business divisions") comprises MLP Login GmbH, MLP Consult GmbH and MLP AG.

This new segment thus represents a bundling of all internal services and activities of the MLP Group. In the previous year, this segment was represented solely by MLP Login GmbH. The figures for the previous year have been adjusted accordingly.

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Notes on information reported by segment

The following contains explanations of selected line items of the reporting by segments.

Revenue of the Life Insurance segment and of the Non-life Insurance segment essentially includes insurance premiums and income from reinsured business. The revenue from the Banking segment includes interest and commission income.

Pre-tax profits by segment correspond to earnings on ordinary business activity.

Within the Group, the **interest expenses** of MLP Bank AG are stated under material expenditures. In the previous year, these were stated in the reporting by segments under the line item of interest expenditures. In 2002, the interest expenditures were reassigned to material expenditures to conform with the Group profit and loss account. The figures for the previous year have been adjusted accordingly.

Income from other shareholdings within the meaning of § 271 (1) German Commercial Code (HGB) were not earned in fiscal 2001 and 2002.

Assets comprise capital assets and current assets including equity holdings in associated companies as well as assets held in trust. Payments made on account, assets under construction and loans are not included under assets.
Due to changes in the structure of the reporting by segments, assets comprise loans to affiliated companies and other loans. The figures for the previous year have been adjusted accordingly.

Capital investment in long-term assets refers to the acquisition costs of additions and transfers to intangible assets and tangible assets as well as the acquisition costs of additions and transfers to financial assets. Payments made on account and assets under construction are not included in long-term assets. The acquisition costs of transfers are included in this line item so as to permit statement of those investments that in previous years were booked as payments on account and assets under construction.
Due to changes in the structure of the reporting by segments, investments comprise loans to affiliated companies and other loans. The figures for the previous year have been adjusted accordingly.

Liabilities consist of provisions, liabilities and liabilities held in trust. The previous year's liability figure included 50 per cent of special tax-allowable reserves of MLP-Lebensversicherung AG, Vienna.

Assets and liabilities held in trust were reported under assets or liabilities for the first time in 2001 to reflect the peculiarities of banking business within the MLP Group.

Cash flow is derived from net loss or profit for the year adjusted for depreciation/amortization, other non-cash items and earnings from equity interests in associated companies.

Depreciation/amortization includes both the scheduled and non-scheduled diminution in the value of intangible assets, fixed assets, financial investments and securities held as current assets. Other non-cash items include additions, capitalized own work, depreciation charges on capitalized start-up and business-expansion expenses, and changes in pension reserves.

Pre-tax profit before profit transfer was used to determine the **cash flow** of the Consultation and Sales segment.

61 Additional geographical information on the secondary report format

The segments Consultation and Sales, Non-life Insurance, Banking, and Internal Services and Administration conduct their business activities primarily in Germany. The Consulting and Sales segment also includes activities in Switzerland, Austria, the Netherlands, Great Britain and Spain to a minor extent.

In the Life Insurance segment, significant business activity was transacted outside of Germany. For this reason, the segment revenues, assets and investment in long-term assets are broken down by region.

Life Insurance	2002 EUR '000	2001 EUR '000
Segment revenue from third parties	670,015	657,283
– in Germany	596,314	583,883
– in the rest of Europe	73,701	73,400
Assets	967,285	1,012,030
– in Germany	967,285	889,756
– in the rest of Europe	0	122,274
Investments in long-term assets	29,272	8,624
– in Germany	29,239	8,437
– in the rest of Europe	33	187

62 Additional disclosure: Life and Non-life Insurance

The following information is provided pursuant to DRS 3-20 in compliance with the disclosure requirements and industry-specific regulations for insurance companies.

	Life Insurance		Non-life Insurance	
	2002 EUR '000	2001 EUR '000	2002 EUR '000	2001 EUR '000
Gross premiums				
From insurance business transactions with external third parties	478,352	418,917	30,275	23,296
– in Germany	434,313	366,914	30,262	23,296
– in the rest of Europe	44,040	52,003	13	0
From insurance business transactions with other segments	0	0	0	51
– in Germany	0	0	0	51
– in the rest of Europe	0	0	0	0
Earned premiums (net)	277,899	246,186	19,791	14,711
Gains/losses from capital investments	–47,816	–42,586	0	0
Other insurance-related income (net)	467	159	0	0
Expenditure on insurance claims (net)	–4,937	–7,246	–12,645	–10,497
Expenditure for premium refunds (net)	–7,045	–7,044	0	0
Insurance operating expenses (net)	–110,198	–39,904	–5,188	–2,022
Other insurance-related income/expenses (net)	–50,408	–128,754	67	–125
– thereof miscellaneous insurance-related reserves	–28,486	–22,812	–35	–23
Intangible assets	22,264	4,465	2,258	1,712
Capital investment	89,011	33,538	7,050	4,300
– in Germany	89,011	29,565	7,050	4,300
– in the rest of Europe	0	3,973	0	0
Investments on behalf of holders of life insurance policies	799,802	889,226	–	–
Insurance-related reserves (net)	25,862	22,238	5,810	4,008
Insurance-related reserves in the life insurance area to the extent that the investment risk is borne by the policyholders	293,801	471,294	–	–
Other liabilities	579,337	478,134	4,062	2,770

Other insurance-related income and expenses were additionally disclosed in order to provide for a better comparison with the profit and loss account of the subsidiaries.

Directly contracted property and casualty insurance business in the Non-life Insurance segment commenced on 1 January 2001.

The **intangible assets** (concessions, trademarks and similar rights and considerations, and licence for such rights and considerations, particularly software) do not contain any payments made on account.

Capital investments include securities and bank deposits.

Other liabilities include non-insurance-related provisions, custodianship liabilities from reinsured insurance business and other liabilities.

63 Additional disclosure: Banking

The following information is provided pursuant to DRS 3-10 in compliance with the disclosure requirements and industry-specific regulations for financial institutions.

Bank	2002 EUR '000	2001 EUR '000
Net interest received	7,501	4,445
Risk provision	–2,915	–954
Net commission received	21,058	10,944
Administrative expenditure	–25,209	–19,156
Earnings after provisions for risk	3,960	652
Assets	282,146	204,206
Liabilities	268,285	199,365
Risk items	310,094	225,823
Allocated capital	25,168	15,487
Return on allocated capital	5.22 %	3.69 %
Cost/income ratio	0.79	0.92

Net interest received is the balance of interest income and interest expenditure. The figures in the previous years have been adjusted due to a change in disclosure by the Company.

Risk provision consists of individual and general allowances on receivables and allocations to reserves in the lending business. No risk provisions were formed pursuant to § 340 et seq. of the German Commercial Code.

Net commission received is the balance of commission income and commission expenses. The figures in the previous years have been adjusted due to a change in disclosure by the Company.

The bank did not engage in any financial trading transactions.

Administrative expenditure includes payroll costs and other administrative expenses.

Earnings after risk provision comprise the sum total of net interest received, risk provisioning, net commission received, administrative expenditure and of the balance of other operating expenses and income.

Assets include cash reserves as well as amounts receivable from banks and customers, and additional assets held in trust.

Liabilities comprise liabilities to financial institutions and customers as well as trust liabilities.

Supervisory risk exposure items exclusively involve assets at risk. Assets at risk include balance sheet assets and off-balance sheet transactions (§ 19 (1) of the German Banking Act).

Allocated capital comprises the amount of shareholders' equity carried on the balance sheet.

The **return on allocated capital** is the ratio of pre-tax profits to the allocated capital.

The **cost/income ratio** is the quotient of administrative expenditure and current net profit (net interest **received,** net commission **received,** and the balance of other operating income and expenses).

VII. Statement of equity

The statement of equity is based on DRS 7 of the German Accounting Standards Committee (DRSC).

VIII. Other information

64 Development of expenses for the start-up and expansion of business activity and capital assets in fiscal year 2002

			Procurement costs			
	1 Jan. 2002	Initial consolidation of MLP Private Finance, Madrid, Spain Deconsolidation of MLP-Leben Austria	Additions	Disposals	Transfers	31 Dec. 2002
	EUR	EUR	EUR	EUR	EUR	EUR
A. Expenses for start-up and expansion of business activity	**11,366,937.82**	**0.00**	**0.00**	**0.00**	**0.00**	**11,366,937.82**
B. Capital assets						
I. Intangible assets						
1. Concessions, trademarks and similar rights and assets including licences in such rights and assets	39,281,832.40	–855,584.35	17,727,870.32	1,946,772.39	16,032,445.07	70,239,791.05
2. Payments on account	12,815,839.59	0.00	12,542,467.43	69,838.10	–16,032,445.07	9,256,023.85
	52,097,671.99	**–855,584.35**	**30,270,337.75**	**2,016,610.49**	**0.00**	**79,495,814.90**
II. Fixed assets						
1. Land, similar rights and buldings including buildings on leasehold land	71,402,962.43	97,686.64	2,205,133.30	72,402.01	593,274.57	74,226,654.93
2. Other facilities, operating and office equipment	67,396,793.77	–34,366.71	16,768,158.00	788,696.07	1,050,464.81	84,392,353.80
3. Payments on account and assets under construction	871,681.20	0.00	9,760,207.60	0.00	–1,643,739.38	8,988,149.42
	139,671,437.40	**63,319.93**	**28,733,498.90**	**861,098.08**	**0.00**	**167,607,158.15**
III. Financial assets						
1. Shares in affiliated companies	60,101.21	–60,101.21	1,069,503.02	0.00	0.00	1,069,503.02
2. Holdings in associated companies	1,564,553.15	0.00	5,112.92	0.00	0.00	1,569,666.07
3. Securities of capital assets	32,299,522.86	–942,605.75	4,942,476.46	22,006,936.49	0.00	14,292,457.08
4. Other loans	191,375.57	0.00	0.00	47,856.18	0.00	143,519.39
5. Capital investments of investment stock	909,885,472.66	–125,570,666.41	2,729,362,292.26	2,577,612,566.90	0.00	936,064,531.61
	944,001,025.45	**–126,573,373.37**	**2,735,379,348.66**	**2,599,667,359.57**	**0.00**	**953,139,677.17**
	1,135,770,134.84	**–127,365,637.79**	**2,794,383,221.31**	**2,602,545,068.14**	**0.00**	**1,200,242,650.22**

	Write-downs/additions						Book values	
	1 Jan. 2002	Initial consolidation of MLP Private Finance Madrid, Spain Deconsolidation of MLP-Leben Austria	Additions	Disposals	Transfers	31 Dec. 2002	31 Dec. 2002	31 Dec. 2001
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
	1,525,202.82	**0.00**	**2,841,735.00**	**0.00**	**0.00**	**4,366,937.82**	**7,000,000.00**	**9,841,735.00**
	17,921,897.79	–603,280.00	12,377,484.40	1,947,744.53	0.00	27,748,357.66	42,491,433.39	21,359,934.61
	0.00	0.00	69,838.10	69,838.10	0.00	0.00	9,256,023.85	12,815,839.59
	17,921,897.79	**–603,280.00**	**12,447,322.50**	**2,017,582.63**	**0.00**	**27,748,357.66**	**51,747,457.24**	**34,175,774.20**
	15,690,890.27	0.00	4,121,269.68	12,678.87	0.00	19,799,481.08	54,427,173.85	55,712,072.16
	32,941,090.58	–86,573.58	7,223,984.49	609,689.65	0.00	39,468,811.84	44,923,541.96	34,455,703.19
	0.00	0.00	0.00	0.00	0.00	0.00	8,988,149.42	871,681.20
	48,631,980.85	**–86,573.58**	**11,345,254.17**	**622,368.52**	**0.00**	**59,268,292.92**	**108,338,865.23**	**91,039,456.55**
	0.00	0.00	899,999.00	0.00	0.00	899,999.00	169,504.02	60,101.21
	1,564,553.15	0.00	0.00	0.00	0.00	1,564,553.15	5,112.92	0.00
	63,944.85	0.00	12,000.00	5,494.07	–35,203.30	35,247.48	14,257,209.60	32,235,578.01
	0.00	0.00	0.00	0.00	0.00	0.00	143,519.39	191,375.57
	20,659,116.20	–25,551,807.12	150,119,645.94	0,00	–8,964,221.26	136,262,733.76	799,801,797.85	889,226,356.46
	22,287,614.20	**–25,551,807.12**	**151,031,644.94**	**5,494.07**	**–8,999,424.56**	**138,762,533.39**	**814,377,143.78**	**921,713,411.25**
	88,841,492.84	**–26,241,660.70**	**174,824,221.61**	**2,645,445.22**	**–8,999,424.56**	**225,779,183.97**	**974,463,466.25**	**1,046,928,642.00**

65 Changes in the reinsurance result

	MLP Lebens-versicherung AG, Heidelberg 2002 EUR '000	MLP Lebens-versicherung AG, Heidelberg 2001 EUR '000	MLP-Lebens-versicherung AG, Vienna 2002 EUR '000	MLP-Lebens-versicherung AG, Vienna 2001 EUR '000	MLP Ver-sicherung AG, Heidelberg 2002 EUR '000	MLP Ver-sicherung AG, Heidelberg 2001 EUR '000	MLP Group 2002 EUR '000	MLP Group 2001 EUR '000
Income from reinsured business	160,968	208,127	16,168	21,669	9,418	10,571	186,554	240,368
Reinsurance premiums	–175,624	–157,288	–14,171	–15,931	–10,491	–8,590	–200,286	–181,809
Technical interest	–15,234	–11,106	–1,317	–1,154	0	0	–16,551	–12,260
Reinsurance result	**–29,890**	**39,733**	**680**	**4,584**	**–1,073**	**1,981**	**–30,283**	**46,298**

66 Management bodies of MLP AG

Members of the Executive Board in fiscal 2002:

Dr. Bernhard Termühlen, Gaiberg
Chairman
responsible for Group Planning and Strategy, Corporate Communication,
IT, Group Legal Issues, Revision and Human Resources

Eugen Bucher, Bammental
responsible for Banking, Financing and Investments

Gerhard Frieg, Heidelberg
responsible for Life Insurance, Non-life Insurance and Health Insurance

Dr. Uwe Schroeder-Wildberg, Nuremberg
Chief Financial Officer (as of 1 January 2003)
responsible for Group Accounting, Group Financial Statements,
Group Controlling and Group Tax

The members of the Executive Board concurrently serve as members of the supervisory boards of the following companies:

Dr. Bernhard Termühlen
Chairman, supervisory board of MLP Bank AG
Chairman, supervisory board of MLP Versicherung AG
Member of supervisory board of MLP-Lebensversicherung AG,
Vienna, Austria (until 1 October 2002)

Eugen Bucher, Gerhard Frieg and **Dr. Uwe Schroeder-Wildberg** did not hold any positions subject to disclosure under § 285/§ 314 HGB.

Members of the Supervisory Board in fiscal 2002:

Manfred Lautenschläger, Gaiberg
Chairman

Gerd Schmitz-Morkramer, Munich
Vice-Chairman
Chairman of shareholders' committee at
Merck Finck & Co. Private Bank, Munich

Maria Bähr, Sandhausen
Employee representative
Department head at MLP Finanzdienstleistungen AG

Dietmar Hopp, Walldorf

Norbert Kohler, Oftersheim
Employee representative
Department head at MLP Finanzdienstleistungen AG

Dr. Peter Lütke-Bornefeld, Cologne
Chairman of Executive Board,
Kölnische Rückversicherungs-Gesellschaft AG, Cologne
Vice Chairman of General Re Corporation,
Stamford, USA (as of 28 May 2002)

Christian Strenger, Frankfurt (until 5 April 2002)

The members of the Supervisory Board concurrently serve as members of the supervisory board of the following companies:

Manfred Lautenschläger
Membership in legally mandated domestic supervisory boards::
MLP Finanzdienstleistungen AG, Heidelberg (Chairman)
MLP Lebensversicherung AG, Heidelberg (Chairman)
Mannheimer AG Holding, Mannheim (until 18 June 2002)

Membership in comparable domestic and foreign management bodies:
Chairman of the Board of Management, MLP-Lebensversicherung AG, Vienna, Austria (until 1 October 2002)
Vice-Chairman of Supervisory Board, MLP-Lebensversicherung AG, Vienna, Austria (until 6 January 2003)
Heidelberg University Clinic

Gerd Schmitz-Morkramer
Membership in legally mandated domestic supervisory boards:
Merck Finck Vermögensbetreuungs AG, Munich
Merck Finck Treuhand AG, Frankfurt am Main (Chairman)
YOC!AG, Berlin (Chairman)
Real Estate Equity Partners AG, Cologne (Chairman)

Membership in comparable domestic and foreign management bodies:
Mannheimer Versicherung AG, Mannheim (Vice-Chair of advisory council)
Taurus Investment Holding, Boston, USA (Chair of advisory council)

Dietmar Hopp
Membership in legally mandated domestic supervisory boards:
SAP AG, Walldorf (Chairman)
ACTRIS AG, Frankfurt (Chairman)

Dr. Peter Lütke-Bornefeld
Membership in legally mandated domestic supervisory boards:
VPV Lebensversicherungs-AG, Stuttgart
Delvag Rückversicherungs-AG, Cologne
Gothaer Rückversicherung AG, Cologne
Europa Rückversicherung AG, Cologne

Membership in comparable domestic and foreign management bodies:
a) Group companies
GeneralCologne Re Reinsurance Australasia Limited, Sydney, Australia
Kölnische Rück Wien, Vienna, Austria (Chairman)
General Re Corporation, Stamford, USA (Vice Chairman)
General Reinsurance Corporation, Stamford, USA
General Re – CKAG Reinsurance and Investment S.A.R.L., Luxembourg (Chairman)
Cologne Reinsurance Company (Dublin) Ltd., Dublin, Ireland
General & Cologne Life Re of America, Stamford, USA
GeneralCologne Re Capital Kapitalanlagegesellschaft mbH, Cologne
b) Other:
Deutsche Kernreaktor-Versicherungsgemeinschaft, Cologne (Chairman)

Christian Strenger
Membership in legally mandated domestic supervisory boards:
BASF Coatings AG, Münster
DWS Investment GmbH, Frankfurt
Metro AG, Düsseldorf
Fraport AG, Frankfurt

Membership in comparable domestic and foreign management bodies:
The Germany Funds, New York, Chairman of the supervisory board
Incepta plc, London

Ms. **Maria Bähr** and Mr. **Norbert Kohler** did not hold any positions subject to disclosure under § 285/§ 314 HGB.

67 Compensation of Supervisory Board and Executive Board

The total compensation of the members of the Executive Board (§ 314 (1) No. 6 a and b HGB) for the fiscal year 2002 amounted to EUR 859,042.33.

All compensation for members of the Executive Board was in the form of fixed salaries. For former members of the Executive Board, pension obligations amounting to EUR 2,926,489.00 existed through the end of fiscal 2002.

Remuneration for Supervisory Board members totalled EUR 175,587.50 in fiscal 2002, of which EUR 11,600 was paid to former members.

68 Shareholdings of the Executive Board and Supervisory Board as of the day of accounting

Executive Board	Shares	Options [1]
Dr. Bernhard Termühlen	10,053,246	5,844
Eugen Bucher	8,289	2,922
Gerhard Frieg	155,849	2,922
Total for the Executive Board as of 31 December 2002	**10,217,384**	**11,688**

Supervisory Board	Shares	Options [1]
Manfred Lautenschläger	22,087,097	0
Maria Bähr	11,478	61
Dietmar Hopp	149,000	0
Norbert Kohler	530	46
Dr. Peter Lütke-Bornefeld	0	0
Gerd Schmitz-Morkramer	11,000	0
Total for the Supervisory Board as of 31 December 2002	**22,259,105**	**107**

[1] in the form of convertible debentures (for further information see text note 69)

69 Convertible debentures

In its resolution of 28 May 2002, the shareholders' meeting authorized the Executive Board of MLP AG to undertake one or more issues of non-interest bearing convertible debentures by 28 May 2007 up to a total amount of EUR 1,700,000 subject to the approval of the Supervisory Board.

On 19 August 2002, the Company issued a first tranche of these non-interest bearing convertible debentures with a total nominal value of EUR 140,000, as part of the 2002 MLP Incentive Programme for members of the Executive Board and employees of MLP AG as well as members of executive management, outside sales staff acting as independent sales representatives and employees of associated companies within the meaning of applicable law (§ 15 et seq. AktG). These instruments entitle the holder to purchase shares of MLP AG. The convertible debenture issue is divided into debentures of equal priority which are registered to the holder and have a nominal value of EUR 1.00 each, and has a maturity of six years (including a three-year waiting period). The window for exercising this right begins on 20 August 2005 and ends on 19 August 2008. During the subscription period, debentures equivalent to EUR 115,300 were subscribed.

70 Loans to members of management bodies

As of the day of accounting, short-term overdrafts of EUR 74 thousand due from members of the Supervisory Board and EUR 40 thousand due from members of the Executive Board were outstanding. The applicable interest rate was 6.6 per cent.

71 Notes on Corporate Governance

The Declaration of Compliance mandated by German law (§ 161 AktG) was duly executed and is available for inspection by the shareholders.

72 Information regarding the number of employees

The average number of employees in the companies consolidated in the Group financial statements during the fiscal year (in accordance with § 314 (1) No. 4 HGB) was determined analogously to § 267 (5) HGB:

	Total	**Domestic**	**Foreign**
Employees	1,368	1,251	117
Minor part-time	449	443	6
Total	**1,817**	**1,694**	**123**

On average, 162 additional persons received vocational training in Germany.

73 Shareholder structure

For information on the shareholder structure, please refer to text note 75 of these notes.

74 Events subsequent to the date of accounting

The nullification of the guarantee amounting to EUR 37,752,168.73 and the release of security in the same amount occurred by mutual consent effective 24 March/27 March 2003. See also text note 49.

Dr. Uwe Schroeder-Wildberg was named Chief Financial Officer of MLP AG effective 1 January 2003. This appointment was entered in the Commercial Register on 20 January 2003.

Heidelberg, 31 March 2003

MLP AG

The Executive Board

Dr. Bernhard Termühlen

Eugen Bucher

Gerhard Frieg

Dr. Uwe Schroeder-Wildberg

75 Affiliated companies

Subsidiaries Company	Book value of holding 1 Jan. 2002 EUR	Additions EUR	Disposal/depreciation EUR
MLP Finanzdienstleistungen AG, Heidelberg	10,225,837.62	–	–
MLP Lebensversicherung AG, Heidelberg	1,319,316.69	13,941,082.57[2]	–
MLP Vermögensverwaltung AG, Heidelberg	1,278,485.35	33,262,917.18[4]	34,541,402.53
MLP Bank AG, Heidelberg	0.00	34,541,402.53[5]	–
MLP Login GmbH, Heidelberg	193,268.33	1,265,808.00[6]	–
MLP Versicherung AG, Heidelberg	3,375,218.09	1,600,790.00[7]	–
MLP Private Finance Correduria de Seguros S.A., Madrid, Spain	60,101.21	0.79	–
MLP Private Finance plc, London, Great Britain	80,115.37	–	–
MLP Private Finance AG, Zurich, Switzerland[8]	0.00	169,503.02	–
MLP Consult GmbH, Heidelberg	2,100,000.00	–	755,041.00
MLP Media GmbH Verlag und Werbeagentur, Heidelberg	25,564.59	–	–
Academic Networks GmbH, Heidelberg[9]	0.00	900,000.00	899,999.00

[1] A profit/loss transfer agreement exists.
[2] This addition comprises a capital increase in kind in the amount of EUR 13,861,075.00 and a cash settlement amounting to EUR 80,007.57.
[3] Common shares 100.00 %; non-voting preference shares 99.618 % (5,977,053 shares)
[4] of which: conversion of loan (EUR 5,000,000); transfer to reserves (EUR 3,600,000); cash capital contribution (EUR 7,000,000); debt waiver (EUR 3,684,864.18); capital increase in kind (EUR 13,978,053.00)

Companies consolidated pro rata Company	Date 1 Jan. 2002 EUR	Additions EUR	Disposal/depreciation EUR
MLP-Lebensversicherung AG, Vienna, Austria	2,183,756.20	–	2,183,756.20[1]

[1] The company was deconsolidated effective 30 September 2002.

As of 31 December 2002, neither MLP AG nor the companies shown here possessed any other holdings requiring disclosure under the provisions of § 313 (2) HGB.

Book value of holding 31 Dec. 2002 EUR	Subscribed capital EUR	Share held %	Net profit/ net loss EUR	Minority interests (profit) EUR	Minority interests (loss) EUR
10,225,837.62	6,000,000.00	100.00 %	–[1]	–	–
15,260,399.26	15,000,000.00 (thereof paid in: 5,413,277.23)	99.85 %[3]	53,321,731.94	3,112,548.22	–
0.00	0.00	0.00 %	0.00	784,462.14	–
34,541,402.53	20,000,000.00	100.00 %	1,314,223.06	59,753.56	–
1,459,076.33	255,645.94	100.00 %	61,508.16[10]	21,483.24	–
4,976,008.09	16,500,000.00 (thereof paid in: 4,508,468.91)	100.00 %	561,117.01	372,864.68	–
60,102.00	60,102.00	100.00 %	–1,213,564.92[10]	–	–
80,115.37	80,115.37	100.00 %	–3,380,728.79	–	–
169,503.02	170,334.54	99.60 %	–39,678.55	–	–
1,344,959.00	2,045,167.52	100.00 %	–733,944.58	–	–
25,564.59	25,564.59	100.00 %	–	–	–
1.00	90,000.00	90.00 %	–1,354,774.08	–	–

[5] MLP Vermögensverwaltung AG was merged with the MLP Bank AG effective 1 October 2002.
[6] of which: cash capital contribution (EUR 1,265,040.00); non-cash capital increase (EUR 768)
[7] of which: capital increase in kind (EUR 1,600,790.00)
[8] Not included in scope of consolidation pursuant to § 296. (2) HGB
[9] Not included in scope of consolidation pursuant to § 296. (2) HGB
[10] Preliminary, not audited figures

Date 31 Dec. 2002 EUR	Subscribed capital EUR	Share held %	Net profit/ net loss EUR	Minority interests (profit) EUR	Minority interests (loss) EUR
0.00	6,543,000.00 (thereof paid in: 2,180,185.03)	0.00 %	–	155,841.50	–

For further information, please refer to section 2.4, Changes in the scope of consolidation.

76 Statement of liabilities as of 31 December 2002

Liability		**With a remaining term of**		
		up to	**1 to**	**over 5**
		1 year	**5 years**	**years**
Type	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Liabilities owed to banks[1]	53,726	9,525	10,198	34,003
Advances received	1,484	1,484	0	0
Liabilities owed to sales representatives[2]	43,480	43,480	0	0
Liabilities owed to reinsurers[2]	35,085	35,085		
Other trade accounts payable [2][3]	26,217	22,554	3,663	0
Customer accounts	240,999	240,205	113	681
Liabilities owed to affiliated companies	14	14		
Other liabilities	38,788	24,518	14,270	0
Total	**439,792**	**376,865**	**28,244**	**34,684**

[1] In connection with two loans in the amount of EUR 25.0 million and EUR 5.0 million, respectively, a land charge against MLP AG amounting to EUR 29.999 million has been entered in Land Title Registry No. 7866 in Wiesloch.

[2] Statement adjusted to conform with the structure of the balance sheet.

[3] The usual reservations of ownership are asserted.

77 Statement of liabilities as of 31 December 2001

Liability		**With a remaining term of**		
		up to	**1 to**	**over 5**
		1 year	**5 years**	**years**
Type	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Liabilities owed to banks[1]	14,658	351	1,471	12,836
Advances received	3,460	3,460	0	0
Liabilities owed to sales representatives[2]	30,252	30,252	0	0
Liabilities owed to reinsurers[2]	0	0	0	0
Other trade accounts payable[2][3]	30,400	30,400	0	0
Customer accounts	189,202	188,069	447	686
Liabilities owed to shareholdings	0	0		
Other liabilities	23,017	22,487	530	0
Total	**290,989**	**275,019**	**2,448**	**13,522**

[1] In connection with a loan in the amount of EUR 5.0 million, a land charge against MLP AG amounting to EUR 4.999 million has been entered in Land Title Registry No. 7866 in Wiesloch.

[2] An adjustment of disclosure in accordance with fiscal 2002 was made.

[3] The usual reservations of ownership are asserted.

Auditors' Report

Statement of confirmation by the auditors:

"We performed our audit of the Consolidated Financial Statements prepared by MLP AG and the Group Management Report combined with the Management Report of MLP AG for the business year from 1 January to 31 December 2002. Responsibility for financial accounting and preparation of Consolidated Financial Statements and the Management Report in accordance with German commercial law and the supplementary provisions of the Articles of Association lies in the hands of the legal representatives of the Company. Our responsibility is to render an assessment of the Consolidated Financial Statements, Company accounts and the Management Report.

We conducted our audit of the Consolidated Financial Statements in accordance with § 317 HGB (German Commercial Code) and German standards for audits of financial statements issued by the Institut der Wirtschaftsprüfer (IDW). These standards require that audits be planned and performed in such a way as to ensure with sufficient certainty that errors and violations which could substantially affect the description of the Company's assets, financial standing and earnings presented in keeping with the principles of proper accounting in the Consolidated Financial Statements and the Management Report will be detected. In determining the audit procedures to be applied, knowledge regarding the business activities and the economic and legal circumstances of the Company as well as expectations with respect to possible errors were taken into consideration. Within the framework of the audit, the effectiveness of the internal control system was evaluated along with evidence supporting statements contained in accounts, the Consolidated Financial Statements and the Management Report. This evaluation was made primarily on the basis of random samples. The audit included an evaluation of the principles of financial accounting used by the Company, of significant assessments made by its legal representatives and of the complete picture conveyed by the Consolidated Financial Statements and the Management Report. We believe that our audit provides a sufficiently reliable basis for our evaluation.

Our audit revealed no significant deficiencies.

In our opinion, the Consolidated Financial Statements prepared in accordance with the principles of proper accounting accurately describe the Company's actual asset, financial and earnings situation. As a whole, the Management Report conveys an accurate picture of the Company's position and presents a realistic description of the risks associated with future business activity."

Düsseldorf, 19 April 2003

Rölfs WP Partner AG
Wirtschaftsprüfungsgesellschaft

Jochen Rölfs
– Certified auditor –

Jürgen Spielberg
– Certified auditor –

Mannheim, 19 April 2003

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Norbert Pfitzer
– Certified auditor –

Ulrich Skirk
– Certified auditor –

Profit and loss account MLP AG

	Notes	2002 EUR	2001 EUR
1. Other operating income	1	18,970,613.97	11,741,862.13
2. Personnel expenses	2		
a) Salaries and wages		–1,178,638.70	–4,067,917.86
b) Social contributions and expenses for old-age pensions and benefits – of which for pensions: EUR 279,806.20 (previous year: EUR 280,183.55)		–333,598.46	–315,866.70
3. Depreciation	3		
a) Depreciation on intangible and tangible fixed assets		–3,652,715.28	–3,170,665.38
4. Other operating expenses	4	–14,599,612.48	–8,632,610.49
5. Income from investments – of which from related companies: EUR 10,444,222.31 (previous year: EUR 270,222.95)	5	10,444,222.31	270,222.95
6. Income from profit and loss transfer agreements	5	0.00	116,581,813.46
7. Income from other investments and long-term loans – of which from related companies: EUR 298,008.42 (previous year: EUR 315,572.37)	5	1,048,008.42	1,172,715.22
8. Other interest and similar income – of which from related companies: EUR 6,383,048.08 (previous year: EUR 5,833,429.00)	5	6,808,869.46	6,367,669.11
9. Write-downs on financial assets and securities held as current assets	5	–783,941.00	–1.233.623,05
10. Transfer of losses	5	–95,933,275.30	0.00
11. Interest and similar expenses – of which from related companies: EUR 387,206.23 (previous year: EUR 569,702.84)	5	–6,281,733.39	–1,861,695.40
12. Loss/profit from ordinary operations		**–85,491,800.45**	**116,851,903.99**
13. Taxes on income and profit	6	–6,084,556.46	–38,909,488.95
14. Other taxes		–71,779.92	–35,087.27
15. Net Loss/profit		**–91,648,136.83**	**77,907,327.77**
16. Profit carried forward from previous year			
a) Net earnings from previous year		77,920,018.19	51,600,690.42
b) Divided distribution		–39,600,000.00	–30,888,000.00
c) Transfer to other retained profit		–38,300,000.00	–20,700,000.00
		20,018.19	**12,690.42**
17. Transfer from other retained profit		–91,628,118.64	0,00
18. Unappropriated profit		**0,00**	**77,920,018.19**

Balance sheet MLP AG

Assets	Notes	2002 EUR	2001 EUR
A. Fixed assets	7		
I. Intangible assets			
Concessions, trademarks and similar rights and assets including licences in such rights and assets		99,637.00	9,554.00
		99,637.00	**9,554.00**
II. Tangible fixed assets			
1. Land, land rights and buildings, including buildings on land owned by others		46,648,292.32	48,219,438.32
2. Other factory and office equipment		12,282,234.92	12,897,213.60
3. Payments made on account and assets under construction		8,900,006.91	436,659.26
		67,830,534.15	**61,553,311.18**
III. Investments			
1. Shares in affiliated companies	8	67,807,682.83	18,492,126.08
2. Loans to affiliated companies		5,656,459.40	8,656,459.40
3. Securities held as long-term investments		0.00	13,500,000.00
4. Other loans		143,519.39	191,375.57
		73,607,661.62	**40,839,961.05**
		141,537,832.77	**102,402,826.23**
B. Current assets			
I. Accounts receivable and other assets			
1. Receivables from affiliated companies	9	22,391,936.90	161,498,466.83
2. Other assets – of which maturing in more than one year: EUR 0.00 (previous year: EUR 0.00)	10	22,054,116.51	9,894,323.58
		44,446,053.41	**171,392,790.41**
II. Securities			
Other securities	11	25,954,300.00	0.00
		25,954,300.00	**0.00**
III. Cash in hand and on deposit with banks		3,095,275.29	10,126,323.62
		73,495,628.70	**181,519,114.03**
C. Prepaid expenses and deferred charges	12	**200,015.42**	**204,100.47**
		215,233,476.89	**284,126,040.73**

Equity and liabilities	Notes	2002 EUR	2001 EUR
A. Shareholders' equity			
I. Subscribed capital			
1. Ordinary shares	13	108,640,686.00	79,200,000.00
		180,640,686.00	**79,200,000.00**
II. Capital reserve	14	7,602,457.64	7,582,537.64
III. Retained profit	15		
1. Statutory surplus reserve		337,462.36	337,462,36
2. Other retained profit		17,384,054.40	70,712,173.04
		17,721,516.76	**71,049,635.40**
IV. Unappropriated profit	16	0.00	77,920,018.19
		133,964,660.40	**235,752,191.23**
B. Provisions	17		
1. Provisions for pensions		3,861,283.00	3,816,314.00
2. Provisions for taxes		814,844.56	23,059,491.54
3. Other provisions		6,159,173.82	2,108,600.00
		10,835,301.38	**28,984,405.54**
C. Liabilities			
1. Liabilities due to banks	18	25,029,814.42	0.00
2. Trade acconts payable		2,668,940.45	2,046,775.08
3. Amounts owed to affiliated companies	19	38,345,059.93	13,204,000.70
4. Other liabilities	20	4,389,700.31	4,138,668.18
– of which social-security contributions: EUR 9,324.95 (previous year: EUR 6,281.72)			
– of which for taxes: EUR 2,997,687.77 (previous year: EUR 120,440.77)			
		70,433,515.11	**19,389,443.96**
		215,233,476.89	**284,126,040.73**

Notes to the financial statements MLP AG

I. General information

1. General information regarding the Company

The registered office of MLP AG is in Heidelberg, Germany. The Company is enrolled in the Heidelberg Commercial Register under the number HRB 2697. With its resolution of 28 May 2002, the shareholders' meeting amended § 1 (1) of the Company Charter. The name of the Company is now MLP AG, formerly Marschollek, Lautenschläger und Partner Aktiengesellschaft.

2. Methods of accounting, valuation and statement

2.1. Estimates and assumptions

The preparation of the annual accounts requires that certain estimates and assumptions be made that can affect the stated figures for assets, liabilities and financial obligations as of the date of accounting as well as the earnings and costs of the year under review. The actual figures can differ from these estimates and assumptions.

2.2. General information

This annual report was prepared according to § 242 et seq., § 264 et seq. of the German Commercial Code (HGB) and the applicable provisions of the German Companies Act (AktG). The Company is a large limited corporation within the meaning of § 267 (3) HGB.

The balance sheet is prepared according to the appropriation of the net result for the year.

On 5 September 1992, a management and profit/loss transfer agreement according to the provisions of § 29 AktG was concluded between MLP AG and MLP Finanzdienstleistungen AG. The shareholders' meetings of MLP AG and MLP Finanzdienstleistungen AG ratified this agreement on 17 June 1993; the corresponding entry in the appropriate Commercial Register for MLP Finanzdienstleistungen AG was effected on 15 December 1993.

The balance sheet was prepared using the structural outline set forth in § 266 HGB.

The profit and loss account was prepared using the total cost method pursuant to § 275 (2) HGB.

The corporate income tax was calculated on the basis of the proposal for appropriation of profit.

Receivables and payables in foreign currencies are stated at the rate of exchange as of the date incurred or the rate as of the day of accounting, whichever is less favourable.

2.3. Information on accounting and valuation methods for the individual balance sheet items

The **intangible assets** and **tangible assets** are carried at their procurement or production costs, less scheduled depreciation/amortization.

The procurement costs include the respective portion of the sales tax incurred through acquisition and stated in the invoice that was not eligible for input tax deduction.

Assets are depreciated according to the customary period for use as established by tax regulations, where applicable, otherwise on a linear basis over the following periods in accordance with commercial regulations:

Concessions, trademarks and similar rights and assets including licences in such rights and assets	5 years
Administration building	25 years
External building facilities	15 – 25 years
Office furnishings	10 – 25 years
IT equipment and wiring	3 – 13 years
Office equipment	5 – 13 years
Automobiles	5 – 6 years

In the case of moveable assets, additions in the first half of the year are written off at the full annual rate and additions in the second half of the year at half the annual rate.

Minor-value assets with a net cost of up to EUR 410.00 are depreciated completely in the year of acquisition and are thus carried as disposals in the same year. Minor-value assets purchased in connection with the furnishing and completion of our administration building in Wiesloch 2001 are depreciated over the expected period of use.

The **shares in affiliated companies** and **loans to affiliated companies** are stated at their purchase price less any required value adjustments.

Other loans are carried at their nominal value less any necessary adjustments.

Receivables and **other assets** are carried at their nominal value.

The **other securities** stated under current assets are valued at the lowest of cost or market in accordance with § 253 (3) HGB.

The **liquid assets** are stated at nominal value.

In fiscal 1999, the latitude granted by § 250 (3) HGB was exercised in order to incorporate a discount on a loan agreement into the **prepaid expenses and deferred charges.**

The **pension reserves** set aside to meet liabilities under the Company pension scheme are calculated on the basis of the actuarially derived fractional value using an interest rate of 6 per cent as defined in § 6a of the Income Tax Act and under application of the mortality tables of Dr. Klaus Heubeck (1998 revision).

To provide for uncertain liabilities and impending losses from open contracts, **reserves** were formed in a scope deemed necessary under prudent commercial judgement.

Liabilities are stated at their redemption.

II. Notes to the profit and loss account

1 The **other operating income** comprises primarily income from the rental of the administration buildings Forum 7 in Heidelberg and Alte Heerstrasse 40 in Wiesloch. This item also includes a one-time gain from the sale of securities from capital assets in the amount of EUR 9.0 million.

2 **Personnel expenses** are composed of the following:

	2002 EUR	2001 EUR
Salaries and wages	1,178,639	4,067,917
Social security contributions	53,792	35,683
Pension contributions and old-age benefits	279,806	280,184
Total	**1,512,237**	**4,383,784**

The main reason for the drop in personnel expenses is that no royalty payments were incurred in 2002.

3 **Depreciation/amortization** is apportioned as follows:

	2002 EUR	2001 EUR
Intangible assets	14,251	1,470
Buildings and improvements	2,242,811	2,003,202
Office and business equipment	1,395,653	1,165,993
Total	**3,652,715**	**3,170,665**

4 The item **other operating expenses** comprises the following:

	2002 EUR	2001 EUR
Cost of premises and company restaurant	3,155,623	1,123,207
Communications costs	512,725	285,800
Advertising expenses	239,824	926,680
Representation/hospitality	806,785	995,000
IT expenses	603,746	556,816
Consulting and lawyers' fees	7,206,737	3.807,669
Reorganization of ownership and capital structure	361,454	3,396
Charitable donations	287,353	89,578
Other	1,425,365	844,464
Total	**14,599,612**	**8,632,610**

The total amount of other operating expenses rose by 69.1 per cent over the previous year, from EUR 8.6 million to EUR 14.6 million. This was due to the cost of premises and the company restaurant, as well as to increased consulting and legal expenses. The cost of premises and the company restaurant increased because the ancillary costs and the company restaurant in the building "Forum 7" were charged to MLP Finanzdienstleistungen AG through 2001, but to MLP AG as of January 2002. The greater consulting expenses relate to the preparations for changing our accounting procedures to reflect international accounting principles. Furthermore, the costs of auditing the annual report rose due to the appointment of an additional auditor. The increase in legal fees is due to the negative media reports regarding the accounting practices of the Company and the consequent reaction on the part of the general public. The subordinate item "other" includes travel expenses amounting to EUR 209,293.

5 The **financial results** break down as follows:

	2002 EUR	2001 EUR
Income from investments	10,444,222	270,222
Income from profit and loss transfer agreements	–95,933,275	116,581,813
Income from other securities and loans from capital financial assets	1,048,008	1,172,715
Other interest and similar income	6,808,869	6,367,669
Write-down on financial investments and securities of current assets	–783,941	–1,233,623
Income and similar expenses	–6,281,733	–1,861,695
Total	**–84,697,850**	**121,297,101**

The income from investments for fiscal 2002 contains the appropriation of profits of the former MLP Vermögensverwaltung AG for 2001 in the amount of EUR 10.0 million, in accordance with the resolution of 5 June 2002. The write-downs on financial assets and securities held as current assets include an extraordinary write-down according to § 253 (2) Sentence 3 HGB. The increase in interest and similar expenses is essentially due to the formation of a reserve of EUR 3.6 million for the interest-rate swap transactions.

6 In view of the corporation and trade-tax group arrangements with MLP Finanzdienstleistungen AG and MLP Media GmbH, the tax expenditure of the Company contains the corporate income tax and trade tax for both companies.

III. Statement of assets

7 The change in capital assets and the depreciation in fiscal year 2002 are set out in text note 24.

IV. Notes to the balance sheet

8 The increase in **shares in affiliated companies** arises from the reorganization of the capital and ownership structure of MLP AG (see text note 13). The respective shareholdings are set forth in text note 32.

9 The item **receivables from affiliated companies** contains a custody account with MLP Bank AG; as of 31 December 2002 this account showed a balance of EUR 11.9 million.
The other receivables consist mainly of tax claims arising from the special agreement and the balance of settlement accounts.

10 The **other assets** contain a refund entitlement of EUR 12.2 million for corporate income tax and EUR 9.0 million for trade income tax. These mainly represent advance payments for 2002, which result in a balance to be refunded on account of the net loss for the year under review.

11 The item **securities** under current assets contains fixed-interest securities in the amount of EUR 26.0 million.

12 **The prepaid expenses and deferred charges** include a discount amounting to EUR 167,500.00 from a loan contract, as well as the premium after distribution of the convertible debenture (see text note 20).

13 The **subscribed capital** comprises 108,640,686 shares of ordinary stock.

The **Authorized Capital I** as of 31 December 2001 amounts to EUR 7,920,000.00. It was approved by the shareholders' meeting of 15 May 2000 and is valid until 31 December 2004.

The resolution of the extraordinary shareholders' meeting of 17 November 2000 created an **Authorized Capital II** in the amount of EUR 29,500,000.00. This was entered in the Commercial Register on 16 July 2001. On 8 April 2002, the Executive Board, with the consent of the Supervisory Board, resolved to exercise Authorized Capital II in order to increase the equity capital of the Company by EUR 29,440,686.00, from EUR 79,200,000.00 to EUR 108,640,686.00. The implementation of the increase in capital was entered in the Commercial Register on 31 May 2002. In accordance with § 4 (5) of the Company Charter, the unutilized portion of Authorized Capital II is now EUR 59,314.00.

The capital increase was implemented under exclusion of the shareholders' legal pre-emptive right through the issue of new ordinary shares registered in the shareholders' names in exchange for non-cash contributions. These non-cash contributions to the equity capital of MLP AG consisted of shares or holdings, respectively, in MLP Lebensversicherung AG, MLP Vermögensverwaltung AG, MLP Versicherung AG and MLP Login GmbH.

The contribution of shares in subsidiaries held by third parties was taken into consideration as per the date of the contribution agreements of 15 April 2002. As of this date, both the commercial and the legal property were transferred to MLP AG.

The contributions brought into MLP AG were valued at the nominal value of the new registered common shares granted in exchange.

14 The **capital reserve** showed the following changes:

	2002 EUR	2001 EUR
1 January	7,582,538	7,582,538
Addition	19,920	0
31 December	**7,602,458**	**7,582,538**

The addition is the difference between the repayment amount and the face value of the convertible debenture that is carried as the discount under prepaid expenses and deferred charges.

15 Due to the increase in the subscribed capital, the stated statutory surplus reserve and the capital reserve according to § 272 (2) No. 1 HGB are less than one-tenth of the equity capital. Due to the net loss for 2002, no funds need be transferred to the statutory surplus reserve (§ 150 (2) AktG).

Other retained profit:

	2002 EUR	2001 EUR
1 January	70,712,173	50,012,173
Addition	38,300,000	20,700,000
Withdrawal	–91,628,119	0
31 December	**17,384,054**	**70,712,173**

The addition to the other retained profit was effected in accordance with the resolution of the shareholders' meeting of 28 May 2002. The withdrawal was effected on the basis of a resolution of the Executive Board to transfer the net loss for the year to the other retained profit.

16 On the basis of the appropriation of profits resolved by the Annual General Meeting and the net profit 2002, the **unappropriated profit** showed the following change:

	2002 EUR	2001 EUR
Unappropriated profit on 1 January	77,920,018	51,600,690
Dividend distribution	–39,600,000	–30,888,000
Transfer to retained profit	–38,300,000	–20,700,000
Net loss/profit	–91,648,137	77,907,328
Transfer from retained profit	91,628,119	0
Unappropriated profit on 31 December	**0**	**77,920,018**

17 The **other reserves** essentially comprise provisions for impending losses from open contracts (EUR 4.03 million) and auditing expenses (EUR 1.15 million).

The impending losses from open contracts are the result of interest and currency swaps. In order to secure what at the time was regarded as a favourable long-term interest rate in connection with the planned financing of individual construction phases of the Wiesloch building project, two interest swaps were effected in August 1999. These are so-called payer swaps, i.e. coupon swaps in which MLP AG pays a fixed rate.

18 The **liabilities to banks** contain a loan in the amount of EUR 25.0 million.

19 The **liabilities to affiliated companies** include a loan from the MLP Bank AG in the amount of EUR 5,000,000.00. This amount represents funds made available by the German Reconstruction Loan Corporation that were passed on to MLP AG through MLP Bank AG. There is thus a connection to the line item liabilities to banks.

20 The item **other liabilities** includes primarily payments in arrears for trade income tax of previous years in the amount of EUR 2.9 million.

It also contains a loan from convertible debentures in the amount of EUR 115,300.00. In its resolution of 28 May 2002, the Annual General Meeting authorized the Executive Board of MLP AG to undertake one or more issues of non-interest bearing convertible debentures by 28 May 2007 up to a total amount of EUR 1.7 million, subject to the approval of the Supervisory Board. On 19 August 2002, the Company issued a first tranche of these non-interest bearing convertible debentures with a total nominal value of EUR 140,000. The addressee were the members of the Executive and Supervisory Boards, employees of the MLP AG as well as sales representatives (financial consultants) and employees of affiliated companies according to §§ 15 ff AktG. These instruments entitle the holder to purchase shares of MLP AG stock. The convertible debentures issue is divided into debentures of equal priority which are registered to the holder and have a nominal value of EUR 1.00 each, and has a term of six years (including a three-year waiting period). The window for exercising this right begins on 20 August 2005 and ends on 19 August 2008. During the subscription period, debentures equivalent to EUR 115,300.00 were subscribed.

The composition, security and remaining terms of the stated **liabilities** are detailed in the statement of liabilities attached to text notes 35 and 36.

21 Other financial obligations not reflected in the balance sheet

As of the date of accounting, the following financial obligations from rental and lease agreements existed

	2003 EUR	2004 EUR	2005 EUR	Following years EUR	Sum EUR
Copier rental	105,747	75,965	31,910	2,900	**216,522**

In addition, the second construction phase of the Wiesloch building project proceeded as scheduled. The resulting obligations until completion come to approximately EUR 30.7 million, including all furnishings necessary for office operations.

22 Liability situation

The Company has assumed a guarantee bond in the amount of EUR 37.9 million in favour of a third party on behalf of MLP Lebensversicherung AG. This guarantee is secured by a drawing restriction in the form of a lien with respect to other securities in the amount of EUR 26.0 million, as well as with respect to a securities account maintained with MLP Bank AG in the amount of EUR 11.9 million. This drawing restriction was extinguished effective 24 March/27 March 2003.

As of the date of accounting, MLP AG was also subject to joint and several liability for the line of credit of EUR 10.0 million granted to MLP Finanzdienstleistungen AG by Commerzbank AG. On 31 December 2002, MLP Finanzdienstleistungen AG utilized this line of credit in the amount of EUR 8.9 million.

Leasing contracts have been and are continually being concluded between HP Finanz Service GmbH and the various individual companies of the MLP Group as lessees. In accordance with the declaration of liability executed between MLP AG and HP Finanz Service GmbH, Norderfriedrichskoog, on 5 December 2000, the lessor is entitled to assert all obligations arising from the leasing contracts against MLP AG (assumption of joint cumulative liability for debt). The liability of MLP AG is independent of the continued existence of individual subsidiaries of the MLP Group or other holdings subject to applicable corporate law.

V. Notes to the cash flow statement

23 The following cash flow statement, which is based on the net financial assets as a financial-resources fund, is presented as an aid to understanding the financial situation according to DRS 2.

	2002 EUR '000	2001 EUR '000
Changes in net financial assets from current operations		
Net loss/net profit	**–91,648.1**	**77,907.3**
Plus (minus) expenses (income) that do not decrease (increase) net financial assets		
Amortization on intangible assets	14.2	1.4
Write-downs on investments	755.0	1,233.6
Depreciation on fixed assets	3,638.5	3,169.2
Write-downs on securities of current assets	28.9	0.0
Allocation to pension provisions (net)	45.0	75.1
Gains from disposals of capital assets	–9,031.0	–5,548.4
Losses from disposals of capital assets	64.6	12.3
	–4,484.8	**–1,056.8**
Plus (minus) decreases (increases) in short-term assets excluding cash holdings		
Accounts receivable from affiliated companies	139,106.5	–48,371.0
Other assets	–12,159.8	–7,105.5
Capitalized prepaid expenses and deferred charges	4.1	–16.6
	126,950.8	**–55,493.1**
Plus (minus) increases (decreases) in short-term liabilities		
Provisions for taxes	–22,244.6	–2,860.2
Other reserves	4,050.5	1,205.4
Trade accounts payable	622.2	–85.4
Liabilities toward affiliated companies	25,201.0	8,204.0
Other liabilities	75.7	1,018.4
	7,704.9	**7,482.2**
Cash flow from operating activities	**38,522.8**	**28,839.6**
Change in net financial assets resulting from investing activities		
Disbursements for investments in intangible assets	–104.3	–11.0
Disbursements for investments in fixed assets	–10,090.1	–19,589.0
Disbursements for investments in financial assets	–17,629.9	–5,000.0
Proceeds from disposal of capital assets	22,688.7	5,645.5
Charges relating to cash investments within the course of short-term financial disposition (securities in current assets)	–25,983.2	0.0
Cash flow from investing activities	**–31,118.9**	**–18,954.5**
Change in net financial assets resulting from financing activities		
Dividend payout	–39,600.0	–30,888.0
Payments received under bank loans	25,000.0	0.0
Payments received from convertible bonds	115.3	0.0
Change in capital reserve from discounting of convertible bonds	19.9	0.0
Cash flow from financing activities	**–14,464.8**	**–30,888.0**
Increase/decrease in net financial assets	**–7,060.9**	**–21,002.9**
Liquid assets at end of fiscal year	3,065.4	10,126.3
Liquid assets at beginning of fiscal year	10,126.3	31,129.2
	–7,060.9	**–21,002.9**

The primary relevant change in financial assets was the capital increase through non-cash capital increase in the amount of EUR 29.4 million executed in fiscal 2002. An additional EUR 5.0 million resulted from an intra-company transaction.

Income tax payments in the fiscal year under review totalled EUR 38,288,583.13.

The liquid assets correspond to the balance sheet items “cash in hand and on deposit with banks” and “liabilities due to banks”.

IV. Other information

24 Statement of changes in assets in business year 2002

	Cost of acquisition				
	As of 1 Jan. 2002 EUR	Additions EUR	Disposals EUR	Transfers EUR	As of 31 Dec. 2002 EUR
Intangible assets					
Concessions, trademarks and similar rights and assets including licences in such rights and assets	11,024.03	104,334.01	0.00	0.00	115,358.04
	11,024.03	**104,334.01**	**0.00**	**0.00**	**115,358.04**
Tangible fixed assets					
1. Land, land rights and buildings, including buildings on land owned by others	57,414,733.82	671,664.76	0.00	0.00	58,086,398.58
2. Other assets and office equipment	15,622,807.74	955,087.17	208,598.73	6,947.97	16,376,244.15
3. Payments made on account and assets under construction	436,659.26	8,463,347.65	0.00	0.00	8,900,006.91
	73,474,200.82	**10,090,099.58**	**208,598.73**	**6,947.97**	**83,362,649.64**
Investments					
1. Shares in affiliated companies	19,725,749.13	50,070,597.75	0.00	0.00	69,796,346.88
2. Loans to affiliated companies	8,656,459.40	2,000,000.00	5,000,000.00	0.00	5,656,459.40
3. Securities held as long-term investments	13,500,000.00	0.00	13,500,000.00	0.00	0.00
4. Other loans	191,375.57	0.00	47,856.18	0.00	143,519.39
	42,073,584.10	**52,070,597.75**	**18,547,856.18**	**0.00**	**75,596,325.67**
	115,558,808.95	**62,265,031.34**	**18,756,454.91**	**6,947.97**	**159,074,333.35**

Depreciation					Book values	
As of 1 Jan. 2002 EUR	Additions EUR	Disposals EUR	Transfers EUR	As of 31 Dec. 2002 EUR	31 Dec. 2002 EUR	31 Dec. 2001 EUR
1,470.03	14,251.01	0.00	0.00	15,721.04	99,637.00	9,554.00
1,470.03	**14,251.01**	**0.00**	**0.00**	**15,721.04**	**99,637.00**	**9,554.00**
9,195,295.50	2,242,810.76	0.00	0.00	11,438,106.26	46,648,292.32	48,219,438.32
2,725,594.14	1,395,653.51	34,186.39	6,947.97	4,094,009.23	12,282,234.92	12,897,213.60
0.00	0.00	0.00	0.00	0.00	8,900,006.91	436,659.26
11,920,889.64	**3,638,464.27**	**34,186.39**	**6,947.97**	**15,532,115.49**	**67,830,534.15**	**61,553,311.18**
1,233,623.05	755,041.00	0.00	0.00	1,988,664.05	67,807,682.83	18,492,126.08
0.00	0.00	0.00	0.00	0.00	5,656,459.40	8,656,459.40
0.00	0.00	0.00	0.00	0.00	0.00	13,500,000.00
0.00	0.00	0.00	0.00	0.00	143,519.39	191,375.57
1,233,623.05	**755,041.00**	**0.00**	**0.00**	**1,988,664.05**	**73,607,661.62**	**40,839,961.05**
13,155,982.72	**4,407,756.28**	**34,186.39**	**6,947.97**	**17,536,500.58**	**141,537,832.77**	**102,402,826.23**

25 Management bodies of MLP AG

Members of the Executive Board in fiscal 2002:

Dr. Bernhard Termühlen, Gaiberg
Chairman
responsible for Group Planning and Strategy, Corporate Communication, IT, Group Legal Issues, Revision and Human Resources

Eugen Bucher, Bammental
responsible for Banking, Financing and Investments

Gerhard Frieg, Heidelberg
responsible for Life Insurance, Non-life Insurance and Health Insurance

Dr. Uwe Schroeder-Wildberg, Nuremberg
Chief Financial Officer (as of 1 January 2003)
responsible for Group Accounting, Group Financial Statements, Group Controlling and Group Tax

The members of the Executive Board concurrently serve as members of the supervisory boards of the following companies:

Dr. Bernhard Termühlen
Chairman, supervisory board of MLP Bank AG
Chairman, supervisory board of MLP Versicherung AG
Member of supervisory board of MLP-Lebensversicherung AG, Vienna, Austria (until 1 October 2002)

Eugen Bucher, Gerhard Frieg and **Dr. Uwe Schroeder-Wildberg** did not hold any positions subject to disclosure under § 285/§ 314 HGB.

Members of the Supervisory Board in fiscal 2002:

Manfred Lautenschläger, Gaiberg
Chairman

Gerd Schmitz-Morkramer, Munich
Vice-Chairman
Chairman of shareholder's committee at
Merck Finck & Co Private Bank, Munich

Maria Bähr, Sandhausen
Employee representative
Department head at MLP Finanzdienstleistungen AG

Dietmar Hopp, Walldorf

Norbert Kohler, Oftersheim
Employee representative
Department head at MLP Finanzdienstleistungen AG

Dr. Peter Lütke-Bornefeld, Cologne
Chairman of Executive Board,
Kölnische Rückversicherungs-Gesellschaft AG, Cologne
Vice Chairman of General Re Corporation,
Stamford, USA (as of 28 May 2002)

Christian Strenger, Frankfurt (until 5 April 2002)

The members of the Supervisory Board concurrently serve as members of the supervisory boards of the following companies:

Manfred Lautenschläger
Membership in legally mandated domestic supervisory boards:
MLP Finanzdienstleistungen AG, Heidelberg (Chairman)
MLP Lebensversicherung AG, Heidelberg (Chairman
Mannheimer AG Holfing, Mannheim (until 18 June 2002)

Membership in comparable domestic and foreign management bodies:
Chairman of the Board of Management, MLP-Lebensversicherung AG, Vienna, Austria (until 1 October 2002)
Vice-Chairman of Supervisory Board, MLP-Lebensversicherung AG, Vienna, Austria (until 6 January 2003)
Heidelberg University Clinic

Gerd Schmitz-Morkramer
Membership in legally mandated domestic supervisory boards:
Merck Finck Vermögensbetreuungs AG, Munich
Merck Finck Treuhand AG, Frankfurt am Main (Chairman)
YOC ! AG, Berlin (Chairman)
Real Estate Equity Partners AG, Cologne (Chairman)

Membership in comparable domestic and foreign management bodies:
Mannheimer Versicherung AG, Mannheim (Vice-Chair of advisory council)
Taurus Investment Holding, Boston, USA (Chair of advisory council)

Dietmar Hopp
Membership in legally mandated domestic supervisory boards:
SAP AG, Walldorf (Chairman)
ACTRIS AG, Frankfurt (Chairman)

Dr. Peter Lütke-Bornefeld
Membership in legally mandated domestic supervisory boards:
VPV Lebensversicherungs-AG, Stuttgart
Delvag Rückversicherungs-AG, Cologne
Gothaer Rückversicherung AG, Cologne
Europa Rückversicherung AG, Cologne

Membership in comparable domestic and foreign management bodies:

a) Group companies
   GeneralCologne Re Reinsurance Australasia Limited, Sydney, Australia
   Kölnische Rück Wien, Vienna, Austria (Chairman)
   General Re Corporation, Stamford, USA (Vice Chairman)
   General Reinsurance Corporation, Stamford, USA
   General Re – CKAG Reinsurance and Investment S.A.R.L., Luxembourg (Chairman)
   Cologne Reinsurance Company (Dublin) Ltd., Dublin, Ireland
   General & Cologne Life Re of America, Stamford, USA
   GeneralCologne Re Capital Kapitalanlagegesellschaft mbH, Cologne
b) Other:
   Deutsche Kernreaktor-Versicherungsgemeinschaft, Cologne (Chairman)

Christian Strenger
Membership in legally mandated domestic supervisory boards:
BASF Coatings AG, Münster
DWS Investment GmbH, Frankfurt
Metro AG, Düsseldorf
Fraport AG, Frankfurt

Membership in comparable domestic and foreign management bodies:
The Germany Funds, New York, Chairman of supervisory board
Incepta plc, London

Ms. **Maria Bähr** and Mr. **Norbert Kohler** did not hold any positions subject to disclosure under § 285/§ 314 HGB.

26 Compensation of Supervisory Board and Executive Board

The total compensation of the members of executive management (§ 314 (1) No. 6 a and b HGB) for the fiscal year 2002 amounted to EUR 103,102.50 and was earned solely by active members of the Executive Board.
All compensation for current members of the Executive Board was in the form of fixed salaries.
For former members of the executive management, pension obligations amounting to EUR 2,926,489 million existed through the end of 2002.

Remuneration for Supervisory Board members totalled EUR 175,587.50 in fiscal 2002, of which EUR 11,600 was paid to former members.

27 Shareholdings of the Executive Board and Supervisory Board as of the day of accounting

Executive Board	Shares	Options[1]
Dr. Bernhard Termühlen	10,053,246	5,844
Eugen Bucher	8,289	2,922
Gerhard Frieg	155,849	2,922
Total for the Executive Board as of 31 December 2002	**10,217,384**	**11,688**

Supervisory Board	Shares	Options[1]
Manfred Lautenschläger	22,087,097	0
Maria Bähr	11,478	61
Dietmar Hopp	149,000	0
Norbert Kohler	530	46
Dr. Peter Lütke-Bornefeld	0	0
Gerd Schmitz-Morkramer	11,000	0
Total for the Supervisory Board as of 31 December 2002	**22,259,105**	**107**

[1] in the form of convertible debentures (for further information see text note 20)

28 Loans to members of management bodies

As of the day of accounting, short-term overdrafts of EUR 74 thousand due from members of the Supervisory Board and EUR 40 thousand due from members of the Excecutive Board were outstanding. The applicable interest rate was 6.6 per cent.

29 Notes on Corporate Governance

The Declaration of Compliance mandated by German law (§ 161 AktG) was duly executed and is available for inspection by the shareholders.

30 Information regarding the number of employees

In 2002, the Company had an average of nine full-time employees, as determined according to § 267 (5) HGB.

31 Notes on disclosures pursuant to §§ 21 (1), 22 WpHG

On 15 June 2002, Mr. **Manfred Lautenschläger** notified us that he had fallen below the threshold level of 25 per cent of voting rights in MLP AG as of 28 May 2002. His share of voting rights is now 20.33 per cent. This corresponds to 22,087,097 votes. This share contains 14,501,295 voting rights (13.35 per cent) that were assigned to him in conformance with § 22 (1) Sentence 1 No. 1 WpHG. Up until 12 June 2002, this share contained 484,110 voting rights (0.45 per cent) that were assigned to him in conformance with § 22 (1) Sentence 1 No. 2 WpHG and 3,473,850 voting rights (3.20 per cent) that were assigned to him in conformance with § 22 (1) Sentence 1 No. 2 WpHG.

On 15 June 2002, **Dr. Bernhard Termühlen** notified us that he had exceeded the threshold level of 5 per cent of voting rights in MLP AG as of 28 May 2002. His share of voting rights is now 9.25 per cent. This corresponds to 10,053,246 votes. This share contains 4,430,215 voting rights (4.08 per cent) that were assigned to him in conformance with § 22 (1) Sentence 1 No. 1 WpHG. Up until 12 June 2002, this share contained 5,586,431 voting rights (5.14 per cent) that were assigned to him in conformance with § 22 (1) Sentence 1 No. 2 WpHG and 613,030 voting rights (0.56 per cent) that were assigned to him in conformance with § 22 (1) Sentence 1 No. 2 WpHG.

On 15 June 2002, Ms. **Angelika Lautenschläger** notified us that she had exceeded the threshold level of 5 per cent of voting rights in MLP AG as of 28 May 2002. Her share of voting rights is now 5.41 per cent. This corresponds to 5,878,198 votes. This share contains 399,103 voting rights (0.50 per cent) that were assigned to her in conformance with § 22 (1) Sentence 1 No. 1 WpHG. Up until 12 June 2002, this share contained 5,479,095 voting rights (5.04 per cent) that were assigned to her in conformance with § 22 (1) Sentence 1 No. 2 WpHG.

On 11 April 2002, **Dr. Bernhard Termühlen GmbH** notified us that they had fallen below the threshold level of 5 per cent. Their share of voting rights is now 4.49 per cent that were assigned to them in conformance with § 22 (1) Sentence 1 No. 2 WpHG.

On 15 June 2002, the company **CCMM-L Vermögensverwaltung GmbH** notified us that they had exceeded the threshold level of 5 per cent of voting rights in MLP AG as of 28 May 2002. Their share of voting rights is now 7.34 per cent. This corresponds to 7,979,583 votes. Until 12 June 2002, this share contained 7,979,583 voting rights (7.34 per cent) that were assigned to her in conformance with § 22 (1) Sentence 1 No. 2 WpHG.

On 15 June 2002, the company **Manfred Lautenschläger Stiftung GmbH** notified us that they had fallen below the threshold level of 5 per cent of voting rights in MLP AG as of 28 May 2002.

On 15 June 2002, the company **Lautenschläger Vermögensverwaltung GmbH** notified us that they had fallen below the threshold level of 10 per cent of voting rights in MLP AG as of 28 May 2002. Their share of voting rights is now 9.20 per cent. This corresponds to 10,000,000 votes.

32 Relationships with affiliated companies

As of 31 December 2002, the Company shareholdings were structured as follows:

Direct holdings Name, registered office	Book value of holding 1 Jan. 2002 EUR	Additions EUR
MLP Finanzdienstleistungen Aktiengesellschaft, Heidelberg	10,225,837.62	–
MLP Lebensversicherung Aktiengesellschaft, Heidelberg	1,319,316.69	13,941,082.57[1)]
MLP Vermögensverwaltung Aktiengesellschaft, Heidelberg[3)]	1,278,485.35	33,262,917.18[2)]
MLP Bank Aktiengesellschaft, Heidelberg[3)]	0.00	34,541,402.53[4)]
MLP Versicherung Aktiengesellschaft, Heidelberg	3,375,218.09	1,600,790.00[7)]
MLP Consult GmbH, Heidelberg	2,100,000.00	–
MLP Login GmbH, Heidelberg	193,268.33	1,265,808.00[6)]

Indirect holdings Name, registered office	
MLP Media GmbH (100% subsidiary of MLP Finanzdienstleistungen AG) Heidelberg	
MLP Private Finance plc (100 % subsidiary of MLP Finanzdienstleistungen AG)[11)] London, Great Britain	
MLP Private Finance Correduria de Seguros S.A. (100 % subsidiary of MLP Finanzdienstleistungen AG)[11)] Madrid, Spain	
MLP Private Finance AG (99,6 % subsidiary of MLP Finanzdienstleistungen AG) Zurich, Switzerland	
Academic Networks GmbH (90 % subsidiary of MLP Finanzdienstleistungen AG)[11)] Heidelberg	

1) The Additions include the non-cash capital increase amounting to EUR 13,861,075.00 and a cash compensation amounting to EUR 80,007.57.

2) There exists a profit and loss agreement.

3) of which: conversion of a loan EUR 5,000,000.00; transfer to reserves EUR 3,000,000.00; cash capital contribution EUR 7,000,000.00; losses on irrecoverable debts EUR 3,684,864.18; non-cash capital increase EUR 13,976,053.00

4) The MLP Vermögensverwaltung AG was merged with the MLP Bank AG as of 1 October 2002.

5) Ordinary shares 100 per cent; non-voting 99.618 per cent (5,977,053 shares)

Disposal/ depreciation EUR	Book value of holding 31 Dec. 2002 EUR	Share %	Equity capital 31 Dec. 2002 EUR	Net profit/ net loss EUR
–	10,225,837.62	100.00	10,225,837.62	–[2]
	15,260,399.26	99.85[5]	80,320,219.28	53,321,731.94
34,541,402.53[3]	0.00	0.00	0.00	0.00
	34,541,402.53	100.00	25,167,973.45	1,314,223.06
	4,976,008.09	100.00	20,178,609.79	561,117.01
755,041.00[8]	1,344,959.00	100.00	1,394,444.05	–733,944.58
	1,459,076.33	100.00	1,478,349.83	61,508.16

Share %	Equity capital 31 Dec. 2002 EUR	Net profit/ net loss EUR
100.00	25,788.92	0.00 [9]
100.00	–5,577,202.26	–3,380,728.79
100.00	–1,184,049.58	–1,213,564.92
99.60	130,655.99	0.00 [10]
90.00	–354,774.08	–1,354,774.08

[6] of which: cash capital contribution EUR 1,265,040.00; non-cash capital increase EUR 768.00

[7] of which: non-cash capital increase EUR 1,600,790.00

[8] Due to the depreciation of the shareholding

[9] There exists a profit and loss agreement with MLP Finanzdienstleistungen AG.

[10] The company will start its operating activities in 2003.

[11] The excessive indebtedness of these companies is covered by a subordinate loan and subordination agreement.

As of 31 December 2002, neither MLP AG nor the companies shown here possessed any other holdings requiring disclosure under the provisions of § 313 (2) HGB.

33 Occurrences subsequent to the date of accounting

The guarantee bond with provision of security was extinguished effective 24 March/ 27 March 2003 (see text note 22).

Dr. Uwe Schroeder-Wildberg was named Chief Financial Officer of MLP AG effective 1 January 2003. This appointment was entered in the Commercial Register on 20 January 2003.

34 Dividend

Due to balance sheet adjustments which have a one-time negative effect on the Company's earnings picture, no dividend is to be paid for business year 2002.

Heidelberg, 31 March 2003

MLP AG

The Executive Board

Dr. Bernhard Termühlen

Eugen Bucher

Gerhard Frieg

Dr. Uwe Schroeder-Wildberg

35 Statement of liabilities as of 31 December 2002

Liability Type	EUR	With a remaining term of up to 1 year EUR	1 to 5 years EUR	over 5 years EUR
Liabilities owed to banks[1]	25,029,814	29,814	8,000,000	17,000,000
Trade accounts payable[2]	2,668,940	2,668,940	0	0
Liabilities owed to affiliated companies[3]	38,345,060	33,639,179	1,176,474	3,529,407
Other liabilities	4,389,700	4,274,400	115,300	0
Total	**70,433,514**	**40,612,333**	**9,291,774**	**20,529,407**

[1] This comprises primarily a loan in the amount of EUR 25.0 million, taken out to finance the second construction phase of the Wiesloch project. The loan is secured by a certificated land charge in the same amount entered in Land Title Registry No. 7866 in Wiesloch.

[2] The usual reservations of ownership are asserted.

[3] In connection with a loan in the amount of EUR 5.0 million granted by MLP Bank AG (see text note 19), a land charge against MLP AG to EUR 4,999,412.01 in favour of MLP Bank AG has been entered in Land Title Registry No. 7866 in Wiesloch. The receivables and payables in connection with affiliated companies are netted and stated as a single figure as an asset or a liability.
Of the remaining liabilities, EUR 32.6 million is owed to MLP Finanzdienstleistungen AG.

36 Statement of liabilities as of 31 December 2001

Liability Type	EUR	With a remaining term of up to 1 year EUR	1 to 5 years EUR	over 5 years EUR
Trade accounts payable[1]	2,046,775	2,046,775	0	0
Liabilities owed to affiliated companies[2]	13,204,001	8,204,001	1,176,474	3,823,526
Other liabilities	4,138,668	4,138,668	0	0
Total	**19,389,444**	**14,389,444**	**1,176,474**	**3,823,526**

[1] The usual reservations of ownership are asserted.

[2] In connection with a loan in the amount of EUR 5.0 million granted by MLP Bank AG (see text note 19), a land charge against MLP AG to EUR 4,999,412.01 in favour of MLP Bank AG has been entered in Land Title Registry No. 7866 in Wiesloch.

Auditors' Report

"We performed our audit of the Annual Financial Statements, Company accounts and the Management Report of MLP AG for the business year from 1 January to 31 December 2002. Responsibility for financial accounting and preparation of Annual Financial Statements and the Management Report in accordance with German commercial law and the supplementary provisions of the Articles of Association lies in the hands of the legal representatives of the Company. Our responsibility is to render an assessment of the Annual Financial Statements, Company accounts and the Management Report.

We conducted our audit of the Annual Financial Statements in accordance with § 317 HGB (German Commercial Code) and German standards for audits of financial statements issued by the Institut der Wirtschaftsprüfer (IDW). These standards require that audits be planned and performed in such a way as to ensure with sufficient certainty that errors and violations which could substantially affect the description of the Company's assets, financial standing and earnings presented in keeping with the principles of proper accounting in the Annual Financial Statements and the Management Report will be detected. In determining the audit procedures to be applied, knowledge regarding the business activities and the economic and legal circumstances of the Company as well as expectations with respect to possible errors were taken into consideration. Within the framework of the audit, the effectiveness of the internal control system was evaluated along with evidence supporting statements contained in accounts, the Annual Financial Statements and the Management Report. This evaluation was made primarily on the basis of random samples. The audit included an evaluation of the principles of financial accounting used by the Company, of significant assessments made by its legal representatives and of the complete picture conveyed by the Annual Financial Statements and the Management Report. We believe that our audit provides a sufficiently reliable basis for our evaluation.

Our audit revealed no significant deficiencies.

In our opinion, the Annual Financial Statements prepared in accordance with the principles of proper accounting accurately describe the Company's actual asset, financial and earnings situation. As a whole, the Management Report conveys an accurate picture of the Company's position and presents a realistic description of the risks associated with future business activity."

Düsseldorf, 15 April 2003

Rölfs WP Partner AG
Wirtschaftsprüfungsgesellschaft

Jochen Rölfs
– Certified auditor –

Jürgen Spielberg
– Certified auditor –

Mannheim, 15 April 2003

Ernst & Young AG
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Norbert Pfitzer
– Certified auditor –

Ulrich Skirk
– Certified auditor –

Glossary

Income from reinsured business

In the consolidated profit and loss account, item “5. Income from reinsured business” contains all income generated by MLP Lebensversicherung AG, MLP-Lebensversicherung AG, Vienna, and MLP Versicherung AG from reinsurance business. The total income figure comprises the reinsurer’s share in the insurance benefits, its share in the increase in underwriting reserves and in the reinsurance commission.

Insurance-related reserves and custodianship liabilities

These are carried under “D. Insurance-related reserves and custodianship liabilities” on the consolidated balance sheet. These reserves are regularly set aside to comply with the future liabilities of an insurance company towards its policyholders. Custodianship liabilities from reinsured business contain that part of the overall reserves that has been ceded to reinsurers. At MLP, the bulk of the insurance-related reserves and custodianship liabilities comprises the investments made with investment stock of unit-linked life insurance.

Investment component

The investment component is carried on the consolidated balance sheet under “B. IV. Investment stock of unit-linked life insurance”. It comprises the trust units held by the insurance company on behalf of policyholders under the terms of the unit-trust policy. As capital gains and losses on these investments accrue in full to the policyholders, provisions of the same amount are set aside under “D. 1. Insurance-related provisions of unit-linked life insurance insofar as they are required to be covered by the investment stock“ and “D. 2. Custodianship liabilities from reinsured business insofar as they are required to be covered by the investment stock”.

Premium income

The consolidated profit and loss account shows premium income under “4. Insurance premiums”. This item includes premium income received by MLP Lebensversicherung AG, MLP-Lebensversicherung AG, Vienna, and MLP Versicherung AG and comprises gross premiums booked, changes in the balance of gross premiums carried forward as well as premiums from the gross provision for premium reimbursements. The gross premiums booked comprise premiums invoiced by the insurance company in the fiscal year regardless of whether part of the premium relates to the following year. Those portions of the premiums relating to the following year are treated in the proper manner as a prepaid item in the case of changes to the gross premiums carried forward. Premiums from the gross provision for premium reimbursements are portions of the premiums that are financed from the surplus sharing payable to policyholders.

Realized gains on investments, realized losses on investments

Through the sale of shares of investments made with the unit-trust investment component of unit-trust policies, realized gains or realized losses occur. In the consolidated profit and loss account, the realized gains are carried under item “6. Other operating income“, the realized losses unter item “10. Other operating expenses”. The offsetting position is booked unter item “12. Expenses related to insurance reserves“. Accordingly, these transactions are not recognized as income for MLP.

Unit-linked insurance policy

The unit-linked insurance policy is a unit-linked life or pension insurance policy. With this form of insurance, the “savings premiums” are directly invested in mutual fund shares (in German: “Investmentfondsanteile”). The policyholder benefits directly and fully from the appreciation of the underlying mutual fund. Accordingly, no fixed capital endowment is guaranteed in advance with this type of policy. Only the amount payable upon death is guaranteed.

The advantage of this form of insurance is that the policyholder is able to modify his investment strategy during the term of the policy, benefits in full from the performance of the underlying investments and can invest in a far higher proportion of equities than is permissible with conventional forms of life insurance.

Unrealized capital gains on investments, unrealized capital losses on investments

Pursuant to statutory requirements, the investments made with the unit-trust investment component of unit-trust policies must be carried at their market value, i.e. the trust unit prices prevailing on the balance sheet date. Capital gains and losses on trust units that were already held at the beginning of the fiscal year are carried under items “15. Unrealized gains from investments” or “16. Unrealized losses from investments” on the consolidated profit and loss account. The offsetting entry is booked under item “12. Expenses related to insurance reserves” on the consolidated profit and loss account. Accordingly, these transactions are not recognized as income for MLP.

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Financial calendar

MLP AG Annual General Meeting 2003 on **17 June 2003 in Mannheim**

Publication of First Quarterly Report 2003: **27 May 2003**

Publication of Second Quarterly Report 2003: **19 August 2003**

Publication of Third Quarterly Report 2003: **18 November 2003**

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