MLP PRIVATE FINANCE

Annual Report **2003**

Our mission

As an independent broker, MLP provides university graduates and discerning clients with integrated financial services and is the best partner for them at every stage of their lives for pension, asset management and risk management.

Our promise, our commitment

- MLP is the leading financial service provider of choice for university graduates and discerning clients. Our aim is to build on this position.

- We provide our clients with expert, comprehensive and high-quality advice in relation to all financial matters throughout their lives.

- Our insistence on quality, our independence and our market position commit us to high standards in client advice and top-quality service.

- We offer our clients customized financial solutions to secure their financial future, maximize their pension provision and service their assets and financing requirements.

- The strategy of focusing on university graduates and discerning clients forms the basis for our high productivity. This guarantees excellent returns and a key objective of the company is to increase these returns in a sustainable manner.

- The key to the company's success is its staff and particular emphasis is put on careful selection and intensive training.

- Openness, credibility and fairness combined with an awareness of our responsibility to each other are the hallmarks of the relationship between the company, its employees and its clients.

- Our corporate philosophy obliges all members of staff to think and act in an entrepreneurial manner. Performance-related pay means that staff can benefit from the success of the company.

- We are not resting on our laurels, but are continually striving to improve performance – for the benefit of our clients.

The MLP Group

Key figures in € million	2003	2002	Change in %
Total income	536.2	452.2	18.6 %
Income from brokerage business	317.4	248.2	27.9 %
Income from insurance business	160.9	142.6	12.8 %
Income from banking business	44.3	43.1	2.8 %
Other income	13.5	18.2	–25.8 %
Earnings before interest and taxes (EBIT)	79.4	13.9	471.2 %
EBIT margin	14.8 %	3.1%	
Earnings before taxes (EBT)	68.9	92.2 **	–25.3 %
Net profit	39.3	81.5 **	–51.8 %
Earnings per share in €	0.36	0.85	–51.8 %
Dividends per share in €	0.15	0.00	
Total dividend	16.3	0.0	
Capital expenditure	37.0	61.9	–40.2 %
Shareholders' equity	253.8	213.9	18.7 %
Return on equity*	16.8 %	43.8 %	
Clients	561,500	505,000	11.2 %
MLP consultants	2,771	2,989	–7.3 %
Branch offices	347	390	–11.0 %
Employees	1,835	1,810	1.4 %
Brokered new business			
Life insurance (premium sum in billion €)	7.4	6.3	17.5 %
Health insurance (annual premium)	64	75	–14.7 %
Loans	1,064	893	19.1 %
Inflows into mutual funds	606	664	–8.7 %
Funds under management (in billion €)	3.5	2.9	20.7 %

* on average equity

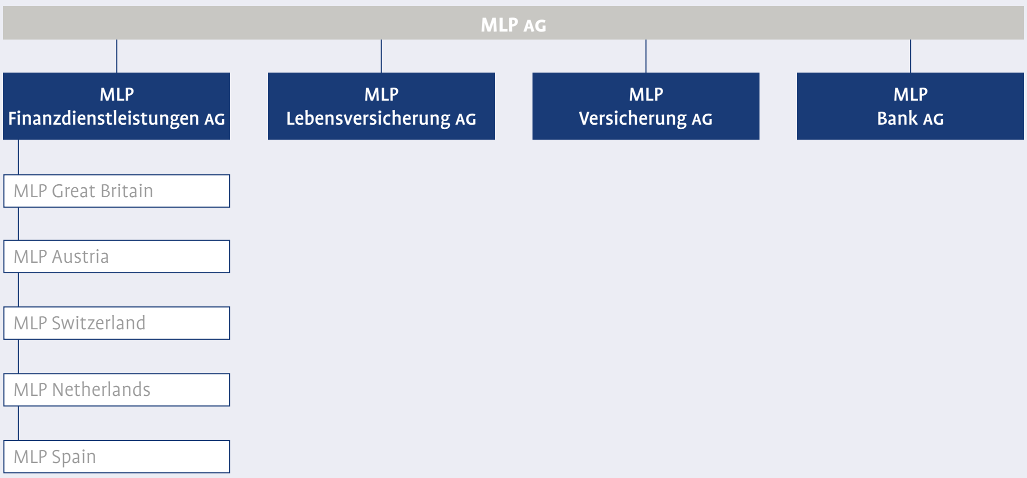
** Please note that for the financial year 2002 under IFRS the provison for obligations accruing from factoring transactions was already included in the opening balance sheet as at 1 January 2002. In contrast to the financial statements in accordance with HGB, the formation of this provision has therefore not affected the financial year 2002.

Profile

MLP is an independent financial services provider with a unique business model. Since it was founded in 1971, it has focused on advising university graduates and clients with sophisticated requirements on pension provision, asset management and risk management. With around 2,800 highly qualified consultants and an extensive service offering, MLP is able to competently guide its clients through every aspect of personal financial management.

The MLP Group comprises a brokerage business, a bank with an asset management department, a life insurance company and a non-life insurance provider. MLP uses the best products available in the marketplace to develop innovative financial solutions that are tailored to its clients' individual requirements. Over 560,000 clients have already chosen the MLP concept.

MLP at a glance



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Graduates represent an **attractive target group** for **providers** of **financial services**, **banks** and **insurance companies**. Their **numbers** will **increase considerably in future**.

University graduates
Number of alumni from colleges and universities in Germany
Source: Kultusministerkonferenz 2003

257,100 in the year 2020

189,000 in the year 2000

The number of graduates is growing in Germany. This means that MLP's prospects are set to remain positive in future, as graduates have always been the main target group in our business model.
We have branch offices at almost all university locations throughout Germany, and most of our consultants are themselves university graduates.

The Executive Board of MLP AG (from left to right): Gerhard Frieg, Nils Frowein, Dr. Uwe Schroeder-Wildberg, Eugen Bucher

The Executive Board

Members of the Executive Board

Dr. Uwe Schroeder-Wildberg (39), **Chairman and CEO**
Planning and strategy, human resources, communication, legal affairs, audit and IT; appointed until 31 December 2007

Eugen Bucher (46)
Sales; appointed until 18 May 2007

Gerhard Frieg (47)
Product management and purchasing; appointed until 18 May 2007

Nils Frowein (39)
Accounting, controlling, tax, general administration; appointed until 31 March 2009

Letter to our shareholders

Dear shareholders,

I am pleased to say that I can report a series of welcome developments for the financial year 2003. With a profit from operations of € 80 million (EBIT) and a net profit of € 39 million, MLP has returned to its profitable growth course following the difficult previous year: The return on equity after tax was around 17 percent, the EBIT margin around 15 percent. Last year we acquired 56,500 new clients, which corresponds to a further increase in the number of new clients in excess of ten percent. I am especially pleased about this demonstration of confidence in MLP services. We have also established that the fundamental strengths and the market outlook for MLP have been rewarded with stronger attention by our investors once again.

MLP faced some criticism during the past year. In my opinion we have coped with this openly making, when appropriate, clear public statements. We analysed ourselves critically and put many things under the microscope – with the aim of identifying potential for improvement and adapting business processes wherever necessary. The fact is: We have become stronger as a result of the crisis.

The MLP's business model is not a matter for discussion in my opinion. It has been continuously developed over a period stretching more than three decades with a close focus on our clients' requirements and has become absolutely unique in Europe today: The first class consultation provided to university graduates and discerning clients for pensions, risk coverage and asset management in every stage of our clients' lives forms the pillar of our philosophy.

Based upon this foundation of a tried and tested business model our company has worked to become an independent financial service provider in an excellent market position, which will enable us to benefit from long-term market developments with an above-average proportion. And more tail wind will also come from demographic and political developments.

State services in both the health and pension sectors will be reduced further in the future providing – at most – only minimum standards. The demographic development is set to come to a head over the next two decades – for example nursing care for older people – which means that each individual will be faced with a higher financial burden. The provisional gap that remains as a result of the state's withdrawal can only be compensated for by **increased private provisions**. The necessity for greater personal responsibility will result in a rising demand for **tailor-made financial concepts** and individual single solutions. Although MLP already has convincing solutions for both areas today, this does not rule out further improvement measures.

Two objectives will have top priority in the future both in our daily business as well as in our strategic considerations: client satisfaction and the quality of our consultation services. We are absolutely convinced that MLP has top standards regarding **client satisfaction** and **consultation quality** in the financial services sector. Nonetheless we want to make the best use of the potential for further improvements.

The unconditional client orientation at MLP is also conveyed by our new claim: **"You deserve the best"**. This is the standard by which we would like to be judged. We want to provide our clients with the best consultation and the highest quality financial concepts without making any compromises.

Political and demographic aspects are likely to be accompanied by market-specific developments: These are shaped by increasingly complex financial products and an increased volatility on capital markets. And this development too will result in more demand for **high quality consultation which focuses exclusively on the specific objectives and expectations of clients**.

Parallel to the undeviating goals of market leadership in terms of client satisfaction and consultation quality, we have also set ourselves the objective of profitable growth in our core business areas. This covers pension, health and risk coverage as well as the conscious expansion of MLP **Private Wealth Management** services. For a clientele with high income levels or assets, optimising an investment portfolio is almost more important than pure pension provisions. Taking earnings aspects into consideration these clients are very interesting for MLP. They are advised by specially trained consultants who are equipped with a product range designed to match specific client needs. The particularly wealthy client target group will become increasingly more important for MLP, not least because of the age structure among our performance-oriented clientele.

We also aim to achieve **profitable growth** in our foreign operations and are currently in a phase of profit oriented consolidation: We do not intend to explore further expansion until our existing **foreign business operations** have become profitable. By the way, our credo is: We do not want to become one of the largest companies in Europe, but one of the best independent financial services suppliers. Discerning clients are convinced by consultation and product quality alone, and not by business size.

By 2007 we want to achieve **double-digit annual growth rates** in terms of new client acquisition, as well as an increase in return on equity (currently around 17 percent) and average revenue per client. The organisational prerequisites required to achieve these ambitious goals were defined at the beginning of the year with a new board structure within the MLP Group and MLP Finanzdienstleistungen AG, which aims directly towards high quality and efficiency within the MLP Group and further strengthens the **company's independence**.

The act of achieving our major objective of strengthening and expanding MLP's position as leading independent financial service provider for university graduates and discerning clients is based upon six fundamental values and principles to which all MLP employees are committed:

Responsibility
Our client, with whom we want to work successfully in the long-term, forms the focus of our actions so that we can achieve his objectives.

Independence
We use the best products available on the market for our clients.

Performance
We do all we can to satisfy our clients.

Entrepreneurship
Each MLP consultant thinks and acts in entrepreneurial categories with the aim of optimising performance for his clients.

Transparency
Our financial concepts and investment recommendations should be comprehensible for the client, leaving no doubts.

Innovation
We continually develop new products and services which will also take account of future market and client demands.

We are justified in looking forward optimistically, and I would be pleased if you continue to accompany MLP as a shareholder on its promising road to success.

Both my colleagues on the board and I myself value the loyalty you have shown MLP in the past, for which we would like to thank you. We will do our utmost in the future to justify this demonstration of confidence.

Yours sincerely,

Dr. Uwe Schroeder-Wildberg

Report of the Supervisory Board

The Supervisory Board regularly advised and monitored the Executive Board in its management of the company. The Executive Board provides the Supervisory Board with timely and comprehensive reports on a regular basis, both written and oral, on all relevant issues related to corporate planning and strategic development, the business situation and the position of the Group as a whole, including the risk situation and risk management.

The Supervisory Board reviewed all relevant business transactions and discussed business development, strategy and important corporate events with the Executive Board. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. As such, the Supervisory Board has acted according to German law and the statute of the company and has discharged its duties of supervision in their entirety in the financial year 2003.

Supervisory Board meetings and important resolutions

The Supervisory Board held eight regular meetings and one extraordinary meeting in financial year 2003. Meetings of the Personnel and Audit Committees were also held. Virtually all the members of the Supervisory Board attended the meetings. Only one member was absent from two meetings. Furthermore, the Chairman of the Supervisory Board maintained regular contact with the Executive Board in the intervals between routine meetings and kept himself informed of current developments in the Company.

On 9 February 2003, the Audit Committee discussed the preliminary figures for financial year 2002, and in particular the changes in accounting. These matters were also on the agenda for the regular meeting of the Supervisory Board held on 10 February 2003 as well at the extraordinary meeting on 11 February 2003. Corporate and investment planning for 2003 were also approved on 10 February 2003.

The Supervisory Board meeting held on 23 April 2003 focused on approving the Annual Financial Statements for MLP AG and Consolidated Financial Statements for 2002 and on current business developments. The agenda for the 2003 Annual General Meeting was also drawn up.

At the Supervisory Board meetings held on 26 May, 18 August and 17 November, the figures for the first, second and third quarters were discussed. The constituent meeting of the Supervisory Board took place on 17 June. In the meeting held on 14 October discussions were held regarding the members on the Executive Board. On 17 December, the reports of the Compliance and Corporate Governance Commissioner were on the agenda. The Declaration of Compliance for 2003 was also approved during this meeting, and the planning for financial year 2004 was presented to the Supervisory Board and discussed.

Corporate Governance

In 2003, both the Executive Board and the Supervisory Board considered the concept of working to the Corporate Governance Code. On 17 December, an updated Declaration of Compliance in accordance with § 161 of the German Corporation Law was submitted. This was made permanently available to shareholders on the Company's website at www.mlp.de. MLP AG complies strictly with the recommendations of the Government Commission on the German Corporate Governance Code, as amended on 21 May 2003. In accordance with item 3.10 of the German Corporate Governance Code in the section entitled "Corporate Governance Report", the Executive Board and the Supervisory Board reported on recommendations that have not been met.

Annual Financial Statement and Group Financial Statement Audit

The Management Report and the Annual Financial Statements for MLP AG for financial year 2003 were drawn up by the Executive Board in accordance with the rules of the German Commercial Code (HGB) and audited by the appointed auditors Ernst & Young AG Wirtschaftsprüfungsgesellschaft in Stuttgart and Rölfs WP Partner AG Wirtschaftsprüfungsgesellschaft in Düsseldorf. The auditors issued an unqualified auditors' opinion. The Annual Financial statement for the MLP Group was drawn up for the first time in accordance with IFRS. Taking advantage of the exemption provision in § 292a of the German Commercial Code, a Group Financial Statement in accordance with the German Commercial Code was not prepared. The auditors examined the Group Financial Statement drawn up in accordance with IFRS and the Management Report and certified them with an unqualified auditors' opinion.

The Annual Financial Statements and the auditors' reports were made available to all Supervisory Board members in good time. They were the focus of intensive deliberations in the Audit Committee and at the Supervisory Board meeting of 26 April 2004. The auditors took part in these meetings, reported on their findings and answered questions. The Supervisory Board examined the Management Report and the Annual Financial Statement for MLP AG and the Group Management Report and Financial Statement and raised no objections. Accordingly, the Annual Financial Statements of MLP AG and the Group Financial Statements in line with IFRS were approved at the meeting of 26 April 2004. The Annual Financial Statements of MLP AG are therefore adopted. The Supervisory Board concurred with the Executive Board's recommendation that a dividend of € 0.15 per share be paid for financial year 2003.

Composition of Supervisory Board and Executive Board

Dietmar Hopp, a member of the Supervisory Board of MLP AG since 28 May 2001, left the Supervisory Board at his own request. The Supervisory Board thanks Mr. Hopp for the valuable contribution he made as a member of the MLP AG Supervisory Board. The shareholders elected the entrepreneur Johannes Maret from Burgbrohl as his successor on the Supervisory Board.

At the Supervisory Board meeting held on 17 December 2003, Dr. Uwe Schroeder-Wildberg was appointed Chairman of the Executive Board with effect from 1 January 2004. He replaces Dr. Bernhard Termühlen, who left the company on 31 December 2003. The Supervisory Board thanks Dr. Termühlen for his many years of service and his contributions to the company. On 29 January 2004, Nils Frowein was appointed to the post of Chief Financial Officer with effect from 1 April 2004 for a period of five years. The Supervisory Board wishes Mr. Frowein a lot of success in his new position.

The Supervisory Board thanks the Executive Board and the management of all Group companies, as well as all employees of the MLP Group, for their commitment and achievements in financial year 2003.

Heidelberg, April 2004
The Supervisory Board
Manfred Lautenschläger
Chairman

The **demographic development** will become a **heavy burden** on the **national welfare systems** in future. The **pension shortfall** goes hand in hand with the **necessity for private pension provision**.

Demographic trend

Age ratio 60 years: proportion of the population aged 60 or above compared with employable population aged between 20 and 59, taking into account immigration figures.

Source: Federal Statistical Office Germany 2003

88 people at the retirement age for every 100 employable people in 2050

44 people at the retirement age for every 100 employable people in 2001

Whether age or health – questions of private provision are of primary concern: MLP understands the needs of existing and potential clients.
We supply solutions that are customised to the real-life situation and aims of each individual client.

Management report

For MLP, the 2003 financial year was a successful one, in which Group revenues drawn up for the first time in accordance with International Financial Reporting Standards (IFRS) rose by some 19 percent to € 536.2 million. The consultants' productivity increased considerably. Profit from operations (EBIT) is € 79.4 million at an EBIT margin of 14.8 percent. The outlook is positive.

General economic situation

General uncertainty in the first half of the year 2003

Global economy sees upturn in the second half of the year 2003

Two contrasting moods characterized the economic and business situation in 2003. In the first six months of the year, the Iraq war and fears of a global economic crisis gave rise to general uncertainty. This in turn led to considerable reluctance among companies to invest, sluggish demand among consumers and declining values in the capital markets. During the second half of the year, the economic trend barometer was on the up. Since the end of October, the global economy has once again been experiencing an upturn. The US economy grew by 3.1 percent in the reporting year. Asia also experienced a positive development. While in China the economic boom continued with more than eight percent growth in 2003, the economy in Japan also picked up and recorded an increase of 2.7 percent for the first time in two years.

Ifo Business Climate Index displays upward trend

Germany's economic performance was considerably weaker than that of many other Eurozone countries. After two years of stagnation, GDP was slightly lower in the first half of 2003 than in the previous year. Later in the year, indicators such as the Ifo Business Climate Index, which in May showed an upward trend for the first time, were suggesting a recovery was on the way. By January 2004, the monthly barometer of business sentiment had risen for the ninth time in succession to reach its highest level since January 2001.

GDP down slightly

The third and fourth quarters of 2003 saw the first improvement with a rise of 0.2 percent of the gross domestic product in each quarter. The main cause for satisfaction was an increase in orders received. For the year as a whole, however, figures from the Federal Statistical Office show that the German economy contracted slightly by 0.1 percent.

Developments in sectors relevant to MLP

Despite the improvement in the economic indicators, demand for insurance and banking products developed only sluggishly at first. The main reasons for this were the ongoing debates on cutbacks in the social security system, the necessary extent of private provision for retirement and health care and doubts about job security. Other factors included the Federal Government's plans for funding its tax reforms by abolishing or reducing the homebuyer's allowance, commuter's allowance and other types of tax relief and aids.

Insurance sector continues to grow

The volume of insurance premiums in the insurance sector continued to grow in 2003. The weak demand for insurance products in the first three quarters contrasted with clearly positive growth rates from October onwards. Premium income for the member companies of the National Association of German Insurance Companies (GDV) for the year 2003 rose by 4.7 percent to € 148 billion.

The banking sector came face to face in 2003 with the consequences of the economic stagnation of the last years. The number of insolvencies rose, particularly among small and medium-sized companies. Furthermore, the general caution within the economy with regard to new investment had a negative effect on the loan business, with private clients still reluctant to commit themselves to larger purchases. In addition, credit institutions on the whole were using more restrictive criteria when granting credit.

Specific influences for financial services providers

Need for private health care and pension provisions increases

Irrespective of the economic situation, MLP benefited in 2003 from the considerably greater awareness among the general public of the need for comprehensive private provision for retirement and health care. This is particularly true for MLP's target group. This trend will strengthen in the coming years as a result of demographic changes and the necessity for reform of the social security system.

MLP's business model

Unique business model and comprehensive range of services

MLP is an independent financial services provider with its own unique business model. Since it was established in 1971, MLP has concentrated on advising university graduates and other discerning clients on their pension provision and on risk and wealth management. With around 2,800 highly trained consultants and a comprehensive range of services, MLP offers experience and a partner in all areas of personal financial management to its clients.

Development of new business

Number of MLP clients grows by 11 percent

In the course of 2003, MLP was able to regain its growth dynamic. The number of clients rose by 56,500 to 561,500. This represents growth of around 11 percent. With around 38,000 new clients from MLP's university graduate target groups, the market share among those starting out in professional life is about 37 percent.

At the end of the year some 2,771 consultants (previous year: 2,989) were working for MLP. The number of branches was reduced from 390 branches in 2002 down to 347 for reasons of efficiency and productivity.

Increase in new business in the life insurance field

In the life insurance field, brokered new business increased considerably. Premium income from brokered policies rose by 17 percent, from € 6.3 billion in 2002 to € 7.4 billion in 2003.

The high level of brokered new business in the health insurance sector achieved in the previous year could not be reached due to the raising of the income threshold for mandatory participation in the public insurance system by more than € 5,000 p.a.. Annual premium income from new business fell by around 15 percent, from € 75 million in 2002 to € 64 million in 2003.

Investor restraint, following the negative trend in capital markets that persisted until mid-2003, was reflected in inflows into mutual funds. Investments fell by nine percent to € 606 million (€ 664 million). The volume of brokered loans, however, rose by 19 percent to € 1,064 million (€ 893 million).

Trends abroad

MLP focuses on organic growth abroad

MLP focuses on systematic organic growth nationally and internationally and has therefore refrained from acquiring existing businesses. The company has concentrated on developing its business abroad in a small number of university towns.

In financial year 2003, the main focus was on cost and quality management. In England young professionals are now increasingly being acquired as clients in addition to young graduates.

The number of branches abroad went down by nine to 34. With 214 consultants working abroad this number has hardly changed compared to the previous year (221).

Organisation and structure

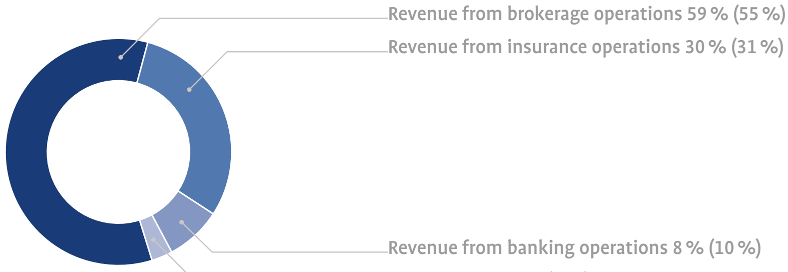
MLP AG is the strategic management and holding arm of the MLP Group. It manages the business portfolios of Group companies and is constantly developing them further. These activities include the operations of MLP Finanzdienstleistungen AG, including its foreign branches and subsidiaries, MLP Lebensversicherung AG, MLP Versicherung AG, MLP Bank AG and MLP Login GmbH. All these companies are wholly owned by MLP AG, with the exception of MLP Lebensversicherung AG, in which MLP AG has a 99.9 percent stake. MLP AG has concluded control and profit transfer agreements with MLP Finanzdienstleistungen AG.

Group earnings

Total revenue up 19 percent

Following the difficult year of 2002, 2003 was a successful one. Total revenue rose by some 19 percent from € 452.2 million to € 536.2 million. The brokerage business has a share of around 59 percent of total revenue. At € 317.4 million (€ 248.2 million) revenue from brokerage business was 28 percent up on the previous year. The main contributor to this growth was the life insurance segment, which achieved an increase of 55 percent to € 218.5 million (€ 140.8 million) as a result of the high demand for old-age pension products. Revenue from the insurance business rose by 13 percent, from € 142.6 million to € 160.9 million. Revenue from the banking business totalled € 44.3 million (€ 43.1 million). The interest revenue included in this sum increased by 13 percent to € 15.2 million (€ 13.4 million). Other income fell to € 13.5 million compared with € 18.2 million in the previous year.

Composition of revenue



Previous year's figures in brackets

The change in deferred acquisition costs rose by 25 percent to € 89.4 million (€ 71.7 million). This can mainly be attributed to the positive trend in capital markets in 2003. As a result, the estimated overall results for unit-linked insurance products has increased. Consequently the amortisation is lower than in the year before.

Expenses incurred in the brokerage business rose to € 156.6 million (€ 138.1 million), mainly as a result of increased provisions in the life insurance segment. Expenses incurred in the insurance business rose to € 106.5 million compared with € 89.8 million in the previous year. The increase in expenses incurred in the banking business to € 12.2 million (€ 10.3 million) is attributable to increased interest and provision expenses due to the growth in business volume.

Increase in personnel expenses

Personnel expenses rose from € 75.3 million to € 82.8 million as a result of resuming performance-related pay, higher number of employees, general pay rises and severance payments. Depreciation and amortization expenses remained virtually unchanged at € 25.4 million (€ 24.9 million). Other operating expenses fell by five percent to € 162.7 million (€ 171.7 million).

EBIT margin up to 14.8 percent

Profit from operations (EBIT) totalled € 79.4 million compared with € 13.9 million in the previous year. As a result, the EBIT margin rose to 14.8 percent (3.1 percent). Net investment income was –€ 10.4 million, compared with –€ 13.5 million in the previous year. The item "Disposal of long-term financial investments" is mainly made up of the proceeds from the disposal of MLP-Lebensversicherung AG, Vienna of € 82.8 million. Earnings from ordinary business activity totalled € 68.9 million compared with € 92.2 million in the previous year. Group net profit amounts to € 39.3 million compared with € 81.5 million in the previous year. Please note that under IFRS the provision for obligations accruing from factoring transactions was already included in the opening balance sheet as at 1 January 2002. In contrast to the financial statements in accordance with HGB, the formation of this provision has therefore not affected the financial year 2002.

Revenue in consulting and sales segment up 15 percent

The MLP business segments

In the consulting and sales segment, revenue increased by 15 percent to € 405.8 million (€ 351.9 million) along with nearly unchanged segment expenses. As a result, profit before tax and profit transfer totalled € 69.3 million, compared with € 22.0 million in the previous year. The profit contribution of foreign business operations was –€ 8.0 million (–€ 10.1 million).

Lapse rate below market average

In the life insurance segment, revenue increased by 3 percent to € 132.3 million (€ 129.0 million). Expenses remained virtually unchanged and segment profit before tax was € 17.9 million (€ 62.4 million). The figure for the previous year includes proceeds of € 82.8 million from the disposal of MLP-Lebensversicherung AG, Vienna. At 4.8 percent (7.0 percent), the lapse rate was below the market average of 5.5 percent.

Revenue in non-life insurance segment up 42 percent

Revenue in the non-life insurance segment rose by 42 percent to € 34.5 million (€ 24.3 million). There are two main reasons for the increased revenue in this segment. Firstly, the insurance premiums before reinsurance increased by 15 percent. Furthermore, the company has reduced the proportion of reinsurance business on the basis of the growing business book. The lower reinsurance contributions issued are the result of a decrease of a quota-share reinsurance for the car business. Profit before tax was € 2.8 million (€ 1.7 million).

Results in the bank segment at previous year's level

In the banking segment, interest and commission revenue increased slightly to € 47.2 million (€ 46.1 million). The revenue from interest rose by 13 percent to € 15.2 million (€ 13.4 million). Risk provision rose from € 3.2 million to € 3.8 million. Changing to a new IT outscouring provider entailed non-recurring expenses totalling around € 2 million. Due to this measure there will be significant cost advantages starting in 2004. Other expenses remained virtually unchanged. Segment profit before tax was € 3.2 million (€ 3.0 million).

The internal services and administration segment recorded profit before tax of – € 16.3 million (€ 10.3 million). The previous-year figure comprised a profit from the disposal of financial assets of around € 9 million and income from investments of € 10 million.

Balance sheet

Balance sheet total up 33 percent

The balance sheet is influenced significantly by items arising out of the particular characteristics of the different companies within the MLP Group. These include, for example, the investment stock for unit-linked life insurance policies, which is matched by provisions for unit-linked life insurance policies in the same amount, the deferred acquisition costs of MLP Lebensversicherung AG and the receivables from the banking business. The balance sheet total rose by 33 percent from € 1,827 million to € 2,428 million.

Fixed assets increased to € 123.2 (€ 114.2 million), largely as a result of the advance payments of € 25.9 million (€ 8.9 million) made on the extension of Group headquarters. The investment stock for unit-linked life insurance policies rose by 48 percent to € 1,184 million (€ 800 million) in the reporting year, largely as a result of favourable developments in capital markets and premium income.

Deferred acquisition costs rose to € 269.5 million (€ 180.2 million). There are two main reasons. Firstly, the Group's changed reinsurance policy since the financial year 2002 has entailed considerably reduced receipt of commission from reinsurance. As a consequence the proportion of reinsurance in deferred acquisition costs has diminished. Secondly, the capital markets have seen a positive trend in the year under report contrary to the expected development in the financial year 2002. As a result the estimated overall results grew for unit-linked contracts. Compared to the previous year this means decreased amortization.

In consideration of the Group net profit of € 39.3 million, shareholders' equity increased to € 253.8 million (€ 213.9 million). Insurance provisions rose to € 315.6 million compared with € 213.5 million in the previous year. This can mainly be attributed to the increased provisions in unearned premium reserves which have increased in line with the deferred acquisition costs.

Capital expenditure, cash flow and dividends

Cash and cash equivalents up to € 125.0 million

Capital expenditure fell as planned to € 37.0 million (€ 61.9 million). € 17.6 million (€ 32.8 million) was invested in IT infrastructure. Investments in the branch office network and the expansion of Group headquarters in Wiesloch, including investment in office and business equipment and furnishings, totalled € 19.4 million (€ 29.1 million).

Cash flow from operating activities rose to € 394.6 million (€ 323.4 million). Cash flow from investing activities was –€ 322.6 million (–€ 281.1 million). Cash flow from financing activities amounted to € 0.3 million (–€ 13.2 million). MLP Group cash and cash equivalents as at the balance sheet date is € 125.0 million compared to € 52.9 million in the previous year.

Dividends per share of € 0.15 suggested

In view of the pleasing business development, the resumption of dividend payments of € 0.15 per share for the financial year 2003 will be prososed to the Annual General Meeting. Total dividends amount to € 16.3 million.

Employees

Slight increase in staff

The average number of employees in the MLP Group was 1,835 (1,810 employees). Of these, 1,677 (1,687) were employed in Germany and 158 (123) abroad. A further 169 people on average (162) were enrolled on vocational/professional training programmes.

Executive Board thanks MLP employees

The Executive Board wishes to thank all MLP employees for their great commitment and dedication during 2003. Each individual has contributed to MLP's success with his or her work. The readiness of all employees to offer their experience, competence, creativity and services to the company will contribute to MLP's success now and in future.

Research and development

For the most part, research and development activities are concentrated on product development and the creation of software for use within the company. Each business segment maintains a sales support department that constantly monitors market developments and detects new trends. In addition, MLP has its own product development departments. As a broker, MLP responds to its clients' requirements in collaboration with a number of partners.

Risk report

The MLP Group is exposed to various risks arising out of its specific characteristics and the nature of its business operations.

The objective is to identify, as early as possible, not only risks but also the opportunities arising from them in order to be able to respond rapidly and appropriately.

Basic principles of risk management

The MLP Group manages its risks on a company-wide basis, in accordance with the basic principles of risk management. The Group risk report has been drawn up in accordance with the German Accounting Standard (DRS-5) and, in so far as applicable to the Group, is supplemented by statements provided in accordance with DRS 5-10 and DRS 5-20.

Risk management system

Risk monitoring and management are essential elements of MLP Group activities.

A Group-wide, independent system for early risk detection has been put in place and made available to all MLP Group companies. The Chief Financial Officer of MLP AG, in his capacity as Group Risk Manager, is responsible for risk management within the MLP Group. He regularly reports to the Executive Board and to the Supervisory Board. Operational responsibility is devolved to each individual company, with each Management Board Chairman, in his capacity as risk manager, taking responsibility for risk management within his business area.

The risk managers report at regular intervals to the Group Risk Committee and to the Group Risk Officer. The Group Risk Committee meets regularly and whenever required. Risk management guidelines for the Group as a whole are laid down in a handbook and are constantly being extended and adapted to meet the requirements of the MLP Group.

Early risk detection system expanded

The effectiveness of risk management within the Group has been further improved in the financial year 2003 by increasing the size of the Group Risk Committee, by the appointment of a Group Risk Officer answerable only to the Group Risk Manager and by strengthening communications within the risk early detection system.

The effectiveness and efficiency of risk management within the MLP Group is ensured by close cooperation with the Group Risk Officer and by the internal audit department, and is subject to scrutiny within the framework of statutory auditing procedures.

Risks for the MLP Group

In the following sections, the possible risks, the assessment thereof and the risk reduction measures taken within the MLP Group are outlined.

Performance-related risks

MLP Finanzdienstleistungen AG sells financial products through independent commercial agents (MLP consultants) working at MLP-owned branch offices. Persistent high turnover among MLP consultants would have effects on new business. Measures introduced for reducing turnover rates have been implemented effectively and have successfully stabilized the existing consultant workforce. The risk is not regarded as a danger to MLP business operations.

Measures introduced effectively implemented

MLP Lebensversicherung AG and MLP Versicherung AG issue insurance policies on their own account. Only clearly defined insurable risks are underwritten for which an off-settable insurance portfolio can be built up within a foreseeable period of time and which can confidently be expected to achieve predictable insurance profits. These risks are underwritten in accordance with strict criteria. Premiums are calculated on the basis of conservative assumptions and include adequate security surcharges. Insurance-related risks are further reduced through individual vertical and horizontal risk distribution among non-Group risk underwriters in the form of reinsurance and co-insurance. The remaining insurance-related risks are not regarded as a threat to MLP business operations.

Rigorous, regular and extensive portfolio monitoring

MLP Bank AG grants loans on its own account in certain areas of its private-client segment. The resultant credit risks are managed by single-transaction credit approvals, by rigorous, regular and extensive portfolio monitoring and by internal auditing. A large part of the portfolio is secured by collateral customary in banking operations in order to limit the credit risks. Appropriate value adjustments have been made in respect of loans that carry risk. The risk of interest rate changes due to low term transformation is rated low and is regularly monitored and assessed as part of overall bank management.

Performance-related risks are not regarded as a threat to MLP's business operations.

Business environment and sector-related risks

Continuous development of quality assurance measures

A sustained decline in market share in its target groups could impact negatively on the MLP Group's business development. Client loyalty to MLP depends to a considerable degree on MLP consultants. For this reason, MLP takes great care in the selection of its consultants and also makes every effort to provide a comprehensive range of training programmes. MLP has continually developed its quality assurance measures. The risk of market shares declining in target groups served by MLP to an extent that will pose a significant danger to business operations can be limited due to the uniqueness of MLP's product portfolio.

Negative influences caused by persistent weakness in the German economy and the resultant deterioration in economic capacity could have effects on MLP's client base. Offsetting this, there is the great financial strength of MLP clients and the necessity for increased private provision for old age and health care.

Potential negative affects on MLP's business model and its earnings power can occur from the discontinuation of tax incentives for private life insurance policies, restrictions on access to private health insurance or significant movements in capital markets. MLP confronts these risks with a diversified product portfolio that combines various elements from the fields of banking and insurance as required.

The investigations by the Public Prosecutor's Office, which are still ongoing, could possibly result in damage to our corporate image, which could impact on the company's future development.

Overall, it is not felt that MLP is exposed to serious business environment or sector-related risks.

Information technology risks
A large number of MLP's central business processes depend upon IT systems.

IT security guaranteed

Because of the considerable importance of information technology for MLP, an extended IT system failure would pose a risk to the company. This risk is being countered by various measures that have been put in place to ensure optimum IT security.

In particular, these include:

- Organization of IT
  MLP pursues a uniform IT strategy across the Group. In each MLP company, a member of the management team has responsibility for use of IT systems relevant to that company. Each management team member is supported by an IT operations manager. Coordination across the group takes place through the Group IT Officer, both at the meetings of the Group Risk Committee and through the Operations Committee, chaired by the Officer, which meets regularly and on which all IT operations managers of MLP companies have a seat. The Group IT Officer is also supported by the IT Security Department, which functions as a Group-wide competence centre.

  This organizational structure enables MLP to successfully implement its uniform IT strategy throughout the Group.

- IT systems
  In selecting its IT systems, MLP generally opts for standard, industry-specific software provided by well-known suppliers. In some areas, this standard software is supplemented by specific applications developed by MLP. In order to ensure its complete and effective functioning, every IT system is thoroughly tested.

Outsourced computer centre

- The computer centre
  Operation of the computer centre is outsourced to two external service providers and distributed over several different locations. Service level agreements have been concluded in respect of system availability. Appropriate emergency procedures have been put in place, so that short response times are ensured in the event of system failures. Comprehensive security measures based on a wide-ranging IT security policy have also been put in place to counter possible virus attacks and third-party intrusions.

  Systems used jointly with other banks are operated by providers who already supply similar services for other organizations in accordance with German banking standards.

- Authorization procedures
  MLP systems are protected against unauthorized access by tried and tested authorization procedures.

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

Financial risks

Group-wide cash-management system

MLP funds its business operations from current cash flow. MLP's liquidity is monitored by a Group-wide cash-management system. Liquidity planning occurs on a daily and monthly basis. Appropriate credit lines have been put in place at several different credit institutions in order to cover temporary cash-flow shortages.

Tools for measuring productivity

MLP Group liquidity depends largely on the productivity of MLP consultants. Extensive calculations are made on the basis of several different scenarios. In view of its significance to the Group, MLP consultant productivity is subject to constant monitoring and analysis. MLP developed additional tools for measuring sales unit productivity during the financial year.

In their first two years of service, MLP consultants received a non-performance-linked advance in order to assist them in developing their business. As a result, MLP Finanzdienstleistungen AG has accounts receivable arising from advances to MLP consultants and branch office managers. Defaults on these accounts could represent a risk to the company. Accounts that are regarded as carrying risk have had their value adjusted accordingly.

Further risks could arise with capital investments and receivables from clients for insurance premiums. As a matter of principle, capital investments are transacted only with debtors who have a good credit rating. The receivables from clients are monitored by a payment reminder system.

MLP Bank AG minimizes the risks associated with its credit portfolio by ensuring, among other things, that receivables are secured by property and collateral.

Supervisory regulations are in place to ensure that insurance and banking businesses have adequate equity capital backing. All MLP companies subject to these regulations – MLP Lebensversicherung AG, MLP Versicherung AG and MLP Bank AG – are provided with an adequate equity capital backing to meet these regulations.

The expansion of the Group's headquarters in Wiesloch continued in financial year 2003. As a result, some 1,500 jobs and training places will be available at this site. The new building is being financed in part by long-term bank loans.

Overall, the financial risks to which MLP is exposed to are not regarded as a threat to its business operations.

Operational risks

Expansion of internal and external training programs

Controls are being implemented in the necessary areas by means of clearly defined processes and backup procedures. In addition, MLP counters any potential operational risks by putting in place internal and external training program and by involving internal organizational units within the MLP Group.

Operational risks are no threat to MLP's business operations.

Other risks

The risks associated with international expansion are not regarded as threats to MLP business operations.

The legal challenges filed by two small shareholders against resolutions adopted at the Extraordinary General Meeting held on 17 November 2000 are still pending. A detailed statement concerning the content, circumstances and assessments of these challenges was provided in previous annual reports and the court judgements that have been delivered to date fully confirm our interpretation of law. With the verdict of 26 June 2001, the Regional Court in Heidelberg dismissed both cases. The appeals lodged against these verdicts were also unsuccessful. With the verdict of 28 August 2002, the Higher Regional Court in Karlsruhe has dismissed the appeal. The lodging of an appeal at the German Supreme Court has been rejected. The party plaintiff has appealed against this decision at the German Supreme Court. No judgement on the denial of appeal has been delivered yet.

A rigorous and extensive risk assessment clearly indicates that there are no other risks that might pose a threat to MLP as a group.

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

Outlook for 2004

Hope for overall economic improvement in 2004

Most trend indicators point to an improvement in the overall economy in financial year 2004. The Ifo Business Climate Index, which reflects sentiment in German manufacturing industry, climbed to the highest level for three years in January 2004. Forecasts for the major economies for 2004 are equally positive. The European Central Bank (ECB) is forecasting growth of between 1.6 and 1.7 percent for the Eurozone. The Federal Government predicts a similar growth rate of between 1.5 and 2.0 percent. The OECD (Organisation for Economic Co-operation and Development) even predicts that GDP in the USA will rise by 4.2 percent in 2004.

Positive impetus from the banking and insurance sector

Encouraging situation in capital markets

The economic environment and the overall positive sentiment of capital markets give the financial sector grounds for hope in 2004. The old-age pension and health care reforms that the Federal Government has begun to put in place over the past two years will continue in 2004. Increasing premium rates can be expected again for old-age provisions and health insurance cover. The optimistic economic trends have a positive influence on the financing business. There should also be a considerable rise in investment in mutual funds thanks to the encouraging situation in the capital markets.

Outlook for MLP

Double-digit growth in client numbers and performance figures

For financial year 2004, MLP is seeking double-digit growth rates in client numbers and performance figures. Particularly in view of the growing awareness in the public for the need of a comprehensive private provision for old-age pension and health insurance cover, demand is likely to rise. MLP will gain an above average benefit from this trend due to its focusing on target groups and the high quality of the consulting service.

The increasing regulation of the financial services sector within Europe will lead to a further concentration process in the industry. This will open up new opportunities for MLP as a leading independent provider of financial services and further strengthen its competitive position in the market and ensure profitable growth in the years to come.

Events after the balance sheet date

As of 1 January 2004 Dr. Uwe Schroeder-Wildberg assumes responsibility as Chairman of the Executive Board for strategy, Group planning and strategy, legal affairs, communications, human resources, IT and auditing.

New responsibility

At the end of January the areas of responsibility within the four-man Executive Board of the holding company were also redistributed at the same time. Eugen Bucher, former responsible for investment and wealth management products, becomes responsible for distribution. Gerhard Frieg, previously responsible for insurance, has now assumed responsibility for product management and purchasing within the MLP Group.

New CFO

Nils Frowein will take over the post of Chief Financial Officer with effect from 1 April 2004. He will be responsible for accountancy and controlling, taxation and general administration.

One of the measures intended to strengthen the strategic realignment of MLP Finanzdienstleistungen AG is to apply for registration as a financial services institution; negotiations on this issue are being held with BaFin (the German financial regulatory agency).

Prognoses

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

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

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

State subsidies of **private old age provision** have increased since **2001**. The **volume of premiums** paid is therefore expected to **increase** accordingly **in future**.

Private provision

Premium paid into state-supported private old age provision plans in Germany (Retirement Savings Act dated 2001)

Source: Prognos 2002

€ 29 billion in the year 2020

€ 3 billion in the year 2002

There is simply no way around private old age provision – and MLP helps its clients remain flexible here. As our innovative approaches to consulting and product development allow us to react quickly to changes in legislation and current developments in the business environment.

Investor Relations

In 2003 global financial markets were able to regain significant ground from their lows, in some cases recording considerable market gains. The increased confidence on the part of investors and shareholders in MLP also had positive effects on the MLP share, with prices rising from the low of € 5.78 to € 15.50 by the end of the year. As announced, shareholders in MLP will benefit from the company's success in 2003 in the form of dividend payments.

The 2003 financial year: a pleasing result overall

Positive global development

Concerns about war and terrorism ensured that the first few weeks of the 2003 financial year saw a seamless continuation in the poor trend of 2002. The Iraq war meant that in March the downward trend was at its climax. From the middle of March the rapid end to the war and the hopes of an early economic recovery brought with it gave a clear boost to share prices throughout the world. Most of the indexes which were down by more than a quarter by the low point of 12 March were generally able to end the year with percentage growth rates in double figures. The DAX index, which MLP belonged to until September, recorded an increase of more than one third by the end of December 2003. The MDAX, which MLP transferred to in September, performed even better with an increase of 46 percent. International indexes such as the US Dow Jones (+21 percent), European Stoxx 50 (+14 percent) and Japanese Nikkei (+20 percent) also closed well above the previous year's values. 2003 was generally a good year for financial markets. This meant CDAX Financial Services rose by 35 percent.

MLP share prices in € from January 2003 to February 2004

Details of the MLP share
Security Identification number: 656 990
ISIN code: DE0006569908
Reuters code: MLPG.ETR
Bloomberg code: MLP GY
Most important trading centre: Xetra
Other trading centres: Xetra, all German stock exchanges

Positive trend of MLP's share price

Until the middle of March 2003 the MLP's share price was unable to detach itself from the generally weak stock market situation. Following a rise in value from € 9.40 to more than € 12, which lasted only a few days, at the beginning of January, the share price reached its lowest value of the year at € 5.78 in the Xetra trading system on 12 March. Thanks to the turnaround of financial markets and the regained trust in MLP the share price rose to almost € 12 by the annual press briefing on 24 April. On the day that the results of the first quarter were published shares closed at € 10.55. By the end of the first half of the year the price rose to € 13. In the following months, thanks also to the good results for the quarter, the company was again in the position to convince its investors of its operational strength and the potential for growth this would give. Following the most important German stock market indexes the share price rose further and reached its high for the year at € 17.63 on 16 September. As the year progressed, the share price fell again to € 13 and ended the year on 30 December at € 15.50. Since the beginning of 2004 the share price has climbed to € 20.64 by the middle of January and on the last day of trading in February MLP shares closed at € 18.43.

Market capitalisation rises to more than € 1.7 billion

At the balance sheet date of 31 December 2003 the market capitalisation of MLP was € 1.7 billion compared to € 1.02 billion at the end of the previous year. The underlying number of shares at the balance sheet date remained unchanged at 108.6 million. According to the index systematics of the German stock exchange, which only takes the free float into account, MLP shares at the end of the reporting year were in 42nd place (48th the previous year) with respect to capitalisation of all companies quoted. The average daily turnover in shares was 582,421 (previous year: 725,299). On the best days of trading in March and September 2003 more than 3.3 million shares changed hands each day. Around 90 percent of trading was via the Xetra system. The volume of trading dropped when MLP left the DAX in September.

The MLP share is listed in the following indexes, among others:

- MDAX
- DAX 100
- CDAX
- BLOOMBERG EUROPEAN 500
- DJ EURO STOXX
- DJ EURO STOXX FINANCIAL SERVICES
- DJ STOXX 600
- S&P EURO
- S&P EURO FINANCIALS

MLP share in the MDAX since 22 September

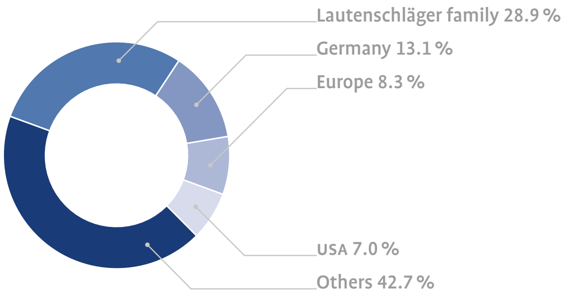
On 13 August 2002 the index commission of the Deutsche Börse AG announced that from 22 September MLP would no longer be listed on the DAX but now on the MDAX due to its insufficient market capitalisation. As this decision came as no surprise to capital markets, and had no influence on the positive operational development of the company, there were no further consequences for the share price.

Increase of free float

On 9 December company founder and Chairman of the Supervisory Board, Manfred Lautenschläger, reduced his share holding from 33.5 percent to 28.9 percent. This increased the free float of MLP shares to around 57 percent. Thus the Lautenschläger family remains the largest shareholder in the company. Institutional investors hold more than half the free float.

In regional terms German investors own the largest share of the free float on the market at about 13.1 percent. There has been a rise in the proportion of US investors (7 percent), while the proportion of shareholders in Europe has remained stable (at 8.3 percent). The company regularly performs surveys about its shareholder structure. Every three months the new status is published on MLP's Investor Relations page in the Internet.

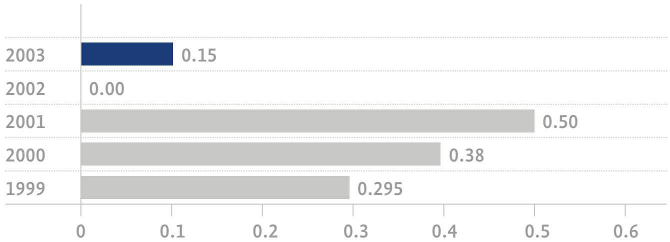
Pie chart showing shareholder structure and regional distribution



Resumption of a dividend payment

The amount of profits paid out to shareholders at MLP is closely linked to the operational performance of the business. Following the encouraging business development the Executive and Supervisory Boards of MLP AG therefore propose to the Annual General Meeting on 22 June a dividend of € 0.15 per share.

Dividends per share in Euro



Increased investor relations activities

Contents expanded and transparency increased

Continuous dialogue with its investors characterized by the highest level of transparency is of utmost importance at MLP. Institutional investors had the greatest need for information in the financial year 2003 and they were informed in detail about the changes to financial reporting. In this context the contents of the annual report and the quarterly reports were also considerably expanded and transparency increased.

The regular exchange with capital markets is very important to the Executive Board. Under the leadership of the Executive Board Chairman and the Chief Financial Officer of MLP also took part in 2003 in five investment conferences, 17 road show days and 130 one-on-ones as well as numerous conference calls with capital market participants here and abroad. The financial centres Frankfurt, London and New York were the main areas of focus.

In 2003 MLP was also involved in the conference of the Deutschen Schutzgemeinschaft für Wertpapierbesitz e.V. (German association for the protection of small shareholders) geared towards private investors. In view of the positive reception from the 250 participants MLP will also take part in this conference in 2004.

Equal treatment of all investors

MLP also continues to make increasing use of the internet as a tool for communication, especially with private investors. This should ensure that all investors are treated equally. All investors have simultaneous access to the following information under the address http://ir.mlp.de:

- Quarterly and annual reports
  In its annual reports MLP provides its stakeholders with detailed information about its business activities over the past financial year and about the financial situation of the MLP Group. These reports also give a detailed explanation of the business model and a look ahead to the coming year.

  Online versions of annual and quarterly reports introduced

  The quarterly reports provide interim information about the business situation of the MLP Group in the form of a short management report and detailed financial information. Both reports are available to download. This year saw the introduction of an additional online version of the annual and quarterly reports.

- Presentations
  The most important presentations, which MLP uses to keep the financial market informed, are available on the MLP homepage. These include presentations at conferences on the quarterly and annual results and at the Annual General Meeting.

- Live transmissions
  The transmission of conference calls over the internet allows shareholders to follow live the presentation of the quarterly figures by the Executive Board and the subsequent discussion. The annual press briefing is also broadcast live on the internet. In addition the speech given by the Chairman of the Executive Board at the Annual General Meeting is transmitted over the internet for those shareholders who are not able to attend personally. All live transmissions can subsequently be accessed via MLP's homepage.

- The MLP Shareholders' Club
  Interested investors may join the MLP Shareholders' Club. This forum offers a comprehensive service which is already being used by around 2,500 members.

  Latest news: Shareholders are constantly provided with up-to-date information on MLP's activities via e-mail.

  Announcement of financial figures: On the day key financial figures are published, an e-mail is sent comprising the corresponding press release and a reference to the respective report.

  Reminder service: Two trading days prior to publishing the financial results an e-mail reminder is sent to all members.

In addition, the website contains information on the share price, answers to frequently asked questions as well as MLP's financial calendar.

2003 year-end closing in line with IFRS for the first time

MLP intends to take further steps to improve investor relations for 2004. With the 2003 year-end closing for instance, there has been a change for the first time to more transparent reporting in line with IFRS (International Financial Reporting Standards). In addition all investors will have at their disposal on 28 April an embedded value calculation of MLP Lebensversicherung AG.

Key figures compared to previous year

	2003	2002
Share capital in € million	108.6	108.6
Number of shares as at 31 December	108,640,686	108,640,686
Share price as at 31 December in €	15.50	9.40
Share price – High in €	17.63	79.84
Share price – Low in €	5.78	6.12
Market capitalisation on balance sheet date 31 December in € billion	1.7	1.0
Average daily turnover of shares (number of shares)	582,421	725,299
Dividend per share in €	0.15	0.00
Total dividends in € million	16.3	0.0
Earnings per share in €	0.36	0.85

Germany lags way behind **other European countries** in terms of **corporate pension schemes**. Yet alongside the **state pension** and **private pension provision**, this field is **gaining in importance as a third** and important **option**.

Corporate pension schemes

Financial resources managed in pension funds in relation to the gross domestic product (GDP)

Source: Deutsches Institut für Altersvorsorge, vorsorgeinfo 3/2001

96 % of GDP in Great Britain

6 % of GDP in Germany

Corporate pensions are a strategically significant market:
As innovation leader in the financial services industry, MLP develops new ideas and concepts for companies and employees. In this way both parties benefit from state-supported company pension schemes.

Corporate Governance report

MLP is committed to transparent and responsible corporate governance. Corporate Governance refers to the legal and practical framework for the management and supervision of a company. The implementation of, and adherence to, standards of corporate governance make a decisive contribution to reinforcing the confidence of shareholders, clients, employees and other stakeholders in the management of the company over the long term. This presupposes intensive co-operation between the Executive Board and the Supervisory Board. The Executive Board of MLP AG provides the Supervisory Board with timely and comprehensive information on the state of the business, including the company's risk position, risk management, corporate planning and its strategic growth plans. This process also closely involves the company's auditors.

Transparency of publications significantly improved

MLP accords high priority to simultaneous disclosure of the same information to all relevant stakeholders. In communicating with stakeholders, and private investors in particular, MLP will continue to place special emphasis on the internet to ensure parity of information for all investors. In the 2003 financial year, the transparency of the company's publications continued to improve significantly. In addition to offering more comprehensive corporate reports, MLP continued to expand the scope of information available on its website. Annual and quarterly reports, press releases, conference calls and presentations can now be accessed online. The financial calendar includes important events and dates for investors. Moreover, analysts' and media conferences are held at least once a year. In accordance with legal provisions the company issues ad-hoc notices of all facts that may have a material impact on its share price.

MLP AG meets most of the recommendations issued by the Government Commission as part of the German Corporate Governance Code, as amended on 21 May 2003. Wherever individual items are not applied, the specific reasons are detailed in the Executive and Supervisory Boards' Declaration of Compliance.

Declaration of Compliance

In December 2003, the Executive and Supervisory Boards issued a Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders via its website.

Declaration of Compliance of December 2003

The Executive Board and Supervisory Board of MLP AG hereby declare in line with § 161 of the German Stock Corporation Act that the company has acted in line with the recommendations of the Government Commission of the German Corporate Governance Code in the version dated 7 November 2002 since the last declaration of conformity. The recommendations from section 7.1.1 clause 3 and from 7.1.2 clause 2 and sub-clause 1 and 2 were not applied.

The company has also acted and continues to act in line with the recommendations of the Government Commission in the new revised version of the German Corporate Governance Code dated 21 May 2003. The recommendations from section 4.2, 5.4.5 clause 6, from section 7.1.1 clause 3 and from section 7.1.2 clause 2 and sub-clause 1 and 2 were not applied.

The deviations given are based on the following reasons:

- Item 4.2 (Executive Board compensation)
  The German Corporate Governance Code recommends that all compensation paid to the members of the Executive Board be listed on an individual basis (sentence 2 of item 4.2.4).

  MLP did not comply with this recommendation in 2003 and will also not apply it in 2004.

- Sentence 6 of item 5.4.5 (information on compensation paid to individual Supervisory Board members in the notes)
  The German Corporate Governance Code recommends that the notes to the consolidated financial statements list all compensation paid to the members of the Supervisory Board on an individual basis, broken down by its components.

  The notes to MLP's consolidated financial statements include only the total amount of compensation paid to the members of the Supervisory Board in the 2002 financial year. As MLP did not and does not provide any information on an individual basis, it did not apply this recommendation in 2003 and will not apply it in 2004.

- Sentence 3 of item 7.1.1 (accounting – use of internationally recognized accounting standards)
  The German Corporate Governance Code recommends that consolidated financial statements and interim reports be prepared in accordance with internationally recognized accounting standards.

  The company's consolidated financial statements as at 31 December 2002 and its interim reports for 2002 did not meet this recommendation. However, MLP expects to use such standards for preparing its Consolidated Financial Statements as at 31 December 2003 and for the quarterly reports from the first quarter of 2004 onwards.

- Clause 1 of sentence 2 of item 7.1.2 (accounting – consolidated financial statements)
  The German Corporate Governance Code recommends that the consolidated financial statements should be published no later than 90 days after the end of the financial year.

  MLP was not able to meet this recommendation in 2003. The consolidated financial statements were published 120 days after the end of the financial year. MLP will not be able to meet this recommendation in 2004 either.

- Clause 2 of sentence 2 of item 7.1.2 (accounting – interim reports)
  The German Corporate Governance Code recommends that interim reports should be published no later than 45 days after the end of the reporting period concerned.

  MLP was not able to meet this recommendation in 2003. Interim reports were published 60 days after the end of the reporting period. MLP will not be able to meet this recommendation in 2004 either.

Explanations to the Declaration of Compliance

Remuneration of members of the Executive and Supervisory Board
The remuneration of Members of the Executive and Supervisory Board is disclosed in the annex to the consolidated financial statements as a total figure broken down into fixed and variable components. The remuneration of each individual member is not explicitly disclosed, as this is considered inappropriate with regard to the members' privacy.

Accounting
The 2003 financial statements and the quarterly reports as of 2004 are drawn up in line with the IFRS (International Financial Reporting Standards) accounting principles. It is intended that as of financial year 2005 the annual report and the quarterly reports will be publicly accessible within 90 days and 45 days respectively after the end of the period under report.

Business environment for financial service providers

The reform of the pension and health insurance systems in Germany makes one thing clear: Private provision is clearly the future. The increase in the proportion of elderly people in society and the financing problems of the statutory social security schemes that accompany this are making it increasingly important for German citizens to take matters into their own hands. As the leading integrated financial service provider, MLP is in an ideal position to develop this long-term growth market. The increasing complexity of financial products will also lead to greater demand for competent and independent financial advice.

Increased proportion of elderly citizens creates need for fundamental reform

Declining birth rates and a significantly higher average life expectancy will lead to an increased proportion of elderly citizens in most industrial nations. Yet the continuous downward trend in the employable population is having a serious effect on the provisions for old age. At present there are 100 people contributing to the pension system per 44 recipients, although this is set to drop to a ratio of almost one to one by the year 2050. If the pay-as-you-go system (where the pension contributions collected are used immediately to finance the running costs for pensions) is continued without reform, by 2050 the level of contributions will either have to be drastically increased or the state's contribution to old age provision radically reduced.

Health care costs per capita on the rise

The state health care system also lacks sufficient capital reserves, as the costs for health care per capita increase severely with age, particularly if costs for long term care are included in the calculation. The health insurance system therefore faces an extremely worrying situation with spiralling costs.

Private initiative is the only way to close gaps in provision

It is already clear today that the state cannot maintain the social security systems in their present form in the medium-term. We must therefore expect public funds in the social welfare net to be reduced to the bare minimum, with emphasis and responsibility for comprehensive cover being placed directly on the citizens themselves. However, it will only be possible to plug gaps in provision through private initiative.

Private insurance offers greater potential for more suitable coverage

Private provision basically involves financing the pension and health care costs that occur at old age from a stock of capital saved up by the citizens themselves from their earnings while actively employed. This type of private insurance funded by personal capital offers the individual far greater potential to select coverage better suited to his or her own specific needs by assembling a package of provisions from any number of financial products.

Financial service providers benefit from the trend toward private provision

The current discussion about the reform of the pension insurance system and the shifting of focus to supplementary private policies will lead to a sharp increase in demand for these types of products from financial service providers. The "Riester Pension" introduced in 2002 is a first step toward a state-sponsored, private, capital-funded pension scheme. However, the complexity of the scheme has led to a certain reservedness among the population, limiting contributions and therefore also the system's success. Yet demand for alternative pension plans is still likely to increase significantly in the coming years. This development will offer great market potential for MLP, which has always specialized in providing products tailored to the individual.

Demand for alternative pension plans likely to increase

Old age provision in Germany has structural deficits

The comparison with the pension systems in other industrial nations underlines the structural deficits of the German system. 85 percent of pensions are currently financed by state funds in Germany. Only some five percent come from company pensions schemes, while the remaining ten percent are made up of private policies. In the US, for example, state-funded pensions and private pension plans each make up around 40 to 45 percent of total pensions, while 13 percent of pensions are company policies.

In the Netherlands the state-funded proportion is only some 50 percent, while company policies account for 40 percent. The remaining ten percent then comes from private policies. In the face of non-existent public funds, experts are predicting an increase in the number of company pension schemes in Germany to a level of 30 percent by the year 2030, while the proportion of state pensions is set to drop to below 60 percent. Private pensions are likely to become more and more important.

Number of private and company pension schemes set to increase

The comparison of life insurance premiums per German resident also indicates that the country is a long way behind the rest of Europe – a situation offering great potential for MLP. While every German spends around US $700 per year on life insurance, the average of all European states is some US $1,100. In Great Britain and Switzerland each citizen spends more than US $2,500 per year on life insurance. Pension funds managed in Germany currently represent around six percent of the country's gross domestic product. To put this in perspective, in Great Britain the figure is 96 percent.

Funds from inheritance have more than doubled

The sharp increase in inherited funds/assets also offers MLP potential for growth. The total value of inherited assets in Germany in the last ten years is € 1.3 trillion. Inherited assets of € 2.3 trillion are expected for the next ten years. The increase in private assets naturally leads to a greater demand for investment opportunities. Clients will demand individual products that allow them to meet their personal investment aims and return expectations. MLP will therefore continue to concentrate on offering its clients tailor-made private wealth management products.

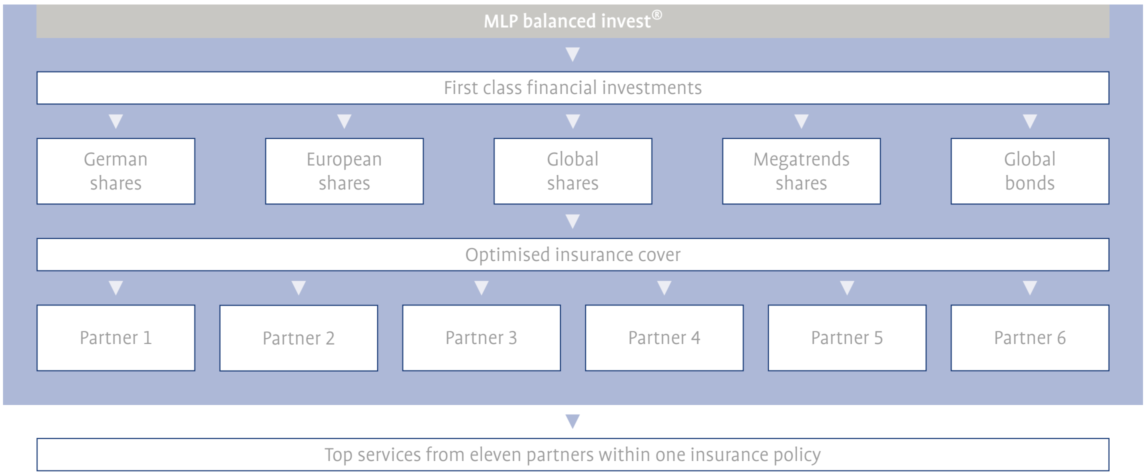
Greater demand for investment opportunities

Competitive advantages for integrated financial service providers

MLP is the only financial service provider in Europe that integrates under one roof the services of a brokerage firm, a bank with asset management, a life insurance firm and a non-life insurance company. The bank and the life and non-life insurance companies operate as broker platforms. They develop financial solutions by combining the best products available on the market with a view to a specific target group. These products or modules are then "purchased" from banks, insurance companies and investment firms. This principle allows innovative solutions to be developed.

The integration of the various services under one roof offers clients a comprehensive overview of their assets and investments. This is also an important part of the high-quality consulting offered by MLP. However, in the forefront of all MLP consulting is the achievement of the goals agreed upon with the client. And only when the goals have been agreed does the search for suitable products begin.

MLP bestpartner concept® – taking the example of MLP's balanced invest®



The **growth in inherited wealth** in Germany is a **reliable indicator** of the **growing need** for **professional wealth management**.

Inheritance
Growing volume of inherited wealth in Germany
Source: BBE-Unternehmensberatung: Branchenreport Erbschaften 2003

€ 2,3 trillion between 2004 and 2013

€ 1,3 trillion between 1994 and 2003

Funds augmented by inheritance lead to a growing demand in intelligent wealth management. MLP combines the best investment products to innovative and individualised solutions. Clients particularly cherish our in-depth know-how and one-stop service.

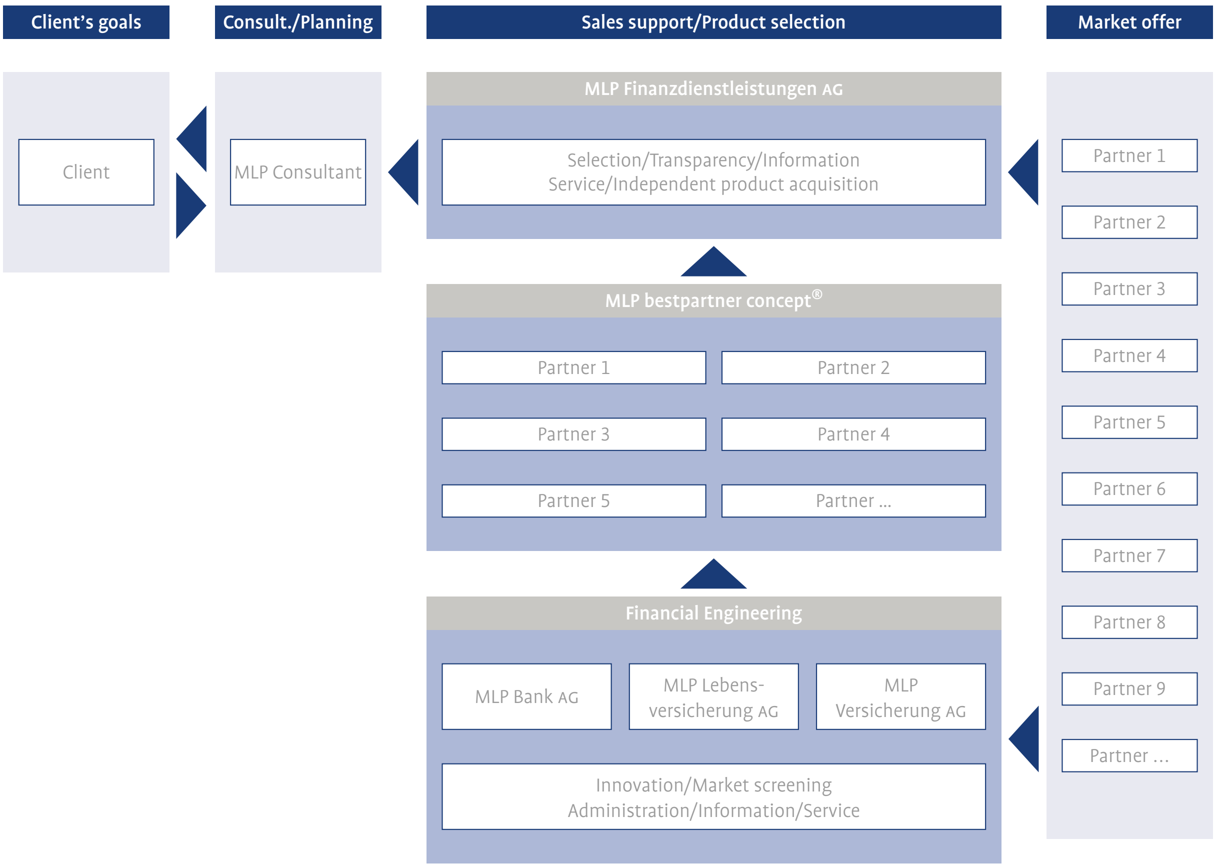
MLP's business model

Consulting and sales

The consulting company MLP Finanzdienstleistungen AG represents the core business of the MLP Group. The financial plans that the consultants draw up for clients are not merely customized to their individual needs, they can also be adapted to meet changing circumstances. With the consulting software application, MLP consultants have access to the electronic broker platforms of all business segments and can therefore guarantee their clients the highest product quality. The basis for the excellent level of consulting on offer is the above-average qualifications held by the MLP consultants. In the two year training course to become an MLP Financial Consultant, candidates go through more than 700 teaching units. In the years that follow, MLP consultants continue to expand their knowledge in all facets of financial services through further central training program.

High quality consulting through above-average qualifications

MLP business model



In mid-January 2004, MLP aligned its business fields more consistently to its areas of operative growth. In a new organizational structure the responsibility for product purchasing has been transferred from the subsidiaries MLP Bank AG, MLP Versicherung AG and MLP Lebensversicherung AG to MLP Finanzdienstleistungen AG. The new structure significantly strengthens MLP's independence as a broker and also guarantees a more client-oriented system of sales planning and control.

New structure strengthens independence

Organic and profitable international growth

MLP takes into account country-specific conditions when operating abroad and adapts the successful German model for the rest of Europe. Since 1995 the company has opened operations in Austria, Switzerland, the Netherlands and Great Britain. Since 2002, MLP has also been represented in Spain with its own branch office.

Like in Germany, MLP also offers its consulting services abroad predominantly to professionals and discerning clients. MLP is targeting organic and profitable growth for its international operations.

Tailor-made plans: the MLP bestpartner concept®

Independent, individual and cost effective – every MLP product portfolio meets these requirements. The MLP bestpartner concept®, employed in addition to third party products in provisions management, liquidity management, wealth management and risk management, stands for excellent product quality here. MLP uses this concept to allocate clients' contributions across several powerful partners. This minimises the risk for the investor while at the same time increasing the chances of above-average returns. MLP regularly puts the partner companies integrated into the concept under the microscope.

MLP bestpartner concept® minimises investment risks

Life insurance

The core competency of MLP Lebensversicherung AG is in unit-linked pension and life insurance products and the refinement of classic pension and life insurance within the scope of the MLP bestpartner concept®. MLP Lebensversicherung AG operates as an arranger here. The majority of the risk is carried by the powerful partners in the syndicate.

Non-life insurance

The business activities of MLP Versicherung AG include all types of private non-life insurance. The product modules of various suppliers are also combined on the electronic broker platform here and configured to create a new MLP product in line with the MLP bestpartner concept®. Since MLP clients have a much better risk profile than the average among the population, MLP solutions are among the best non-life insurance policies in terms of price-performance ratio. MLP also processes everything to do with its non-life insurance policies, from drawing up the contract, through collection, right up to claims settlement.

Bank

The MLP Bank AG is responsible for the administration of the banking products offered by the MLP Group. These include asset management, the financing business, credit cards, current accounts and securities brokerage. MLP Bank AG processes the fund asset management and unit-linked life insurance portfolios. Within the scope of asset management and in conjunction with renowned partners, the MLP Bank controls asset allocation for both product ranges, meaning that it also has an influence on the components included in a portfolio. Within the scope of the MLP bestpartner concept®, it employs public mutual funds of renowned investment groups. However, what really makes the MLP Bank stand out is the development of individual investment plans for MLP clients.

Greater consulting capacity for company pensions

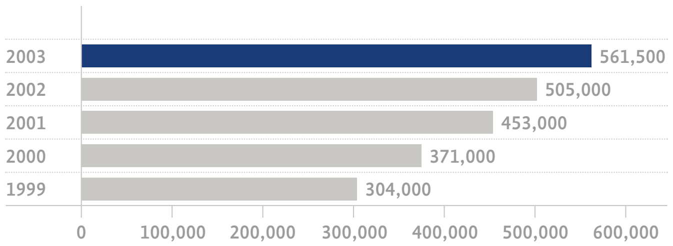
MLP significantly strengthened its services for the company pension business segment last year, both in terms of staff and general structure. At the start of 2004 MLP had around 100 consultants specialised in company pension schemes, offering consulting to companies setting up corresponding systems. Companies from all sectors of the economy have already signed framework contracts with MLP for company pension schemes. The growth rates in this business segment are likely to be significant in the coming years, and MLP will place particular emphasis on small and medium-sized companies.

Unique client structure

Professionals and discerning clients are the main target group of MLP. This group not only has above-average income potential, it also has a significantly greater need for insurance and old age provision – and all with an extremely attractive risk and age profile.

The average age of MLP's 561,500 clients at the end of 2003 was around 35. These clients were supported by around 2,800 consultants in 347 offices across Europe.

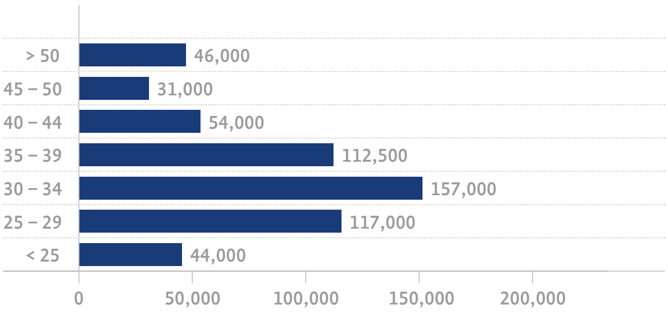
Number of clients



37 percent market share among graduates in the target group

The aim is to accompany MLP clients throughout their entire life with all their age-dependent investment and wealth management needs. In its consulting, MLP focuses on graduates or those soon to graduate in the fields of engineering, law, medicine, dentistry and business. Around one half of the 220,000 graduates per year in Germany come from fields relevant for MLP. MLP has a market share of around 37 percent among graduates in its target group.

Number of clients by age

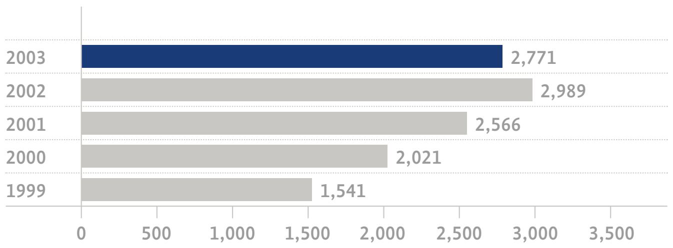


Leading quality in consulting

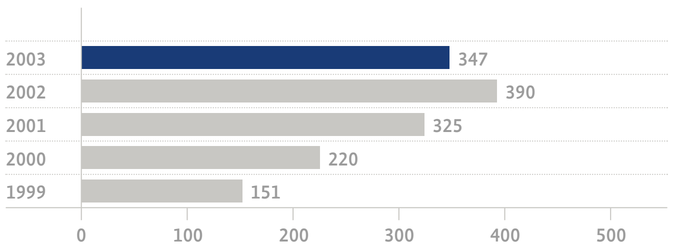
Graduates support graduates

Only with unrivalled consulting quality and premium products will MLP be able to maintain its market leadership and client satisfaction in the long-term. MLP consultants concentrate their efforts on specific occupations and age groups. Young consultants support new graduates and clients who have just entered the world of work, while clients who are well established in their careers are looked after by consultants in the same phase of their life. Virtually all MLP consultants are graduates, and some 70 percent of them have a degree in business. The consultants know the real word situation of their clients first hand, speak their language and understand their wishes and expectations. Knowledge of the specific needs of a target group is decisive in ensuring client satisfaction, something reflected in a high degree of client loyalty. Continuous further training, and particularly training in questions specific to occupational groups, allows MLP consultants to react quickly and develop solutions for a specific occupational group should basic conditions change.

Number of consultants



Number of branch offices



MLP Corporate University

For new MLP consultants, a university degree is an ideal prerequisite for studying toward the time-consuming and intensive qualification of financial consultant at the MLP Corporate University. In the course of their first two years all candidates learn the basics of MLP's integrated financial services, attending around 300 teaching units in the first three months of their training. 400 further, increasingly specific units then follow until the end of the second year. Even after completing the basic qualification, MLP consultants regularly take part in central training events of the MLP Corporate University and local seminars in the MLP offices. To ensure that the increasing number of consultants can receive the ideal training, MLP has expanded its training capacity to 270,000 days per year.

Training capacity expanded to 270,000 days

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Consolidated income statement MLP Group

Consolidated income statement in accordance with IFRS for the period 1 January to 31 December

All figures in €'000	Notes	2003	2002
Revenue from brokerage business	[39]	317,382	248,233
Revenue from insurance business	[40]	160,905	142,648
Revenue from banking business	[41]	44,335	43,113
Other income	[42]	13,530	18,226
Total revenues		**536,152**	**452,220**
Change in deferred acquisition costs	[43]	89,366	71,694
Expenses for brokerage business	[44]	–156,553	–138,124
Expenses for insurance business	[45]	–106,543	–89,783
Expenses for banking business	[46]	–12,150	–10,254
Personnel expenses	[47]	–82,765	–75,284
Depreciation and amortisation expense	[48]	–25,390	–24,902
Other operating expenses	[49]	–162,726	–171,713
Profit from operations (EBIT)		**79,391**	**13,854**
Realised gain on long-term investments	[50]	–	91,801
Finance cost	[51]	–10,442	–13,456
Profit before tax (EBT)		**68,949**	**92,199**
Taxes	[52]	–29,688	–10,540
Minority interest		–11	–118
Net profit for the year		**39,250**	**81,541**
(Net profit incl. minority interest)		39,261	81,659
		EUR	**EUR**
Earnings per share	[72]	0.36	0.85
Diluted earnings per share	[72]	0.36	0.85

Consolidated balance sheet MLP Group

Consolidated balance sheet as at 31 December 2003 in accordance with IFRS

Assets – All figures in €'000

	Notes	31 Dec 2003	31 Dec 2002
Intangible assets	[53]	61,267	60,054
Property, plant and equipment	[54]	123,191	114,207
Financial assets	[55]	162,495	138,373
Investments held on account and at risk of life insurance policy holders	[56]	1,183,754	799,802
Reinsurance receivables	[57]	19,493	19,979
Receivables due from banking business	[58]	316,447	276,256
Accounts receivable and other assets	[59]	182,451	158,650
Cash and cash equivalents	[60]	51,469	17,522
Deferred acquisition costs (DAC)	[61]	269,549	180,183
Deferred tax assets	[62]	49,915	56,586
Prepaid expenses	[63]	7,567	5,121
		2,427,598	**1,826,733**

Shareholders' equity and liabilities – All figures in €'000

	Notes	31 Dec 2003	31 Dec 2002
Shareholders' equity	[64]	253,822	213,856
Minority interest		125	135
Insurance provisions	[65]	315,620	213,485
Insurance provisions for investments held on account and at risk of life insurance policy holders	[66]	1,183,754	799,802
Other provisions	[67]	140,994	132,317
Reinsurance liabilities	[68]	49,883	44,333
Liabilities due to banking business	[69]	302,610	256,026
Other liabilities	[70]	178,379	166,278
Deferred tax liabilities	[71]	1,829	242
Deferred income		582	259
		2,427,598	**1,826,733**

Consolidated cash flow statement MLP Group

All figures in €'000

	2003	2002
Net profit for the year (including minority interest)	39,261	81,659
Income taxes paid	–933	–50,746
Interest and dividends received	19,554	17,141
Interest paid	–41,848	–35,573
Write-downs/write-ups on intangible assets, property, plant and equipment and financial assets	25,397	26,557
Capitalised own work	–3,088	–4,895
Value adjustments on receivables	1,828	15,088
Expenses for risk provisions	3,761	3,180
Increase/Decrease of provisions	8,677	–22,016
Increase/Decrease in deferred tax assets and liabilities	8,701	3,278
Other non-cash expenses/income	888	–237
Gain/loss from the disposal of intangible and property, plant and equipment	–605	197
Gain/loss from the disposal of financial assets	725	–91,778
Increase of deferred acquisition costs	–89,366	–71,694
Increase of provisions for unit-linked life insurance	296,411	280,500
Increase of insurance provisions	100,311	73,746
Increase/decrease of reinsurance receivables/liabilities	6,035	66,428
Increase/decrease of receivables/liabilities from banking business	–26,870	–39,538
Increase/decrease of receivables against / liabilities due to bank clients	29,502	16,803
Increase/decrease of other assets	–28,075	–52,266
Increase/decrease of other liabilities and shareholders' equity	21,104	38,343
Adjustments from income tax, interest and dividends	23,228	69,179
Cash flow from operating activities	**394,598**	**323,356**
Proceeds from disposal of intangible and property, plant and equipment	1,887	87
Payments for intangible and property, plant and equipment	–33,929	–57,004
Proceeds from disposal of financial assets	66,198	37,095
Payments for purchases of financial assets	–60,314	–51,318
Proceeds from sale of investments of the investment stock for unit-linked life insurance	1,410,970	2,448,862
Payments for purchase of investments of the investment stock for unit-linked life insurance	–1,707,381	–2,729,362
Payments for purchase of MLP Lebensversicherung AG	–28	–
Dividends received of MLP-Lebensversicherung AG, Vienna	–	500
Proceeds from the sale of MLP-Lebensversicherung AG, Vienna	–	70,000
Cash flow from investing activities	**–322,597**	**–281,140**
Proceeds from transfer to equity	89	1,281
Payments to company owners and minority shareholders	0	–39,601
Proceeds from issues of bonds and taking out loans	197	25,081
Cash flow from financing activities	**286**	**–13,239**

All figures in €'000	2003	2002
Change on cash and cash equivalents	**72,287**	**28,977**
Changes on cash and cash equivalents due to exchange rate movements	−108	−4
Cash and cash equivalents at beginning of period	52,864	23,891
Cash and cash equivalents at year-end	**125,043**	**52,864**
The cash and cash equivalents are made up of:		
Cash on hand	51,469	17,522
Other capital investments < 3 months	73,590	44,235
Liabilities to banks due on demand (excluding the banking business)	−16	−8,893
Cash and cash equivalents at year-end	**125,043**	**52,864**

The other capital assets < 3 months are included in financial assets, the liabilities to banks due on demand are included in the liabilities.

Segment reporting

Segment reporting 2003 – All figures in €'000

	Consulting and sales	Life insurance	Non-life insurance	Bank	Internal services and administration	Consolidation	MLP Group
Segment revenue							
External revenue from							
Brokerage business	317,382						317,382
Insurance business		126,408	34,497				160,905
Banking business				44,335			44,335
Inter-segment revenue	88,384	5,852		2,905		−97,141	
Total segment revenue	**405,766**	**132,260**	**34,497**	**47,240**		**−97,141**	**522,622**
Other income	30,377	1,027	1,221	1,854	24,678	−45,627	13,530
Change in deferred acquisition costs		93,764	1			−4,399	89,366
Segment expenses							
Brokerage business	−157,329					776	−156,553
Insurance business		−176,650	−20,215			90,322	−106,543
Banking business				−18,982		6,832	−12,150
Personnel expenses	−50,558	−10,236	−5,486	−7,258	−9,227		−82,765
Depreciation/amortisation	−12,732	−4,800	−1,020	−1,017	−5,815	−6	−25,390
Other	−138,506	−17,587	−6,146	−18,202	−23,975	41,690	−162,726
Total segment expenses	**−359,125**	**−209,273**	**−32,867**	**−45,459**	**−39,017**	**139,614**	**−546,127**
Segment result before disposal of long-term financial investments and before finance cost	**77,018**	**17,778**	**2,852**	**3,635**	**−14,339**	**−7,553**	**79,391**
Disposal of long-term financial investments							
Finance cost	−7,715	94	−7	−419	−1,945	−450	−10,442
Segment result after disposal of long-term financial investments and after finance cost	**69,303**	**17,872**	**2,845**	**3,216**	**−16,284**	**−8,003**	**68,949**
Additional Information							
Investments in intangible and property, plant and equipment	6,331	10,047	1,737	259	19,050	−401	37,023
Other non-cash expenses	−13,978	−96,417	−4,191	−4,004	−2,911		−121,501
Impairment losses affecting net profit					843		843
Total segment assets	320,171	1,660,910	29,211	347,505	230,296	−160,495	2,427,598
less tax receivables/ tax deferral	−46,074	−3,489	−727	−164	−1,379	−358	−52,191
Segment assets	**274,097**	**1,657,421**	**28,484**	**347,341**	**228,917**	**−160,853**	**2,375,407**
Total segment liabilities	260,954	1,567,166	20,352	322,210	58,788	−55,818	2,173,652
less tax receivables/ tax deferral	−3,266	−5,422	−104	−310	−2,410	−26	−11,538
Segment liabilities	**257,688**	**1,561,744**	**20,248**	**321,900**	**56,378**	**−55,844**	**2,162,114**

Segment reporting 2002 – All figures in €'000

	Consulting and sales	Life insurance	Non-life insurance	Bank	Internal services and administration	Consolidation	MLP Group
Segment revenue							
External revenue from							
Brokerage business	248,233						248,233
Insurance business		118,377	24,271				142,648
Banking business				43,113			43,113
Inter-segment revenue	103,643	10,619		2,983		−117,245	
Total segment revenue	**351,876**	**128,996**	**24,271**	**46,096**		**−117,245**	**433,994**
Other income	34,205	1,588	1,870	3,676	26,023	−49,136	18,226
Change in deferred acquisition costs		57,766				13,928	71,694
Segment expenses							
Brokerage business	−137,367					−757	−138,124
Insurance business		−174,661	−13,406			98,284	−89,783
Banking business				−20,486		10,232	−10,254
Personnel expenses	−47,705	−10,957	−5,538	−7,397	−3,687		−75,284
Depreciation/amortisation	−12,334	−2,477	−999	−908	−8,184		−24,902
Other	−153,407	−19,518	−5,304	−17,854	−23,534	47,904	−171,713
Total segment expenses	**−350,813**	**−207,613**	**−25,247**	**−46,645**	**−35,405**	**155,663**	**−510,060**
Segment result before disposal of long-term financial investments and before finance cost	**35,268**	**−19,263**	**894**	**3,127**	**−9,382**	**3,210**	**13,854**
Disposal of long-term financial investments		82,770			9,031		91,801
Finance cost	−13,272	−1,089	796	−80	10,680	−10,491	−13,456
Segment result after disposal of long-term financial investments and after finance cost	**21,996**	**62,418**	**1,690**	**3,047**	**10,329**	**−7,281**	**92,199**
Additional Information							
Investments in intangible and property, plant and equipment	28,861	16,056	2,127	89	14,381		61,514
Other non-cash expenses	24,204	63,802	3,784	3,431	666		95,887
Impairment losses affecting net profit	207			70	3,096		3,373
Total segment assets	284,653	1,138,061	22,037	302,024	224,316	−144,358	1,826,733
less tax receivables/ tax deferral	−43,495	−5,421	−259	−2,437	−20,888	13,235	−59,265
Segment assets	**241,158**	**1,132,640**	**21,778**	**299,587**	**203,428**	**−131,123**	**1,767,468**
Total segment liabilities	234,445	1,056,575	14,796	278,807	88,790	−60,644	1,612,742
less tax receivables/ tax deferral	−719	−2,529	−72	−380	−3,265		−6,965
Segment liabilities	**233,726**	**1,054,046**	**14,697**	**278,427**	**85,525**	**−60,644**	**1,605,777**

Consolidated statement of changes in shareholders' equity

All figures in €'000	Share capital	Capital reserves	Unrealised gains/losses on available-for-sale investments	Accumulated profits	Shareholders' equity
As at 1 Jan 2002	**79,200**	**7,583**	**1,810**	**69,483**	**158,076**
Currency conversion				102	102
Capital increases	29,441		−26	−14,772	14,643
Change in unrealised gains/losses on available-for-sale investments			−2,152		−2,152
Net profit				81,541	81,541
Dividends paid to shareholders				−39,601	−39,601
Convertible debenture		36			36
Others				1,211	1,211
As at 31 Dec 2002	**108,641**	**7,619**	**−368**	**97,964**	**213,856**
Currency conversion				477	477
Change of the available-for-sale investments			151		151
Net profit				39,250	39,250
Convertible debenture		88			88
As at 31 Dec 2003	**108,641**	**7,707**	**−217**	**137,691**	**253,822**

MLP consolidated financial statements in accordance with IFRS

1. Principles of Group accounting

The consolidated financial statements of MLP AG dated 31 December 2003 were created in accordance with the Directive 83/349/EU (Group Balance Sheet Directive) on the basis of the International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS) passed and published by the International Accounting Standards Board (IASB).

The consolidated financial statements drawn up in line with the IFRS have an exempting effect in line with § 292a of the German Commercial Code (HGB). The interpretation of the Deutscher Standardisierungsrat (DRSC) e.V. (German Accounting Standards Committee) in the German Accounting Standard No. 1 (DRS 1) was followed with regard to judging whether the consolidated financial statements and the Group management report complies with the 7th EU Directive.

Alongside the Group balance sheet and the Group income statement, the consolidated financial statements also include further components, such as the development of shareholders' equity, the cash flow statement and the notes.

Unless otherwise stated, the figures are given in thousands of Euros.

2. Declaration of compliance to the German Corporate Governance Code in line with § 161 of the German Corporation Law (AktG)

Executive Board and Supervisory Board have submitted the declaration of compliance to the German Corporate Governance Code in line with § 161 of the Corporation Law and have also made it available to our shareholders on the company's website (www.mlp.de).

3. General information about the MLP Group

The parent company of the Group is MLP AG, based in Heidelberg, Germany. It is registered with the number HRB 2697 in the Commercial Register in Heidelberg with the address Forum 7, 69126 Heidelberg, Germany.

Since its foundation in 1971, MLP has focused on advising university graduates and discerning clients on an optimal provision for old age and health care as well as on issues of risk and wealth management. The MLP Group therefore integrates a broker for financial services, a bank including an asset management department, a life and non-life insurance company and an IT service provider.

4. First-time adoption of the International Financial Reporting Standards

The consolidated financial statements of MLP AG dated 31 December 2003 were the Group's first statement drawn up in line with the International Financial Reporting Standards (IFRS).

Within the scope of the application of IFRS standards the industry-specific rulings for credit institutions and insurance companies were also observed.

The year-end financial statements of the Group were drawn up in euros (€), as the majority of the Group's transactions were made in this currency.

The designation IFRS for the total concept of all standards passed by the International Accounting Standards Board has been in force since 2002. Standards already passed under International Accounting Standards (IAS) continue to be quoted.

The MLP Group included and applied all obligatory IAS/IFRS standards passed and published at the time of accounting on 31 December 2003 in its methods of accounting and valuation.

IFRS 1 was used for the transition to IFRS. This standard governs the transition to IFRS and grants alternatives which were applied as follows:

The transition regulation in line with IFRS 1 was applied for acquisitions before the transition point (1 January 2002) so as not to reveal any goodwill offset against retained profits before this point in line with HGB.

Within the scope of recording pension obligations in the balance sheet, a decision was taken not to retroactively use the so-called corridor approach, which intentionally does not take into account actuarial gains and losses within a specific time interval. The corridor approach is only applied to actuarial gains and losses recorded after the transition to IFRS.

With regard to the treatment of translation differences due to the inclusion of foreign Group companies, the exemption of IFRS 1 was applied. This allows all accumulated translation differences of all foreign units to be assumed as zero on the day of transition to IFRS and not to be recognised in the income statement in line with IAS 21 when sold at a later date.

No use was made of the option to value property, plant and equipment or intangible assets at their fair value on the day of the transition to IFRS and then to recognise this value as the assumed historical cost as of that day.

Since the IFRS standards do not yet contain any insurance-specific accounting standards, the provisions of the US Generally Accepted Accounting Principles (US GAAP) were applied in accordance with the IFRS Framework.

The consolidated financial statements as per 31 December 2003 are based on the IASC framework concept and the following IAS/IFRS standards relevant for the MLP Group, including the corresponding interpretations of the Standing Interpretations Committee SIC and the International Financial Reporting Interpretations Committee (IFRIC):

IFRS 1	First application of the IFRS
IAS 1	Presentation of financial statements
IAS 7	Cash flow statements
IAS 8	Income or loss for the period, fundamental errors on changes in accounting policies
IAS 10	Events after the balance sheet date
IAS 12	Income taxes
IAS 14	Segment reporting
IAS 16	Property, plant and equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee benefits
IAS 21	The effects of changes in foreign exchange rates
IAS 22	Business combinations
IAS 23	Borrowing costs
IAS 24	Related party disclosures
IAS 27	Consolidated financial statements and accounting for investments in subsidiaries
IAS 28	Accounting for investments in associates
IAS 30	Disclosures in the financial statements of banks and similar financial institutions
IAS 32	Financial instruments: disclosures and presentation
IAS 33	Earnings per share
IAS 36	Impairment of assets
IAS 37	Provisions, contingent liabilities and contingent assets
IAS 38	Intangible assets
IAS 39	Financial instruments: recognition and measurement

In addition the following US GAAP provisions for the insurance sector were applied: FAS 60, FAS 97, FAS 113 and FAS 120.

5. Summary of the most important principles of financial accounting and valuation

The statements of the domestic and foreign subsidiaries were made uniformly in line with the IFRS methods of financial accounting and valuation.

The consolidated financial statements were drawn up in line with the principle of historical costs, modified through the valuation of specific financial instruments at their fair value.

Financial assets and financial liabilities are stated in the Group consolidated balance sheet, if the Group becomes contracting party with regard to contractual regulations of the financial instrument. Inclusion occurs on the settlement date.

Financial assets are assigned to the following categories and evaluated in accordance with their respective classification.

- Original loans and receivables:
  The evaluation of original loans and receivables occurs at amortised costs.
- Held-to-maturity securities:
  Held-to-maturity securities are evaluated at amortised costs.
- Available-for-sale securities:
  Available-for-sale securities are stated at their fair value.
  Unrealised profits and losses are recorded in the shareholders' equity up to the point of disposal.
- Securities held for trading:
  Securities held for trading are evaluated at their fair value.

The financial obligations are always evaluated at amortised cost.

In the case of derivative financial instruments they are initially stated at historical costs and after that at their fair value.

While drawing up the consolidated financial statements it is necessary to make estimates and assumptions which have an effect on the evaluation of items shown in the annual accounts in the Group balance sheet/income statement and of contingent liabilities. The actual values can vary from the values stated.

The principles of financial accounting, valuation and consolidation used when creating this consolidated financial statements are listed in the following:

5.1 Scope of consolidation

The consolidated financial statements include the financial statements of MLP AG and of companies (subsidiaries) controlled by it and listed in the following.

Alongside MLP AG, 5 (previous year: 5) domestic and 3 (previous year: 3) foreign companies were fully consolidated.

Subsidiaries

	Share of ownership in %	Time of initial consolidation
MLP Finanzdienstleistungen AG, Heidelberg	100.00	31 Dec 1992
MLP Lebensversicherung AG, Heidelberg	99.86	31 Dec 1992
MLP Bank AG, Heidelberg	100.00	31 Dec 1997
MLP Login GmbH, Heidelberg	100.00	31 Dec 1995
MLP Versicherung AG, Heidelberg	100.00	31 Dec 1997
MLP Private Finance Correduria de Seguros S.A., Madrid, Spain	100.00	22 Feb 2002
MLP Private Finance plc, London, Great Britain	100.00	31 Dec 2001
MLP Private Finance AG, Zürich, Switzerland	99.93	28 Feb 2002

The voting rights correspond to the ownership share in percent; with the exception of MLP Lebensversicherung AG in which 100 percent of voting rights are held.

MLP-Lebensversicherung AG in Vienna, Austria, which was included in the previous year as an affiliated company (at equity) was deconsolidated on 30 September 2002.

5.2 Principles of consolidation

For the consolidation of capital the historical costs for the holding in the consolidated subsidiary are calculated with the proportional equity at the fair value at the time of acquisition or foundation. Any remaining differences are recorded as goodwill in the balance sheet under intangible assets and then amortised according to their expected economic useful life.

Goodwill before 1 January 2002 was offset against retained profits. Within the scope of the capital increase in kind on 15 April 2002, shares in already fully consolidated subsidiaries were brought in by shareholders in MLP AG. These shares were assessed at the face value of shares issued by MLP AG.

Within the scope of consolidation of intercompany balances, receivables and liabilities between companies within the Group as well as costs and earnings within the Group are consolidated. Intercompany results achieved within the Group are eliminated.

5.3 Foreign currency conversion

Receivables and liabilities in foreign currencies are valued in line with the exchange rate on the cut-off date or on the balance sheet date in the individual statements of the Group companies. Within the scope of the currency translation the assets and debts of the individual statements not recorded in euros from foreign companies within the Group are translated at the closing rate. Income and cost items are converted using the average exchange rates for this time period. Any differences in exchange rates are added to shareholders' equity in a way that does not affect the operating result.

5.4 Group assets

5.4.1 Intangible assets and property, plant and equipment

Currency	€ closing rate		€ average exchange rates	
	2003	2002	2003	2002
Pound Sterling (GBP)	0.70480	0.68610	0.69240	0.62828
Swiss Franc (CHF)	1.55790	1.44760	1.52105	1.46695

Intangible assets
The intangible assets contain acquired software and software produced in-house and acquired industrial property rights.

Internally generated intangible assets are only recorded as assets when the following conditions are given:

- The asset produced in-house is identifiable.
- It is probable that the asset produced in-house will bring economic benefit in the future.
- The development costs of the asset can be reliably determined.

Intangible assets produced in-house are amortised using the straight line method over their useful life, which generally does not exceed five years.

Acquired intangible assets are initially recorded at historical costs in the balance sheet and amortised over their expected useful life.

Intangible assets are amortised using the straight line method over the following useful life:

Expected useful life	
Acquired software	5 years
Software produced in-house	5 years
Acquired trademark rights	5 – 7 or 15 years

Property, plant and equipment

Property, plant and equipment are recorded at their historical costs minus accumulated depreciation.

Assets currently under construction are recorded in the balance sheet at historical costs. Borrowed capital costs are not recorded as assets. The depreciation of these assets starts with their completion or as soon as they are ready for use.

The profit or loss from the disposal or decommissioning of an asset is determined as the difference between the sales revenue and the book value of the assets. Its effect is included in the current result.

The expected physical wear, technical aging and legal/contractual limitations are taken into account when determining the typical useful life.

Expected useful life	
Administration buildings	33 years to residual value (30 % of the original procurement costs)
External building facilities	15 – 25 years
Leasehold improvements	Duration of the rental agreement
Interior decor and equipment	10 – 25 years
EDV hardware, EDV cabling	3 – 13 years
Office equipment, office machines	5 – 13 years
Cars	5 or 6 years
Airplane	9 years to residual value (10 % of the initial procurement costs)

Tangible assets are depreciated using the straight line method over the following useful life:

Leases
Leases are classified as a financial lease if the leasing conditions are such that all risks and benefits connected with the asset are essentially transferred to the lessee. All other leases are classed as an operating lease. Existing leases are classified as an operating lease.

Rental income and expenses from operating leases result in a profit or loss.

Asset impairment
The book values of fixed and intangible assets are checked on every balance sheet date to determine whether there is a need to depreciate these assets. If grounds for this are found, the recoverable amounts of the asset is estimated to determine the impairment. This results in a profit or loss.

Should the reason for the impairment later cease to be valid, the book value of the asset is increased again accordingly. However, the increase of the book value is limited to the value that would have resulted if no impairment had been recorded for the asset in previous years. The reversal of impairment results in a profit or loss.

5.4.2 Financial assets
Financial assets include participations, securities held to maturity, securities available-for-sale, loans and any other investments.

Investments
Investments are recorded at their fair value or if this cannot be reliably determined, at historical costs.

Securities
Securities that are held to maturity are valued at amortised cost. The annual amortisation of a discount or premium from the acquisition of securities held to maturity is summarized with investment returns within the duration of the instrument, so that the amount collected as earnings in each period represents a constant return on the investment.

Securities which are classified as available-for-sale financial assets are recorded at their fair value. Unearned profits and losses are recorded in equity up to the time of sale. At the time of sale the net profit or loss is included in the period results. Premiums or discounts result in a profit or loss over their term.

Loans

Loans are recorded at amortised costs.

Other financial assets

Items recorded under other financial assets include fixed term deposits with a duration of more than 24 hours and a maximum duration of three months. Fixed interest bearing securities which have a time to maturity of no more than 3 months at the time of sale are also included. They are valued at their amortised costs.

Impairment

The value of all financial assets is checked regularly. Financial assets which show a permanent decrease in value are amortised to the recoverable amount and affect the net profit. Insofar as the reason for amortised performed in earlier periods is no longer valid, the financial assets are written up, although never above the level of the historical costs, and affect net profit.

5.4.3 Investments held on account and at risk of life insurance policy holders

Investments held on account and at risk of life insurance policy holders include those shares in investment funds which policyholders are entitled to directly. They are shown in the balance sheet at their fair value at the balance sheet date. The unrealised profits and losses from the valuation at the fair value are offset against changes to the corresponding insurance provisions at the same value. The changes in value do not result in a profit or loss.

5.4.4 Reinsurance receivables

Reinsurance receivables are shown on the balance sheet at their face value in line with FAS 113. If necessary they are reduced due to value adjustments. The shares of the reinsurers in the insurance provisions are determined in line with the contractual conditions of the actuarial gross provisions. Their treatment is explained under “Insurance provisions”.

5.4.5 Receivables due from banking business

Accounts receivable from credit institutions or customers for self issued loans are shown on the balance sheet at their outstanding nominal value, taking into account amortisation, deferred charges and costs as well as not yet amortised premiums or discounts. The income from investments is marked down to the outstanding nominal value. Deferred charges and premiums/discounts are recorded as interest income/interest expense over the duration of the affected loans.

Provision for losses on loans and advances
Receivables that are expected to be uncollectible are written down on an item-by-item basis. The level of value adjustment is estimated on the basis of past experience and the current economic environment.

Write down on an item-by-item basis are formed for receivables that already have doubtful performance. The value adjustment rates are set in reference to the level of the reminder. The basis for this are experience values and the rating of other banks. The level of allowances for bad debts on a portfolio basis in the banking business is measured using the credit losses recorded in the past. Uncollectible receivables are booked against the existing value adjustments (or written off directly at the cost of the credit balance with an effect on expenditure). Payments received on written off receivables result in a profit or loss.

5.4.6 Accounts receivable and other assets
Accounts receivable and other assets are recorded at amortised costs less accumulated depreciation.

5.4.7 Cash and cash equivalents
The cash and cash equivalents comprise cash on hand, deposits with the Deutsche Bundesbank and on deposit with financial institutions with a maturity of up to 24 hours. These are valued at their face value.

5.4.8 Deferred acquisition costs
The deferred acquisition costs (DAC) contain commission paid and other variable costs occurring directly when insurance policies are signed or extended. Commission received from reinsurers is offset against this.

They are written off over the term of the contract. The level of depreciation depends on the classification of the basic block of business.

With non-life insurance policies (FAS 60) the deferred acquisition costs are written off over the time period in which the correspondingly entered premiums are earned, proportionally to the income from the premiums.

In the case of life insurance policies with surplus sharing (FAS 120), the deferred acquisition costs are amortised over the anticipated term of these contracts on the basis of the present value of the estimated and realistically achievable gross margins.

Deferred acquisition costs for investment-style insurance policies (FAS 97) are amortised over the term of the contract on the basis of the present value of the estimated and realistically achievable gross profit.

Assumptions used as a basis for estimates of the future value of expected gross margins and profits are regularly checked and adjusted. Any deviation of the actual results from the originally estimated values result in a profit or loss. If required, deferred acquisition costs which cannot be recovered are written off and reflected in the operating result.

5.5 Group shareholders' equity and liabilities

5.5.1 Insurance provisions

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

Unearned premium reserves

The premiums already collected for future risk periods are deferred in the unearned premium reserves. As a rule they are determined individually for each insurance policy pro rata temporis. An approximation method was used in isolated cases. Furthermore, in order to cover acquisition costs, parts of premiums received are allocated to the unearned premium reserves in line with FAS 97 under the sub-item "Unearned revenue liability (URL)" and recovered over the term of the contract.

Insurance provisions

The following categories of insurance policies have to be distinguished for entry of the insurance provision of life insurance products in the balance sheet:

- Insurance with natural profit sharing
  The policyholders are involved in the actual results of the life insurance company, as they hold profit shares in line with their share in the overall results. FAS 120 is to be used in connection with SOP 95-1 for these insurance policies when drawing up the balance sheet. Regulations that differ from German law apply for the calculation of the insurance reserve. With conventional life insurance this affects the dropping of Zillmerisation on the acquisition costs as well as the grading and revaluing of the provisions for final profit shares.

- Unit-linked insurance
  The premium payments are credited minus the costs plus interest. These insurance policies are recorded in line with FAS 97 at the current value of the corresponding financial assets and recorded under a different item "Investments held on account and at risk of life insurance policy holders".

As a rule, the regulations of the Statements of Financial Accounting Standards no. 120 (FAS 120) are applied in connection with SOP 95-1 as the basis for the calculation of insurance provisions for life insurance policies with profit participation. The net provisions for these contracts are calculated as the present value of the future guaranteed insurance benefits minus the present value of the future net premiums. The actuarial interest rate and the biometric accounting principles for premium calculation are used here. The actuarial interest rate depends on the corresponding insurance portfolio and is between 3.25 percent and 4.0 percent. For non-contributory insurances an additional administration cost provision is made. The insurance provision contains the provision for the final bonus which was reclassified from the provision for premium refunds. With the revaluation this provision (LTD = liability for terminal dividends) is built up from interest allocations and annual allocations from a fixed share in the gross margins calculated for the corresponding year of the term of the contract. The gross margins include the expected premiums income and returns from the net insurance provision minus the insurance payouts, the administration costs, the change to the net insurance provision and the expected current profit shares of the corresponding year. Current accounting principles are used to determine this. The interest rate for the returns is 4.5 percent (previous year: between 4.2 percent and 4.3 percent).

Provisions for insurance claims not yet settled (provision for claims)
The non-life insurance business establishes provisions for claims that are yet to be settled and for internal and external expenses incurred in the settlement of claims. Pursuant to FAS 60, provisions for insurance claims not yet settled are established only for losses that occurred prior to the balance sheet date. Taking account of the potential time lag that may occur between a loss and the notification of the related claim, the company estimates incurred but not reported losses to set up provisions. The estimate is based on the principle of the most reliable estimate using recognised actuarial methods.

Provisions for claims are not discounted to present value. Instead, changes in the estimate are recognised in the income statement on an ongoing basis.

Provisions for premium refunds
Provisions for premium refunds cover premiums paid in advance that have to be refunded to policyholders under national legal or contractual obligations. This item also includes experience-rated premium refunds to life insurance policyholders.

In addition, a provision for deferred premium refunds to policyholders is established to account for valuation differences between HGB and IFRS. This provision is determined on the basis of the share of participation granted to policyholders upon realisation, as stipulated by national statutory or contractual provisions.

By recognising or eliminating the share of this item that results in a profit or loss, it is possible to compensate for the revaluation effects on the income statement.

5.5.2 Insurance provisions for investments held on account and at risk of life insurance policy holders

This item contains the provisions for unit-linked life insurance policies. Its valuation corresponds to the value of the assets held by the investment stock of the unit-linked life insurance, which are recognised in the balance sheet at their market values.

The provision for unit-linked contracts are valued pursuant to FAS 97. The item represents the balance of the capital invested, the performance of the underlying assets and contractual withdrawals.

5.5.3 Other provisions

Provisions for pension

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

Tax provisions

Tax provisions are calculated on the basis of applicable national tax regulations.

Other provisions

Provisions may be set up for uncertain liabilities to third parties and for anticipated losses from pending transactions in the amount of the present value of the anticipated claim.

5.5.4 Reinsurance liabilities

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

The accounts payable and the deposits are valued at the repayable amount.

5.5.5 Liabilities due to banking business

Banking liabilities are recognised in the balance sheet at amortised costs. If liabilities are recorded with discounts, the discounts are amortised pro rata temporis in accordance with the effective interest method.

5.5.6 Other liabilities

Trade accounts payable

Trade accounts payable are recognised at their face value.

Loans

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

Derivative financial instruments

Derivative financial instruments are initially recorded at historical cost and subsequently written up or down to their fair value.

Derivative financial instruments carried at a positive market value are recognised in the item "Receivables and other assets". Negative market values are recognised as "Other liabilities". Gains and losses from valuation adjustments on a fair value basis are recorded in the finance cost.

Convertible debentures

Convertible debentures are regarded as compounded financial instruments consisting of a debt and an equity component. On the day of issuance, the fair value of the debt component is estimated by means of the applicable interest rate of a similar debenture without conversion right. The value of the equity component is the difference between the proceeds from the convertible debenture issue and the fair value determined for the debt component. The equity component is recorded in the capital reserves.

Interest expenses are calculated using the current market rate of a similar debenture without conversion right.

5.6 Consolidated income statement

The consolidated income statement is drawn up in accordance with the total expenditure format.

5.6.1 Revenue

Sales revenue and insurance premiums are recorded pursuant to IAS 18, i.e. after all of MLP's contractual obligations have been met or when the company can be reasonably sure that it will receive the revenues in question. Revenues which have to be ceded to reinsurers are recorded as a separate item.

In the case of predominantly investment-style life insurance products (e.g. unit-linked life and pension insurances), under FAS 97 the savings element of premiums is not shown as premium income but is directly allocated to insurance provisions. With these types of policies only the risk and cost portion are recognised in the income statement. As a result premium income is lower than with HGB.

Under US GAAP, premiums from the provisions for premium refunds are also not shown as premium income but taken into account in the change of provisions for premium refunds. Thus premium income under IFRS is usually lower than according to German law.

5.6.2 Expenses for old-age provisions

The costs for the provision of benefits under defined-benefit plans are determined using the projected unit credit method, with an actuarial valuation performed on each balance sheet date. Actuarial gains and losses will not be recognised in the income statement unless they deviate more than 10 percent from the estimated actuarial value. Past service costs that are recognised retroactively are forthwith charged to the income statement to the extent that benefits have been vested, and are otherwise amortised on a straight line basis over the average time period left until adjusted benefits are vested.

The amount recorded in the balance sheet represents the present value adjusted for unrecognised actuarial profits and losses and unrecognised past service costs. Payments for defined-contribution plans are recorded as expenses on their due date. Payments for statutory pension plans are treated like defined-contribution plans.

5.6.3 Finance cost

Interest income is deferred on an accrual basis.

Dividend income is recorded on the date when the shareholder's right to receive dividends is established.

Available-for-sale financial assets of the investment stock are valued at their fair value. Changes in value of these types of capital assets are recorded as unearned profit and loss in the insurance provisions of unit-linked life insurance policies not affecting net income. According to HGB, capital gains and losses resulting from valuation at market price were shown in the consolidated income statement under "Unearned gains and losses from capital assets" . Due to the concurrent change in the insurance reserve, this posting transaction also does not affect net income.

5.6.4 Taxes

The effective income tax expenses are determined on the basis of the annual profits, adjusted for exempt and non-deductible items. They are calculated using the tax rates applicable on the balance sheet date.

Deferred taxes are shown on the balance sheet in line with the balance sheet liability method on temporary differences between the accounting value of assets and liabilities in the IFRS statement and their tax value used to calculate the taxable income.

Deferred tax liabilities are recorded for all temporary differences resulting from taxation. Deferred tax assets are recorded to the extent that taxable income is likely to become available to be offset against the deductible amount resulting from temporary differences. In the case of tax losses brought forward, the projected medium-term profits of the unit concerned are used as a basis. Deferred taxes are not recognised if a temporary difference arising from goodwill or from a first-time valuation of other assets and liabilities occurs in a transaction which impacts neither the taxable income nor the commercial law profit.

Deferred taxes are calculated at the tax rates expected to be applicable for the period in which an asset is sold or a liability is redeemed. Deferred taxes are recorded as tax expenses or income in the income statement, unless they affect items recorded directly in equity which do not impact the income statement. In this case the deferred taxes are recorded in equity as well and are not charged to the income statement.

Deferred tax assets and liabilities are offset if they relate to income tax collected by the same tax authority and if they are to be offset against current tax claims and liabilities on a net basis.

6. Notes on the transition from HGB to IFRS

The consolidated financial statements of MLP Group as at 31 December 2003 have been prepared on the assumption that that all previous financial statements had been prepared under IFRS as well. To that end, all items in the IFRS opening balance sheet as at 1 January 2002 have been converted to the IFRS system. The effects of the transition as compared to the consolidated financial statements under HGB as at 1 January 2002, i.e. the financial year 2002, are listed below. The differences resulting at the reporting date of the IFRS opening balance sheet were charged to equity.

Assets – All figures in €'000	Note	HGB 31 Dec 2001	Transition effect	IFRS 1 Jan 2002
Start-up and business expansion expenses	[1]	9,842	−9,842	–
Intangible assets	[2]	34,176	8,202	42,378
Property, plant and equipment	[3]	91,039	4,204	95,243
Financial assets	[4]	64,204	2,987	67,191
Investments held on account and at risk of life insurance policy holders	[5]	889,226	−120,965	768,261
Reinsurance receivables	[6]	44,019	6,418	50,437
Receivables due from banking business	[7]	199,944	−42	199,902
Accounts receivable and other assets	[8]	146,598	−22,772	123,826
Cash and cash equivalents	[9]	21,050	−1,440	19,610
Deferred acquisition costs	[10]	–	108,489	108,489
Trust assets	[11]	188,277	−188,277	–
Deferred tax assets	[12]	890	58,850	59,740
Prepaid expenses	[13]	23,698	−20,932	2,766
Balance sheet total		**1,712,963**	**−175,120**	**1,537,843**

Equity and liabilities – All figures in €'000	Note	HGB 31 Dec 2001	Transition effect	IFRS 1 Jan 2002
Shareholders' equity	[14]	243,950	−85,874	158,076
Minority interest	[15]	21,697	−7,037	14,660
Special reserve	[16]	36	−36	–
Insurance provisions	[17]	26,265	114,391	140,656
Insurance provisions for investments held on account and at risk of life insurance policy holders	[18]	889,226	−120,965	768,261
Other provisions	[19]	44,219	110,115	154,334
Reinsurance liabilities	[20]	8,263	101	8,364
Liabilities due to banking business	[21]	199,226	0	199,226
Other liabilities	[22]	91,764	2,475	94,239
Trust liabilities	[11]	188,277	−188,277	–
Deferred tax liabilities	[12]	0	27	27
Deferred income	[23]	40	−40	0
Balance sheet total		**1,712,963**	**−175,120**	**1,537,843**

In the above reconciliation, basic reporting differences have already been adapted for HGB values. In the following these are shown on an itemized basis.

Financial assets are made up as follows:

All figures in €'000	31 Dec 2001
Investments	60
Long-term securities	32,236
Other loans	191
Marketable securities	27,417
Allocated amount from cash on hand and on deposit with the Deutsche Bundesbank, bank deposits	4,300
Financial assets	**64,204**

Fixed term and time deposits with a maturity between 24 hours and 3 months, which were recognised as cash on hand, deposits with the Deutsche Bundesbank and bank deposits in the HGB statement, were added to "Financial assets" in the IFRS statement.

Receivables due from banking business are made up as follows:

All figures in €'000	31 Dec 2001
Receivables from banking clients	196,676
Allocated amount from cash on hand and on deposit with the Deutsche Bundesbank, bank deposits	3,264
Allocated amount from other assets	4
Receivables due from banking business	**199,944**

Receivables from other banks due to MLP Bank AG, which were recognised as cash on hand, deposits with the Deutsche Bundesbank and bank deposits in the HGB statement, were added to "Receivables due from banking business" in the IFRS statement. Receivables due from banking business recognised as other assets in the HGB statement were transferred to the same item.

Receivables and other assets are made up as follows:

All figures in €'000	31 Dec 2001
Trade accounts receivable	73,428
Receivables from companies in which the Group holds an interest	82
Receivables from commercial agents	53,496
Other assets	19,596
Transfer to receivables due from banking business	–4
Receivables and other assets	**146,598**

The cash and cash equivalents are made up as follows:

All figures in €'000	31 Dec 2001
Cash on hand and on deposit with the Deutsche Bundesbank, bank deposits	28,614
Transfer to receivables due from banking business	−3,264
Transfer to financial assets	−4,300
Cash and cash equivalents	**21,050**

insurance provisions for investments held on account and at risk of life insurance policy holders (incl. portion of actuarial provision ceded to reinsurers and deposit liabilities) are made up as follows:

All figures in €'000	31 Dec 2001
Insurance provisions for investments held on account and at risk of life insurance policy holders	471,294
Deposits received from reinsurers as covered by investments held on account and at risk of life insurance policy holders	417,932
Insurance provisions for investments held on account and at risk of life insurance policy holders (incl. portion of actuarial provision ceded to reinsurers and deposit liabilities)	**889,226**

Liabilities due to banking business are made up as follows:

All figures in €'000	31 Dec 2001
Liabilities to banking clients	189,202
Allocated amount from liabilities to other banks	10,004
Allocated amount from other liabilities	20
Liabilities due to banking business	**199,226**

Liabilities of MLP Bank AG, which were recognised as "Liabilities to other banks" in the HGB statement, were added to liabilities due to banking business in the IFRS statement. Accrued interest for liabilities to banking clients, which were recognised as "Other liabilities" in the HGB statement, were transferred to the same item.

Other liabilities are made up as follows:

All figures in €'000	31 Dec 2001
Liabilities to other banks	14,658
Advance payments received	3,460
Trade accounts payable	30,400
Liabilities to commercial agents	30,252
Other liabilities	23,018
Transfer to liabilities due to banking business	–10,024
Other liabilities	**91,764**

6.1 Notes on the effects of the IFRS transition on the balance sheet

The effects of the transition result both from accounting differences under IFRS and HBG, as outlined item by item in the following paragraphs, and from changes in the scope of consolidation, affecting the financial statements as a whole.

The 50 percent stake in MLP-Lebensversicherung AG, Vienna, Austria, was sold in 2002. In the HGB consolidated financial statements as at 31 December 2001, the company had been included on a pro rata basis.

[1] Start-up and business expansion expenses
Under IFRS, start-up and business expansion expenses, which as an accounting device may be capitalised under the provisions of HGB, have to be recognised as expenses in the period under review.

[2] Intangible assets
While HGB prohibits their recognition in the balance sheet, intangible assets produced in-house (software developed in-house) were capitalised under IFRS, in this instance in the amount of € 8,388 thsd.

The remaining transition effect, amounting to –€ 186 thsd, is mainly due to changes in the scope of consolidation as explained above.

[3] Property, plant and equipment
While HGB depreciation rules are governed by tax regulations, under IFRS items are depreciated over their estimated useful lives. As a result of the transition to IFRS, the book value of tangible assets rose by € 4,402 thsd.

The depreciation period for buildings was extended from 25 to 33 years, with the historical cost depreciated to a residual value of 30 percent. The aircraft owned by MLP is to be depreciated to a residual value of 10 percent of the historical costs, in line with IFRS.

The remaining transition effect, amounting to –€ 198 thsd, is mainly due to changes in the scope of consolidation as explained above.

[4] Financial assets

Available-for-sale financial assets are recognised at fair value in accordance with IAS 39. Positive or negative differences between the fair value and the amortised cost are transferred directly to equity after deduction of deferred taxes without impacting the income statement. Under HGB, historical costs represents the upper valuation limit; long-term securities are written down if permanently impaired while marketable securities are also written down if only temporarily impaired. In each case, the effect is recognised in the income statement.

[5] Investments held on account and at risk of life insurance policy holders

The € 120,965 thsd reduction in the carrying amount is due to changes in the consolidation method applied to MLP-Lebensversicherung AG, Vienna. Under IFRS, it is accounted for at equity. In compliance with German commercial law the proportionate consolidation method was used.

[6] Reinsurance receivables

The increase in reinsurance receivables is mainly due to the reclassification of the portion of insurance provisions ceded to reinsurers (€ 10,513 thsd), the value adjustment to this reclassified portion (– € 271 thsd) and the change in the consolidation method applied to MLP-Lebensversicherung AG, Vienna, (– € 4,459 thsd). Furthermore, accounts receivable from reinsurance in the amount of € 635 thsd, recognised as "Receivables and other assets" in the HGB statement, were reclassified as "Receivables from reinsurance".

[7] Receivables due from banking business

As a result of the recognition of receivables at amortised cost, with discounts amortised in accordance with the effective interest method, the carrying amount recognised in the HGB statements is reduced by € 42 thsd. Under German commercial law discounts are shown under "Deferred income" and are amortised on a straight line basis.

[8] Receivables and other assets

The elimination of receivables not yet due from policyholders accounted for € 16,319 thsd of the € 22,772 thsd reduction in "Receivables and other assets" (applying "zillmerisation": a method of calculating provisions in life insurance that allows for the acquisition costs incurred when a contract is written).

The remainder of this reduction of € 6,453 thsd was due to changes in the scope of consolidation and reclassifications.

[9] Cash and cash equivalents

The € 1,440 thsd reduction in this item is mainly due to changes in the scope of consolidation (€ 1,550 thsd) and reclassifications.

[10] **Deferred acqusition costs**

While HGB prohibits the deferring of acquisition costs, under US GAAP, which is applied here, acquisition costs resulting from new business and adjusted for the reinsurance commission received are capitalised and amortised over the term of the policy or the period during which premiums are paid.

[11] **Trust assets/liabilities**

Trust assets and liabilities, which must be shown in the balance sheet according to HGB, are to be stated in the notes pursuant to IFRS.

[12] **Deferred taxes**

Under IAS 12, the main focus in determining deferred income tax assets and liabilities is on the balance sheet. HGB, by contrast, focuses on the income statement to determine deferred income tax assets and liabilities. Unlike HGB, IFRS makes it compulsory to capitalise deferred tax assets on the balance sheet. Outside the actuarial items, there are deferred tax assets of € 44,406 thsd from the € 115,104 thsd factoring provision dated 1 January 2002. There is also a deferred tax asset of € 3,282 thsd from losses that can be carried forward and may not be capitalised under HGB.

Prepaid expenses

[13] The decrease in prepaid expenses on the asset side by € 20,932 thsd is mainly related to advance payments (€ 20,609 thsd) for renewal commissions, which was taken into account in the IFRS financial statements when calculating the deferred acquisition costs.

[14] **Equity**

All figures in €'000	
Balance as at 31 Dec 2001 pursuant to HGB	**243,950**
Changes to the method and scope of consolidation	−795
Value adjustments	−87,282
Changes due to consolidation measures	2,203
Balance as at 1 Jan 2002 pursuant to IFRS	**158,076**

In the IFRS consolidated financial statement, minority interest in equity is recorded as a separate item inserted between shareholders' equity and liabilities, while under HGB minority interest constitute a sub-item of equity. For better comparability, the above table shows shareholders' equity on an HGB basis, i.e. without minority interest.

[15] **Minority interest**

The difference to the HGB essentially results from changes in minority interest due to revaluations effected as part of the initial transition.

[16] Special provision

Under IFRS, it is not possible to recognise items that have been solely established for tax purposes in the balance sheet. This is why the special provision was eliminated.

[17] Insurance provisions

All figures in €'000	
Balance as at 31 Dec 2001 pursuant to HGB	**26,265**
Changes to the scope of consolidation	−1,290
Value adjustments	106,180
Reclassification of provisions ceded to reinsurers	10,513
Transfer of the claims/loss equalisation provision to retained earnings	−102
Transfer of claims provisions of the unit-linked life insurance to liabilities	−910
Balance as at 1 Jan 2002 pursuant to IFRS	**140,656**

The transition effects in the insurance provisions affect the following revaluations:

While in commercial law there is a prohibition of deferring acquisition costs, with the US GAAP system acquisition costs for new business are deferred and written off over the term of the contract or period of premium payments. The zillmerised insurance provisions in line with the HGB are therefore not zillmerised. In addition to this, the final bonus funds in line with the HGB are replaced by the final profit shares in line with the US GAAP system in the insurance provisions. This leads to an increase in value of € 22,846 thsd over the HGB system.

In line with the US GAAP system the unearned premium reserves are not reduced by components that cannot be carried over (collection expenses). The portion of premiums used to cover acquisition costs in line with FAS 97 are allocated to the unearned premium reserves as unearned revenue liabilities (URL) and recorded over the policy period. This leads to a readjustment effect of € 82,663 thsd compared to the HGB.

In line with the HGB, the claims provision is determined through individual valuation of damages plus a flat-rate for belated claims in line with the prudence concept. However, with the US GAAP system the level of provision is calculated using statistical estimation methods and is set at the probable future level. This leads to a conversion effect of −€ 211 thsd.

In line with the US GAAP system the provision for premium refunds also contains the deferred claims of the policyholders which result from all differences in valuation in life insurance due to the transition from HGB to IFRS.

Unlike the net statement principle in commercial law, with the IFRS system the reinsurers' share in the insurance provisions (€ 10,513 thsd) is recorded on the asset side. Gross figures are then shown on the liability side accordingly. However, in the income statement the portion of insurance provisions ceded to reinsurers of each item affected are shown on a net basis.

The claims/loss equalization provision (€ 102 thsd) prescribed by German law is not permitted in the IFRS system, as it does not represent any current obligation to third parties on the balance sheet date. It is therefore offset against the retained profit.

[18] Investments held on account and at risk of life insurance policy holders (incl. portion of actuarial provision ceded to reinsurers and deposit liabilities)

The book value reduced by € 120,965 thsd in line with IFRS results from the change to the method of consolidation of MLP-Lebensversicherung AG, Vienna. The shares of reinsurance of € 417,932 thsd were booked at the same level as existing custodial liabilities.

[19] Other provisions

The provisions for pension are determined using the projected-unit-credit-method in line with IFRS. The valuation of the pension liabilities under HGB, on the other hand, is based on applicable tax regulations in each case. The necessary valuation adjustment was € 2,093 thsd.

The provision formed for obligations from factoring transactions in the 2002 consolidated financial statements in compliance with the HGB were already valued at € 115,104 thsd in the IFRS statement of the opening balance sheet.

Provisions of € 6,211 thsd had to be moved to liabilities in line with IFRS.

The remaining transition effect results from the change to the scope of consolidation.

[20] Reinsurance liabilities

The increase in liabilities due to reinsurance results from the reclassification of unsettled claims from reinsurance, which are included under the liabilities item in line with the HGB.

[21] Liabilities due to banking business

There are no changes between the HGB and the IFRS system.

[22] Other liabilities

Liabilities have increased with the IFRS system, in particular due to the use of interest rate swaps at their negative market value (€ 3,259 thsd). The remainder of the transition effect is caused by the change in scope of consolidation and reclassification of items.

[23] Deferred income

The discounts from receivables from the banking business recorded under deferred income in line with the HGB are offset from the receivables of the banking business in line with the IFRS system and distributed using the effective interest rate method.

6.2 Reconciliation 31 December 2002

The effects of transition compared to the consolidated financial statements as at 31 December 2002 under HGB are stated below. Please refer to the notes on the transition to the transition 31 December 2002 with regard to the facts underlying the transition effects. The income-related effects are explained below in the reconciliation of the 2002 result.

Assets – All figures in €'000

	HGB 31 Dec 2002	Transition effect	IFRS 31 Dec 2002
Start-up and business expansion expenses	7,000	−7,000	0
Intangible assets	51,747	8,307	60,054
Property, plant and equipment	108,339	5,868	114,207
Financial assets	136,284	2,089	138,373
Investments held on account and at risk of life insurance policy holders	799,802	0	799,802
Reinsurance receivables	2,632	17,347	19,979
Receivables due from banking business	276,300	−44	276,256
Accounts receivable and other assets	199,388	−40,738	158,650
Cash and cash equivalents	17,628	−106	17,522
Deferred acquisition costs	0	180,183	180,183
Trust assets	248,610	−248,610	0
Deferred tax assets	0	56,586	56,586
Prepaid expenses	7,028	−1,907	5,121
Balance sheet total	**1,854,758**	**−28,025**	**1,826,733**

Equity and liabilities – All figures in €'000

	HGB 31 Dec 2002	Transition effect	IFRS 31 Dec 2002
Shareholders' equity	178,595	35,261	213,856
Minority interest	108	27	135
Insurance provisions	31,672	181,813	213,485
Insurance provisions for investments held on account and at risk of life insurance policy holders	799,802	0	799,802
Other provisions	146,734	−14,417	132,317
Reinsurance liabilities	44,230	103	44,333
Liabilities due to banking business	256,026	0	256,026
Other liabilities	148,682	17,596	166,278
Trust liabilities	248,610	−248,610	0
Deferred tax liabilities	0	242	242
Deferred income	299	−40	259
Balance sheet total	**1,854,758**	**−28,025**	**1,826,733**

In the above transition, basic reporting differences have already been adapted for the HGB values. In the following these are shown on an itemized basis.

Financial assets are made up as follows:

All figures in €'000	31 Dec 2002
Investments	174
Long-term securities	14,257
Other loans	144
Marketable securities	79,409
Allocated amount from cash on hand and on deposit with the Deutsche Bundesbank, bank deposits	42,300
Financial assets	**136,284**

For the IFRS financial statements the fixed term and time deposits with a term of more than 24 hours and a maximum term of three months recorded under the HGB item "Cash on hand, deposits with the Deutsche Bundesbank and financial institutions" were reclassified under the item "Financial assets".

Receivables due from banking business are made up as follows:

All figures in €'000	31 Dec 2002
Receivables from banking clients	228,525
Allocated amount from cash on hand and on deposit with the Deutsche Bundesbank, bank deposits	47,775
Receivables due from banking business	**276,300**

For the IFRS financial statements the accounts receivable by MLP Bank AG from other financial institutions recorded under the HGB item "Cash on hand, deposits with the Deutsche Bundesbank and financial institutions" were reclassified under the item "Liabilities due to banking business".

Receivables and other assets are made up as follows:

All figures in €'000	31 Dec 2002
Trade accounts receivable	77,528
Receivables from associated companies	231
Receivables from commercial agents	68,028
Advance payments	23,089
Other assets	30,512
Receivables and other assets	**199,388**

The cash and cash equivalents are made up as follows:

All figures in €'000	31 Dec 2002
Cash on hand and on deposit with the Deutsche Bundesbank, bank deposits	107,703
Transfer to receivables due from banking business	−47,775
Transfer to financial assets	−42,300
Cash and cash equivalents	**17,628**

insurance provisions for investments held on account and at risk of life insurance policy holders (incl. portion of actuarial provision ceded to reinsurers and deposit liabilities) are made up as follows:

All figures in €'000	31 Dec 2002
Insurance provisions for investments held on account and at risk of life insurance policy holders	293,801
Deposits received from reinsurers as covered by investments held on account and at risk of life insurance policy holders	506,001
Insurance provisions for investments held on account and at risk of life insurance policy holders (incl. portion of actuarial provision ceded to reinsurers and deposit liabilities)	**799,802**

The reinsurance liabilities are made up as follows:

All figures in €'000	31 Dec 2002
Other deposit liabilities due to the insurance company providing the reinsurance coverage	9,145
Liabilities due to the insurance company providing the reinsurance coverage	35,085
Liabilities due to reinsured business	**44,230**

Liabilities due to banking business are made up as follows:

All figures in €'000	31 Dec 2002
Liabilities to banking clients	240,999
Allocated amount from liabilities to other banks	14,976
Allocated amount from other liabilities	51
Liabilities due to banking business	**256,026**

For the IFRS financial statements the liabilities of MLP Bank AG contained in the HGB item "Liabilities due to financial institutions" were reclassified under the item "Liabilities due to banking business". The deferred interest for liabilities due to banking customers listed under the HGB item "Other liabilities" were also reclassified.

Other liabilities are made up as follows:

All figures in €'000	31 Dec 2002
Liabilities to other banks	53,726
Advance payments received	1,484
Trade accounts payable	26,217
Liabilities to commercial agents	43,480
Liabilities due to companies in which the Group holds an interest	14
Other liabilities	38,788
Transfer to liabilities due to banking business	–15,027
Other liabilities	**148,682**

6.3 Other important differences in the methods of financial accounting and valuation between HGB and IFRS

6.3.1 Income from premiums

In the case of investment-style life insurance products (for example unit-linked life and pension insurance) the port is not shown as premium income, but is added immediately to the insurance provision in line with FAS 97. With these policies only the cost and risk shares are collected and shown in the result. Premium income in this system therefore appears lower than with the HGB.

Premiums from the provision for premium refunds are also not recorded as premiums under the US GAAP system, but rather taken into account in the changes to the provision for premium refunds. The premiums according to the IFRS system are therefore generally lower than under German law.

6.3.2 Unrealised gains and losses from investments held on account and at risk of life insurance policy holders

The financial assets of the unit-linked life insurance shown as available-for-sale are valued at their fair value. Changes in value of these financial assets are recorded as unrealised gains and losses under insurance provisions of the unit-linked life insurance in a way that does not affect the operating result. In accordance with HGB, gains and losses from the market valuation were recorded in the consolidated income statement under "Unrealised gains or losses from investments". The simultaneous change in the insurance provision also meant this accounting event had no effect on the operating result.

6.4 Reconciliation of the annual results 2002

The Group annual results for 2002 under IFRS exceed the Group annual results for 2002 under HGB by € 129,244 thsd.

The most important transition effects are summarized in the following table:

Conversion of the annual results 2002 – All figures in €'000

	Note	
Net profit for the year 2002 pursuant to HGB		**−47,585**
Change to the scope of consolidation	[24]	**−61**
General valuation changes		
Reduction of the allocation to provisions for obligations from factoring transactions	[25]	115,104
Elimination of the amortisation of start-up and business expansion expenses	[26]	2,842
Adjustments to the depreciation of property, plant and equipment	[27]	1,469
Change in software development costs	[28]	− 102
Revaluation of the provisions for pension	[29]	−285
		119,028
Insurance-specific valuation changes		
Deferred acquisition costs	[30]	71,694
Revaluation of the claims provision for non-life insurance	[31]	−956
Elimination of the Zillmer requirements for life insurance	[32]	−385
Elimination of the claims/loss equalization provision for non-life insurance	[33]	−102
Revaluation of the provision for claims settlement costs for non-life insurance	[34]	−204
Changes to deferred provision for premium refunds included in the operating results	[35]	−25,719
Elimination of amortisation on available-for-sale securities in life insurance	[36]	1,187
Revaluation of the unearned premium reserves from life insurance	[37]	−24,347
Adjustment of the zillmerised insurance provision for life insurance	[38]	−8,393
Adjustment of the provision for loss adjustment expenses of life insurance		−223
		12,552
Other		**−2,275**
Minority interest		**−118**
Net profit for the year 2002 pursuant to IFRS		**81,541**

6.5 Notes on the reconciliation in the way results are recorded

[24] Changes to the scope of consolidation

The difference in operating results due to the change in the scope of consolidation of –€ 61 thsd comes from the exclusion of MLP Consult GmbH and the consolidation of MLP Private Finance AG, Switzerland.

[25] Reduction of the allocation to provisions for obligations from factoring transactions

In the IFRS statement, a provision for obligations from factoring transactions of € 115,104 thsd was already included in the opening balance sheet on 1 January 2002. In the statement in line with HGB a corresponding provision in 2002 was formed and included under costs.

[26] Elimination of the amortisation of start-up and business expansion expenses

The amortisation of costs shown on the asset side for the start-up and business expansion expenses included in the HGB income statement has been eliminated for the IFRS statement.

[27] Adjustments to the depreciation of property, plant and equipment

The effect on the operating profit essentially comes from the depreciation of buildings.

Please also refer to note [3] regarding the transition effects on the balance sheet.

[28] Change in software development costs

The effect on the operating profit arising from the capitalisation of costs for software development of –€ 102 thsd is made up of:

Income from capitalized costs of self-constructed assets 2002:	€ 2,582 thsd
Amortisation on capitalized software:	–€ 2,684 thsd

[29] Revaluation of the provisions for pension

Please also refer to note [19] regarding the transition effects on the balance sheet.

[30] Deferred acquisition costs

Please also refer to note [10] regarding the transition effects on the balance sheet.

[31] Revaluation of the claims provision of non-life insurance

The differences in the calculation of the claims provision under HGB or the US GAAP system used here are shown in note [17] with regard to the transition effects on the financial statements. The different methods of valuation lead to an effect on the operating result of MLP Versicherung AG of –€ 1,181 thsd (own share) or € 225 thsd (portion of actuarial provision ceded to reinsurers).

[32] Elimination of the Zillmer requirements for life insurance

The elimination of the Zillmer requirements led to a reduction in the operating profit of € 385 thsd.

[33] Elimination of the claims/loss equalization provision for non-life insurance

The income of € 102 thsd contained in the year-end statement in line with the HGB from the dissolution of the claims/loss equalization provision had to be eliminated for the IFRS statement.

[34] Revaluation of the provision for claims settlement costs for non-life insurance

This provision is formed pursuant to HGB based on flat-rate assumptions. The scope of the loss adjustment expenses are limited here by excluding administration costs for future financial years. However, in line with the US GAAP system all anticipated costs for settlement of insurance cases must be recorded as soon as they occur. This different method of valuation leads to drop in the operating profit of MLP Versicherung AG of – € 204 thsd or – € 223 thsd of MLP Lebensversicherung AG.

[35] Changes to provision for deferred premium refunds of life insurance included in the operating profit

The change to the provision for deferred premium refunds led to a reduction in the operating profit of € 25,719 thsd.

Please also refer to note [17] regarding the transition effects on the balance sheet.

[36] Elimination of amortisation on available-for-sale securities in life insurance

The securities of MLP Lebensversicherung AG, outside the investments held on account and at risk of life insurance policy holders, were assigned to the IFRS category "Available-for-sale". They are valued at their fair value. The change to the fair value (until it is finally realised when sold) is recorded under equity (available-for-sale reserve) after deduction of applicable deferred taxes in a way that does not affect the operating profit. Amortisation affecting the current operating profit included under HGB at a level of € 1,187 thsd therefore had to be eliminated.

[37] Revaluation of the unearned premium reserve from life insurance

For differences in the way the unearned premium reserve are valued between the HGB and the US GAAP system, please refer to note [17] for details on the effects on the financial statements of the transition.

The revaluation leads to a drop in operating results of € 24,347 thsd.

[38] Adjustment of the zillmerised insurance provision for life insurance

The drop in the operating result of € 8,393 thsd is due to the elimination of the zillmerised insurance provision and due to the final profit shares determined using the statistical estimation method in line with the US GAAP system (final bonus funds in the HGB year-end statement).

7. Notes on the consolidated income statement

Sales revenue is stated by business segment in the segment report.

[39] ### 7.1 Revenue from brokerage business

Revenue from brokerage business breaks down as follows:

All figures in €'000	2003	2002
Life insurance	218,460	140,787
Health insurance	56,182	73,567
Non-life insurance	11,814	10,925
Mutual funds	15,798	14,157
Loans	5,558	5,657
Other income	9,570	3,140
Total	**317,382**	**248,233**

[40] ### 7.2 Revenue from insurance business

All figures in €'000	2003	2002
Insurance premiums	134,804	122,628
Revenue from financial assets	2,876	871
Other income	23,225	19,149
Total	**160,905**	**142,648**

Premiums from conventional life insurance policies with surplus-sharing pursuant to FAS 120 are recorded as revenues when the premiums are due.

Of the life insurance premiums where the policyholder bears the investment risk (for example, unit-linked life insurance), only the amount required to cover the risk and the costs is reported as premiums, pursuant to FAS 97. Only payouts which exceed the corresponding policyholder's fund balance are charged to the income statement. Realised and unearned gains and losses on fluctuations in the values of the corresponding capital assets are credited to or debited to the policyholders directly and are not taken to the consolidated income statement.

Non-life insurance premiums are entered at the beginning of the contract period pursuant to FAS 60. They contain the amount necessary to cover the insurance risk and all surcharges. The shares of the premiums that are apportionable to future financial years are deferred depending on the policy and form the unearned premium reserves shown in the balance sheet. The premiums that are actually apportionable to the financial year are shown as premiums earned. They are calculated from the posted premiums and the changes in unearned premium reserves. After deduction of the reinsurance premiums earned, the net premiums earned for our own account remain.

Insurance premiums are made up as follows:

All figures in €'000	Life insurance		Non-life insurance	
	2003	2002	2003	2002
Posted gross premiums	190,256	156,576	34,837	30,275
Released reinsurance premiums	−24,205	−32,602	−6,384	−10,491
Change in unearned premium reserves (gross)	−60,249	−21,375	0	6
Change in unearned premium reserves from reinsurance	554	237	−5	2
Total (net)	**106,356**	**102,836**	**28,448**	**19,792**

Gross premiums from life insurance business include € 398 thsd (previous year: € 362 thsd) from reinsurance.

Revenue from financial assets and the other income from insurance business are shown below:

All figures in €'000	2003	2002
Interest and similar income	2,876	857
Non-current revenue from financial assets	0	14
Revenue from syndicate business	12,887	10,084
Other income	10,338	9,065
Total	**26,101**	**20,020**

Interest and similar income includes € 308 thsd (previous year: € 0) in dividend income.

[41] 7.3 Revenue from banking business

All figures in €'000	2003	2002
Interest and similar income	15,222	13,438
Non-current revenue from financial assets	3	1
Commission earnings	29,110	29,674
Total	**44,335**	**43,113**

Interest and similar income (current income) from banking business is made up as follows:

All figures in €'000	2003	2002
Interest income from		
Available-for-sale securities	448	448
Held-to-maturity securities	47	0
Receivables from clients	13,680	12,530
Receivables from financial institutions	1,047	460
Total	**15,222**	**13,438**

Commission income from banking business comes essentially from income received from credit card business, fees for asset management, current sales commission from investment trusts, income for the fund management of MLP Lebensversicherung AG and consultancy fees.

[42] 7.4 Other income

All figures in €'000	2003	2002
Income from currency translation	37	6
Income from the disposal of intangible and tangible assets	1,074	19
Income from the reversal of provisions	530	478
Capitalised own work	3,088	4,895
Other operating income	8,801	12,828
Total	**13,530**	**18,226**

The other operating income for the financial year includes in particular income from the rental of notebooks and income from released provisions.

Other operating income recognised in the previous year included € 8,820 thsd from the licensing of in-house developed software.

[43] 7.5 Change in deferred acquisition costs

All figures in €'000

	Life insurance 2003	Life insurance 2002	Non-life insurance 2003	Non-life insurance 2002
Capitalisation	74,539	86,934	3,371	2,837
Portion of reinsurers	−3,428	−3,840	−739	−1,476
	71,111	**83,094**	**2,632**	**1,361**
Interest added	20,415	16,732	0	0
Portion of reinsurers	−7,999	−8,611	0	0
	12,416	**8,121**	**0**	**0**
Amortisation	−18,767	−40,895	−3,371	−2,839
Portion of reinsurers	24,605	21,374	740	1,478
	5,838	**−19,521**	**−2,631**	**−1,361**
	89,365	**71,694**	**1**	**0**

[44] 7.6 Expenses for brokerage business

The item comprises commissions for self-employed MLP consultants.

[45] 7.7 Expenses for insurance business

Net actuarial expenses are made up as follows:

All figures in €'000

	Life insurance 2003	Life insurance 2002	Non-life insurance 2003	Non-life insurance 2002
Gross claims payments	1,796	3,515	17,588	15,098
Change in the claims reserve (gross)	−2,705	5,535	1,840	5,072
Gross claims expenditure	**−909**	**9,050**	**19,428**	**20,170**
Portion of reinsurers	414	−7,260	−1,936	−8,166
Net claims expenditure	**−495**	**1,790**	**17,492**	**12,004**
Change in the insurance provisions (gross)	19,446	14,951	0	0
Portion of reinsurers	−3,356	−645	0	0
Change in the provision for premium refunds (gross = net)	21,127	26,821	0	0
Total (net)	**36,722**	**42,917**	**17,492**	**12,004**

The change in the provision for premium refunds is split into the contractual part at € 78 thsd (previous year: € 1,101 thsd) and the deferred part at € 22,875 thsd (previous year: € 24,800 thsd). The changes in the provision for deferred premium refunds which are recognised in the income statement amount to € 21,048 thsd (previous year: € 25,719 thsd).

The other expenses for insurance business are made up as follows:

All figures in €'000	2003	2002
Interest and similar expenses	23,444	15,291
Expenses for financial assets	737	14
Other expenses	36,915	31,300
Total	**61,096**	**46,605**
Commission paid/earned	−1,008	−2,598
Reinsurance commission received	−7,759	−9,145
Total	**52,329**	**34,862**

At € 20,580 thsd, interest expenses comprise the interest on deposits from reinsurance business.

The other expenses largely comprise direct credits to policyholders.

The expenses for financial assets from insurance business are made up as follows:

All figures in €'000	2003	2002
Losses on the disposal of financial assets		
Available-for-sale securities	723	14
Amortisation of financial assets		
Other financial assets	7	0
Amortisation of financial assets	7	0
Total	**737**	**14**

[46] 7.8 Expenses for banking business

All figures in €'000	2003	2002
Interest and similar expenses	6,223	5,645
Expenses for financial assets	1	32
Allowances for losses	3,761	3,180
Commissions paid	2,165	1,397
Total	**12,150**	**10,254**

Allowances for losses on loans and advances are made up as follows:

All figures in €'000	2003	2002
Added to allowances for losses	3,733	3,075
Direct amortisation	28	105
Total	**3,761**	**3,180**

The allowances for losses and the change therein are recognised based on the review of allowances set up for losses on individual accounts, loans and advances as part of the annual review of the credit portfolio as well as further analyses such as migration movements and loss statistics.

The income from the reversal of the allowances for losses of € 25 thsd (previous year: € 298 thsd) is reported under "Other income".

[47] 7.9 Personnel expenses

All figures in €'000	2003	2002
Salaries and wages	69,030	63,394
Social security contributions	10,946	10,218
Expenses for old-age pensions	2,789	1,672
Total	**82,765**	**75,284**

The expenditure for old-age pension is made up as follows:

All figures in €'000	2003	2002
Current service cost	669	660
Past service cost	1,016	0
Interest charge	470	432
Premiums for direct insurance and other expenses for old-age pension	634	580
Expenditure for old-age pension	**2,789**	**1,672**

Severance payments made due to the termination of employment contracts amounted to € 2,688 thsd (previous year: € 696 thsd).

[48] 7.10 Depreciation and amortisation expenses

All figures in €'000	2003	2002
Scheduled depreciation and amortisation of		
intangible assets	14,840	11,687
property, plant and equipment	9,707	9,842
Impairment losses on		
intangible assets	843	3,373
Total	**25,390**	**24,902**

Depreciation and amortisation expenses in the financial year 2003 is shown in the statement of changes in assets.

[49] 7.11 Other operating expenses

All figures in €'000	2003	2002
Value adjustments on receivables	1,828	15,088
Currency translation expenses	784	361
IT costs	52,342	50,240
Communication requirements	15,426	16,968
Audit and consultancy costs	15,760	17,393
Expenses for retired sales representatives	8,422	4,869
Training and seminars	5,506	7,690
Costs of premises	25,144	23,311
Advertising activities	5,373	6,878
Office supplies	3,760	4,881
Representation, entertainment expenses	3,401	3,598
Other taxes	256	208
Other remaining expenses	24,724	20,228
Total	**162,726**	**171,713**

The other remaining expenses for the year under review comprise in particular expenses for the rental of notebooks, expenses for insurance, other personnel expenses, travel expenses, dues and fees and money transfer costs.

[50] 7.12 Disposal of long-term financial assets

All figures in €'000	2003	2002
Gains from the disposal of shares in Mannheimer AG Holding, Mannheim	0	9,031
Income from the disposal of MLP-Lebensversicherung AG, Vienna	0	82,770
Total	**0**	**91,801**

[51] 7.13 Finance cost

All figures in €'000	2003	2002
Income from investments	1	0
Income from loans	0	298
Other interest and similar income	1,764	2,563
Amortisation of financial assets	0	−1,655
Interest and similar expenses	−12,180	−14,638
Transfer of losses	−25	−24
Losses on the disposal of financial assets	−2	0
Total	**−10,442**	**−13,456**

[52] 7.14 Income tax expense

The Group's income tax expense is made up as follows:

All figures in €'000	2003	2002
Current taxes on income	20,986	7,263
Deferred taxes	8,702	3,277
Total	**29,688**	**10,540**

The current taxes on income include profit of € 98 thsd (previous year: € 608 thsd) relating to previous periods. The tax expense includes current foreign taxes of € 183 thsd (previous year: € 1 thsd) and deferred foreign taxes of −€ 102 thsd (previous year: −€ 277 thsd).

The actual and deferred tax is calculated using the relevant country-specific income tax rate. The deferred taxes for domestic companies were calculated based on the corporation tax rate of 25 percent, the solidarity surcharge of 5.5 percent and the applicable municipal trade tax rate.

In addition to the amount entered in the consolidated income statement, € 443 thsd (previous year: −€ 515 thsd) of deferred taxes relating to items taken directly to equity were charged directly to equity.

The effective income tax rate applicable to the profit before tax is 43.06 percent (previous year: 11.43 percent). The following reconciliation account shows the relationship between the profit before tax and the taxes on income and profit in the financial year. The anticipated tax expense is calculated based on the German combined income tax rate, which is currently 39.9 percent (previous year: 38.40 percent).

The combined income tax rate is made up of corporate tax at 26.5 percent (previous year: 25 percent), the solidarity surcharge at 5.5 percent and an average trade tax of 11.94 percent (previous year: 12.025 percent):

All figures in €'000	2003	2002
Profit before tax under IFRS	68,949	92,199
Group income tax rate	39.90 %	38.40 %
Calculated income tax expenditure in the financial year	**27,511**	**35,404**
Tax-exempt earnings	– 302	– 40,267
Expenses disallowable against tax	608	971
Divergent trade taxation charge	– 23	– 4
Effects of other taxation rates applicable to subsidiaries operating abroad	768	690
Income tax not relating to the period	– 98	– 608
Change in the tax effect from temporary differences and tax losses for which no deferred tax assets were formed	270	7,430
Consolidation processes	165	5,158
Effects of dividend payouts	0	1,031
Other	789	735
Income tax expense	**29,688**	**10,540**

The tax-exempt earnings essentially result from tax-exempt dividend income amounting to € 745 thsd. In the previous year, the tax-exempt earnings resulted essentially from capital gains (tax-exempt capital gain of MLP Lebensversicherung AG from the sale of MLP-Lebensversicherung AG, Vienna, amounting to €82,770 thsd and MLP AG's capital gain from the sale of shares amounting to €9,031 thsd) and tax-exempt dividends (€11,669 thsd).

The item "Other" essentially relates to adjustments to unrecognised deferred taxes from the subsidiary in Switzerland amounting to € 889 thsd (previous year: € 1,311 thsd). No deferred taxes were recognised for the subsidiary as, due to the lack of operating activities, it will no longer generate taxable earnings in future.

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

8. Notes on consolidated assets

[53] 8.1 Intangible assets

Intangible assets are made up as follows:

All figures in €'000	31 Dec 2003	31 Dec 2002
Software and trademark rights	55,029	49,237
Payments on account on intangible assets and software under development	6,238	10,817
Intangible assets	**61,267**	**60,054**

Software and trademark rights comprise in-house developed software worth € 2,082 thsd (previous year: € 3,350 thsd), purchased software of € 52,402 thsd (previous year: € 45,295 thsd) and trademark rights amounting to € 545 thsd (previous year: € 592 thsd).

An impairment charge of € 843 thsd (previous year: € 3,373 thsd) was recognised on IT applications, mainly due to the further development of software components.

Amortisation of intangible assets is reported in the income statement under "Depreciation/amortisation".

Changes in intangible assets in the financial year are shown in the consolidated statement of changes in assets.

There were no restraints or pledges.

[54] 8.2 Property, plant and equipment

Property, plant and equipment are made up as follows:

All figures in €'000	31 Dec 2003	31 Dec 2002
Land, leasehold rights and buildings	57,096	59,579
Other fixtures and fittings, office equipment	40,134	45,640
Payments on account on property, plant and equipment and assets under construction	25,961	8,988
Property, plant and equipment	**123,191**	**114,207**

The land and payments on account relate to the administration buildings in Heidelberg and Wiesloch. Further costs of € 13,500 thsd are anticipated prior to the planned completion of the new administration building in Wiesloch in 2004.

Land charges are in place as collateral, in the amount of € 29,999 thsd (previous year: € 29,999 thsd). There were no further restraints or pledges.

Changes in property, plant and equipment are shown in the consolidated statement of changes in assets.

Depreciation of property, plant and equipment is reported in the income statement under "Depreciation/amortisation".

[55] 8.3 Financial assets

Financial assets are made up as follows:

All figures in €'000	31 Dec 2003	31 Dec 2002
Investments	1,383	1,375
Securities	87,422	92,619
Loans	100	144
Other capital assets	73,590	44,235
Total	**162,495**	**138,373**

8.3.1 Held-to-maturity securities

All figures in €'000	31 Dec 2003	31 Dec 2002
Fixed rate securities	2,649	0

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

No value adjustments were made to held-to-maturity securities in the reporting year.

All figures in €'000	Amortised costs		Market values	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
Contractual time to maturity				
up to 1 year	0	0	0	0
more than 1 year and up to 5 years	2,649	0	2,655	0
more than 5 years	0	0	0	0
Total	**2,649**	**0**	**2,655**	**0**

8.3.2 Available-for-sale securities

All figures in €'000	Amortised costs		Accumulated unrealised gains		Accumulated unrealised losses		Market values	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
Shares	17	15,017	0	387	−8	−7	9	15,397
Bonus shares	8,481	0	60	0	−1	0	8,540	0
Fixed rate securities	57,184	56,073	494	347	−51	−70	57,627	56,350
Investment funds	17,876	21,849	731	201	−10	−1,178	18,597	20,872
Total	**83,558**	**92,939**	**1,285**	**935**	**−70**	**−1,255**	**84,773**	**92,619**

Unrealised gains of € 1,507 thsd (previous year: € 700 thsd) and unrealized losses of € 12 thsd (previous year: € 1,463 thsd) were accounted for in equity in the period under review. −€ 38 thsd was eliminated from equity and taken to the income statement for the period under review (previous year: € 1,792 thsd).

All figures in €'000	Realised profits		Realised losses	
	2003	2002	2003	2002
Shares	0	9,031	0	−9
Fixed income securities	0	17	−38	−29
Mutual funds	0	0	−687	0
Total	**0**	**9,048**	**−725**	**−38**

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

All figures in €'000	Amortised costs		Market values	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
Contractual term remaining to maturity				
up to 1 year	10,048	2,917	10,084	2,925
more than 1 year and up to 5 years	36,941	44,635	37,323	44,787
more than 5 years	18,676	8,521	18,760	8,638
Total	**65,665**	**56,073**	**66,167**	**56,350**

8.3.3 Loans

Loans with up to one year to maturity amount to € 37 thsd (previous year: € 43 thsd), those with between one and five years to maturity amount to € 56 thsd (previous year: € 89 thsd), and those with more than five years to maturity amount to € 7 thsd (previous year: € 11 thsd).

8.3.4 Other financial assets

Other financial assets total € 73,590 thsd (previous year: € 44,235 thsd) and have less than three months remaining to maturity.

[56] 8.4 Investments held on account and at risk of life insurance policy holders

This item shows investments held on account and at risk of life insurance policy holders. These financial assets are held separately from the Group's own financial assets. They are offset on the liabilities side by the "Investments held on account and at risk of life insurance policy holders" in the same amount.

The year-on-year increase from € 799,802 thsd to € 1,183,754 thsd is due mainly to the positive trend in the capital market in the second half of the financial year and to premium income.

In the financial year 2003, MLP Lebensversicherung AG switched over from single funds to funds of funds as part of its managed fund policy. Funds of funds account for € 1,085,652 thsd of the investment fund as at the balance sheet date.

[57] 8.5 Reinsurance receivables

This item is made up of accounts receivable from reinsurers and the shares of reinsurers in the insurance provisions.

All figures in €'000	Life insurance		Non-life insurance	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
Reinsurance receivables				
of which from inward reinsurance business	252	230	0	0
of which from outward reinsurance business	0	325	1,620	2,077
Reinsurers' share in insurance provisions	15,361	13,367	2,260	3,980
Total	**15,613**	**13,922**	**3,880**	**6,057**

The reinsurers' share in the insurance provisions is made up as follows:

All figures in €'000	Life insurance		Non-life insurance	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
Unearned premium reserve	6,616	6,062	3	8
Insurance reserve	6,439	3,083	0	0
Claims reserve	2,306	4,222	2,257	3,972
Total	**15,361**	**13,367**	**2,260**	**3,980**

[58] 8.6 Receivables due from banking business

All figures in €'000	31 Dec 2003	31 Dec 2002
Accounts receivable due from bank clients	237,998	228,481
Accounts receivable due from financial institutions	78,449	47,775
Total	**316,447**	**276,256**

Accounts receivable due from bank clients are mostly in the form of loans, current accounts and credit cards. For the risk of non-payment, an amount of € 1,051 thsd (previous year: € 449 thsd) was recognised as provision for losses on individual accounts, € 6,060 thsd (previous year: € 2,994 thsd) as general provision for bad debt and € 910 thsd (previous year: € 890 thsd) as provision for bad debt on a portfolio basis.

Accounts receivable with up to one year to maturity amount to € 248,077 thsd (previous year: € 205,826 thsd), and those with more than one year to maturity amount to € 68,370 thsd (previous year: € 70,430 thsd).

8.6.1 Changes in allowances for losses on loans and advances

All figures in €'000	Allowances for losses on individual accounts		General allowances for bad debt		Allowances for bad debt on a portfolio basis		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
1 January	**471**	**14**	**2,994**	**854**	**890**	**710**	**4,355**	**1,578**
Provided	647	457	3,066	2,438	20	180	3,733	3,075
Reversed	–25	0	0	–298	0	0	–25	–298
31 December	**1,093**	**471**	**6,060**	**2,994**	**910**	**890**	**8,063**	**4,355**

Allowances for losses were set up for:

All figures in €'000	31 Dec 2003	31 Dec 2002
Accounts receivable due from bank clients	8,021	4,333
Guarantees	42	22
Total	**8,063**	**4,355**

Alongside the allowances deducted from receivables on the asset side of € 8,021 thsd (previous year: € 4,333 thsd), the allowances for losses on loans and advances include allowances for lending business in the amount of € 42 thsd (previous year: € 22 thsd).

Having accounted for total direct amortisation of € 28 thsd (previous year: € 105 thsd), receipts of € 0 (previous year: € 5 thsd) for accounts receivable already written off, funds provided and recognised in the income statement of € 3,733 thsd (previous year: € 3,075 thsd) and the reversed allowances of € 25 thsd (previous year: € 298 thsd), net cost of allowances for losses comes to € 3,736 thsd (previous year: € 2,877 thsd).

As at the balance sheet date credits for which no interest payments are received total to € 1,534 thsd (previous year: € 0). This figure was established on the basis of a separate compilation drawn up by MLP Bank AG.

[59] 8.7 Accounts receivable and other assets

All figures in €'000	31 Dec 2003	31 Dec 2002
Trade accounts receivable	86,348	50,464
Accounts receivable from companies in which the Group holds an interest	179	371
Accounts receivable from policyholders	9,676	8,926
Accounts receivable from sales representatives	77,875	68,028
Tax refund claims	2,276	24,375
Other assets	6,097	6,486
Total	**182,451**	**158,650**

The main items included in trade accounts receivable are commission receivables from third parties and receivables from co-insurance business as at the balance sheet date.

Accounts receivable from companies in which the Group holds an interest relate to various accounts payable by consolidated to non-consolidated companies. There are allowances of € 657 thsd (previous year: € 305 thsd) for losses on individual accounts.

Accounts receivable from policyholders comprise premiums receivables from life insurance policies of € 9,078 thsd (previous year: € 8,241 thsd) and from non-life insurance policies of € 598 thsd (previous year: € 685 thsd). From these are deducted allowances for losses on individual accounts in non-life insurance of € 112,000 (previous year: € 58 thsd) and a general allowance for losses on individual accounts in life insurance to the tune of € 290 thsd (previous year: € 301 thsd).

Accounts receivable from sales representatives concern MLP consultants and office managers. The reported figures include allowances for losses on individual accounts to the tune of € 1,196 thsd (previous year: € 733 thsd) and € 7,682 thsd (previous year: € 14,138 thsd) as a general allowance for bad debt.

Tax refund claims include € 1,820 thsd (previous year: € 15,287 thsd) of corporation tax and € 456 thsd (previous year: € 9,088 thsd) of trade tax. At € 1,379 thsd (previous year: € 20,887 thsd), the majority concerns MLP AG.

Receivables and other assets of € 68,944 thsd (previous year: € 51,860 thsd) have more than one year to maturity.

[60] 8.8 Cash and cash equivalents

All figures in €'000

	31 Dec 2003	31 Dec 2002
Cash on hand	301	210
Deposits at Deutsche Bundesbank	6,126	5,806
Cash at financial institutions	45,042	11,506
Total	**51,469**	**17,522**

[61] 8.9 Deferred acquisition costs

Deferred acquisition costs are made up as follows:

All figures in €'000

	Life insurance		Non-life insurance	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
Gross	404,720	328,533	8	8
Portion of reinsurers	−135,179	−148,357	0	−1
Total (net)	**269,541**	**180,176**	**8**	**7**

Deferred acquisition costs changed as follows:

All figures in €'000

	Life insurance		Non-life insurance	
	Gross	Reinsurance portion	Gross	Reinsurance portion
As at 1 January	**328,533**	**148,357**	**8**	**1**
Capitalisation	74,539	3,429	3,371	740
Interest added	20,415	7,999	0	0
Depreciation	−18,767	−24,606	−3,371	−740
As at 31 December	**404,720**	**135,179**	**8**	**1**

[62] 8.10 Deferred tax assets

Deferred tax assets are made up as follows per balance sheet item:

All figures in €'000	31 Dec 2003	31 Dec 2002
Intangible assets	0	91
Property, plant and equipment	12	10
Financial assets	201	1
Deferred acquisition costs (portion of reinsurers)	51,864	56,911
Unused tax losses	4,003	6,879
Other assets	15,396	14,832
Insurance provisions	97,740	63,599
Provisions	39,672	42,818
Other liabilities	3,260	4,144
Gross value	**212,148**	**189,285**
Netting with deferred tax liabilities	−162,233	−132,699
Total	**49,915**	**56,586**

Deferred tax assets represent the potential income tax relief from tax-reducing temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet in accordance with the IFRS system and those stated in the Group companies' tax accounts in line with local tax regulations and from unused tax losses.

On 31 December 2003 the domestic companies reported corporation tax losses brought forward of € 20,607 thsd (previous year: € 33,265 thsd) and municipal trade tax losses brought forward of € 20,317 thsd (previous year: € 30,084 thsd), most of which can be attributed to MLP Lebensversicherung AG. In addition to this, the foreign branches and Group companies report tax losses brought forward of € 14,363 thsd (previous year: € 8,921 thsd).

The losses brought forward at MLP Lebensversicherung AG were assessed at only 50 percent in the planning period. Furthermore, it is anticipated that it will not be possible to use the losses brought forward at foreign entities in the planning period. The extent to which the losses can potentially be utilised was assessed based on a medium-term planning period and not on the anticipated long-term operating result of the corresponding company. Based on current planning, no deferred tax assets were recognised at MLP Lebensversicherung AG for a pro-rata corporation tax loss brought forward of € 10,049 thsd (previous year: € 14,786 thsd) and a pro-rata trade tax loss brought forward of € 10,159 thsd (previous year: € 15,042 thsd). At the foreign entities, deferred tax assets for tax losses brought forward of € 14,362 thsd (previous year: € 8,326 thsd) and tax-reducing temporary differences of € 284 thsd (previous year: € 173 thsd) were not carried in the balance sheet.

On 31 December 2003 deferred income tax claims of € 590 thsd (previous year: € 1 thsd) and deferred income tax liabilities of € 450 thsd (previous year: € 304 thsd) were charged directly to shareholders' equity.

[63] 8.11 Prepaid expenses

Prepaid and deferred items of € 7,567 thsd (previous year: € 5,121 thsd) were recognised mainly for the deferral of coverage commission and shares in net profit.

9. Notes on consolidated liabilities and shareholders' equity

[64] 9.1 Shareholders' equity

Shareholders' equity is made up as follows:

All figures in €'000	31 Dec 2003	31 Dec 2002
Share capital	108,641	108,641
Capital reserves	7,707	7,619
Available-for-sale reserve	–217	–368
Remaining equity	137,691	97,964
Total	**253,822**	**213,856**

Changes in equity are shown in the statement of changes in shareholders' equity.

9.1.1 Share capital

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

As at 31 December 2003 the authorised capital I amounts to € 7,920,000. This was decided on at the Annual General Meeting held on 15 May 2000 and is valid until 31 December 2004.

A resolution passed at the Extraordinary General Meeting held on 17 November 2000 created authorised capital II of € 29,500,000. The entry was made in the Commercial Register on 16 July 2001. On 8 April 2002 the Executive Board decided, with the approval of the Supervisory Board and using authorised capital II, to increase the company's share capital by € 29,440,686 from € 79,200,000 to € 108,640,686. The capital increase was entered in the Commercial Register on 31 May 2002; the non-utilised authorised capital II now amounts to € 59,314 pursuant to § 4 section 5 of the articles of association.

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

Changes in the fully paid-in shares outstanding:

	No. of shares 2003	No. of shares 2002
As at 1 January	**108,640,686**	**79,200,000**
Capital increases	0	29,440,686
As at 31 December	**108,640,686**	**108,640,686**

9.1.2 Capital reserves

Capital reserves essentially comprise premiums from the issue of shares. The addition in the reporting year is the difference between the amount repayable and the calculated issue amount of the second tranche of convertible debentures. Pursuant to § 150 section 3 of the German Corporation Law (AktG), the capital reserves may not be distributed in the individual accounts.

9.1.3 Available-for-sale reserve

This item shows unrealised profits and losses on financial assets, having accounted for deferred taxes and provisions for premium refunds.

9.1.4 Remaining equity

The remaining equity is made up as follows:

All figures in €'000	31 Dec 2003	31 Dec 2002
Revaluation reserve	–90,338	–90,338
Reserve from currency translation	477	102
Statutory reserve	3,524	1,369
Other	224,028	186,831
Total	**137,691**	**97,964**

Pursuant to § 150 section 3 of the German Corporation Law (AktG), the statutory reserve may not be distributed.

Changes in 2002 and 2003 which are not recognised in the income statement (currency translation, capital measures, other) are shown in the statement of changes in shareholders' equity.

Pursuant to § 170 section 2 of the German Corporation Law (AktG), the Executive Board of MLP AG proposes that, of the retained earnings reported in the annual financial statements of MLP AG as at 31 December 2003 in the amount of € 16,308,708.03, € 16,296,102.90 be distributed to shareholders and € 12,605.13 be carried forward to new account.

[65] 9.2 Insurance provisions

Gross insurance provisions are as follows:

All figures in €'000	Life insurance		Non-life insurance	
	31 Dec 03	31 Dec 02	31 Dec 03	31 Dec 02
Unearned premium reserves	172,084	111,835	60	61
Insurance reserve	67,929	48,483	0	0
Provisions for insurance claims not yet settled (pending claim reserve)	6,110	8,463	12,709	10,869
Provisions for premium refunds	56,728	33,774	0	0
Total	**302,851**	**202,555**	**12,769**	**10,930**

The life insurance segment accounts for € 534 thsd (previous year: € 423 thsd) in the insurance provisions and € 688 thsd (previous year: € 546 thsd) in the claim provisions for reinsurance business.

Of the provisions for premium refunds, deferred provisions amount to € 48,608 thsd (previous year: € 25,733 thsd).

[66] 9.3 Insurance provisions for investments held on account and at risk of life insurance policy holders

Insurance provisions for investments held on account and at risk of life insurance policy holders on the liabilities side correspond to the investments held on account and at risk of life insurance policy holders on the assets side.

[67] 9.4 Other provisions

All figures in €'000	31 Dec 2003	31 Dec 2002
Provisions for pension	10,393	8,482
Provisions for taxes	2,553	1,630
Other provisions	128,048	122,205
Total	**140,994**	**132,317**

Provisions of € 127,823 thsd (previous year: € 125,425 thsd) have more than one year to maturity.

9.4.1 Provisions for pension

In the MLP Group, the Executive Boards of MLP AG, MLP Finanzdienstleistungen AG, MLP Lebensversicherung AG, MLP Bank AG and MLP Versicherung AG have been granted direct pension benefits subject to individual contract in the form of defined benefit pension plans, which guarantee the beneficiaries the following pension payments:

- old-age pension upon reaching 60 or 65 years of age
- disability pension
- widow's pension of 60 percent
- orphan's benefit of 10 percent of the main pension

The pension entitlement is equal to 60 percent of the last monthly salary. In one case, a current pension payment is already being paid.

Pension provisions were made in line with IAS 19. The method of valuation on which the report is based is the Projected Unit Credit Method using the 1998 mortality charts compiled by Dr. Klaus Heubeck.

Financial status of the defined benefit pension plans:

All figures in €'000	31 Dec 2003	31 Dec 2002
Projected benefit obligation	10,430	8,292
Unrecognised actuarial gains/losses	−37	190
Pension provisions	**10,393**	**8,482**

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

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

All figures in €'000	2003	2002
As at 1 January	**8,482**	**7,620**
Actuarial interest	470	432
Current service cost	669	660
Past service cost	1,016	0
Pension payments	−244	−230
Pension provisions	**10,393**	**8,482**

Actuarial calculations incorporate the following significant assumptions:

	2003	2002
Actuarial interest rate	5.75 %	5.75 %
Anticipated annual salary development	2.60 %	2.60 %
Anticipated annual pension adjustment	1.60 %	1.60 %
Calculated employee turnover	0.00 %	0.00 %
Retirement age for calculation	60 or 65	60 or 65

The expenditure for old-age pensions is reported in the income statement under personnel expenses.

9.4.2 Provisions for taxes

Provisions for taxes have changed as follows:

All figures in €'000	1 Jan 2003	Utilised	Reversed	Added/changes to companies included in consolidation	31 Dec 2003
Corporation tax	233	0	34	690	889
Trade tax	1,397	1,173	0	1,440	1,664
Total	**1,630**	**1,173**	**34**	**2,130**	**2,553**

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

9.4.3 Other provisions

The other provisions changed as follows:

All figures in €'000	1 Jan 2003	Utilised	Reversed	Added/changes to companies included in consolidation	31 Dec 2003
Litigation risks	286	75	211	545	545
Economic loss	160	120	40	216	216
Factoring	120,144	4,522	0	7,545	123,167
Other	1,615	887	245	3,637	4,120
Total	**122,205**	**5,604**	**496**	**11,943**	**128,048**

The other provisions include the provision for MLP Finanzdienstleistungen AG's liabilities due to factoring of € 123,167 thsd (previous year: € 120,144 thsd).

The amount added to the provision for liabilities due to factoring represents accrued interest.

The provisions reported under litigation risks, economic loss and other are short-term; the provision for liabilities due to factoring covers the period to 2012.

[68] 9.5 Reinsurance liabilities

This item comprises unsettled claims of € 36,828 thsd (previous year: € 35,188 thsd) and deposit liabilities of € 13,055 thsd (previous year: € 9,145 thsd).

Unsettled claims of € 36,754 thsd (previous year: € 35,085 thsd) relate to life insurance and € 74 thsd (previous year: € 103 thsd) to non-life insurance business.

[69] 9.6 Liabilities due to banking business

All figures in €'000

	31 Dec 2003	31 Dec 2002
Liabilities due to financial institutions		
Due on demand	411	404
Short-term	18,369	14,572
Liabilities due to clients		
Savings deposits with an agreed notice period of three months	80	0
Other liabilities		
Due on demand	281,438	238,236
Short-term	2,312	2,814
Total	**302,610**	**256,026**

Liabilities due to clients essentially represent customer deposits in current and credit-card accounts. Savings deposits with an agreed notice period of three months were accepted for the first time in the reporting year (accounts for rental accommodation deposits).

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

Liabilities with a remaining term of up to one year amount to € 248,454 thsd (previous year: € 241,031 thsd).

[70] 9.7 Other liabilities

All figures in €'000	31 Dec 2003	31 Dec 2002
Convertible debentures	278	81
Liabilities due to financial institutions	29,564	38,720
Trade accounts payable	44,136	29,216
Liabilities due to policyholders	5,105	3,334
Liabilities due to sales representatives	57,683	44,144
Liabilities due to companies in which the Group holds an interest	1,038	901
Negative market values from derivatives	6,963	7,406
Liabilities due to income tax	284	3,253
Liabilities due to tax on wages/salaries and social security contributions	2,965	2,649
Other liabilities	30,363	36,574
Total	**178,379**	**166,278**

Liabilities due to financial institutions include two loans of € 25,000 thsd and € 4,500 thsd respectively used to finance the Wiesloch construction project. The first loan is to be paid down by at least € 2,000 thsd p.a. from 15 January 2004 at the latest and to be paid off in full by 17 January 2011. The second loan is to be paid down by € 294 thsd p.a. and has a fixed rate of interest until 30 September 2009. Land charges on the plot of land in Wiesloch amounting to € 29,999 thsd in total have been furnished as collateral.

Of the liabilities due to financial institutions, € 16 thsd (previous year: € 8,893 thsd) are due on demand.

The item trade accounts payable contains liabilities due to the syndicate business of MLP Lebensversicherung AG and MLP Sachversicherung AG as well as other obligations to third parties from current business as at the balance sheet date.

Liabilities due to sales representatives (MLP consultants) as at the balance sheet date represent unsettled commissions.

The liabilities due to policyholders from life insurance comprise interest-bearing accumulated profit shares, premium deposits and advance premium payments from policyholders of € 1,754 thsd (previous year: € 2,088 thsd). Liabilities due to policyholders from life insurance also include surrender values for cancelled unit-linked insurance policies that have not yet been paid out of € 567 thsd (previous year: € 1,004 thsd) and insurance payouts for expired unit-linked insurance policies that have not yet been paid out of € 260 thsd (previous year: € 0).

Liabilities due to policyholders from non-life insurance result from advance premium payments to the tune of € 1,991 thsd (previous year: € 0) and from insurance payouts that have been calculated but not yet paid out to the tune of € 533 thsd (previous year: € 242 thsd).

The item "Other liabilities" essentially covers commission advances from product partners. This item also contains commission withheld from sales representatives (MLP consultants) in case of cancellations of € 5,765 thsd (previous year: € 5,348 thsd) and liabilities arising from the financing of the aeroplane of € 6,831 thsd (previous year: € 7,189 thsd).

Liabilities with a remaining term of up to one year amount to € 124,231 thsd (previous year: € 120,239 thsd).

[71] 9.8 Deferred tax liabilities

Deferred tax liabilities are made up as follows per balance sheet item:

All figures in €'000	31 Dec 2003	31 Dec 2002
Intangible assets	2,857	2,471
Property, plant and equipment	2,696	2,250
Financial assets	458	189
Deferred acquisition costs	155,230	126,007
Other assets	2,257	1,963
Liabilities	287	61
Other liabilities	277	0
Gross value	**164,062**	**132,941**
Netting with deferred tax assets	−162,233	−132,699
Total	**1,829**	**242**

10. Additional information concerning the insurance business

10.1 Statement of financial assets

Of the financial assets amounting to € 162,495 thsd (previous year: € 138,373 thsd), € 127,459 thsd (previous year: € 96,940 thsd) relate to capital assets of the insurance companies.

All figures in €'000	Life insurance		Non-life insurance	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
Investments	7	0	0	0
Shares	0	15,387	0	0
Bonus shares	7,447	0	1,093	0
Fixed income securities (available-for-sale)	22,185	14,548	4,558	1,915
Investment funds	18,579	20,855	0	0
Other financial assets	66,477	39,100	7,113	5,135
Total	**114,695**	**89,890**	**12,764**	**7,050**

10.2 Breakdown of income from financial assets

All figures in €'000	Life insurance		Non-life insurance	
	2003	2002	2003	2002
Current income	2,053	787	823	70
Non-current income	0	14	0	0
Non-current expenditure	−701	−9	−36	−5
Total	**1,352**	**792**	**787**	**65**

10.3 Insurance provisions, net

All figures in €'000	Life insurance		Non-life insurance	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
Premium provisions (gross)	172,084	111,835	60	61
Portion of reinsurers	−6,616	−6,062	−3	−8
Unearned reserves (net)	**165,468**	**105,773**	**57**	**53**
Premium funds (gross)	67,929	48,483	0	0
Portion of reinsurers	**−6,440**	**−3,083**	**0**	**0**
Premium funds (net)	**61,489**	**45,400**	**0**	**0**
Provision for insurance claims not yet settled (pending claim reserve) (gross)	6,110	8,463	12,709	10,869
Portion of reinsurers	−2,306	−4,223	−2,257	−3,973
Provision for insurance claims not yet settled (pending claim reserve) (net)	**3,804**	**4,240**	**10,452**	**6,896**
Provision for premium refunds (gross = net)	56,728	33,774	0	0
Total (net)	**287,489**	**189,187**	**10,509**	**6,949**

11. Additional Information concerning the banking business

11.1 Residual period breakdown concerning banking business

The breakdown of debtors and creditors of banking business as a function of the residual period is as follows:

All figures in €'000

	31 Dec 2002					
	Indefinite term	due on demand	up to 3 months	up to 1 year	up to 5 years	more than 5 years
Assets						
Receivables due to clients	153,884	0	849	3,318	25,887	44,543
Receivables due to financial institutions	0	47,775	0	0	0	0
Liabilities						
Liabilities due to financial institutions	0	405	108	262	1,022	13,179
Liabilities due to clients	0	238,236	2,020	0	112	681

All figures in €'000

	31 Dec 2002					
	Indefinite term	due on demand	up to 3 months	up to 1 year	up to 5 years	more than 5 years
Assets						
Receivables due to clients	158,064	0	4,255	7,309	21,772	46,598
Receivables due to financial institutions	0	55,929	22,520	0	0	0
Liabilities						
Liabilities due to clients	0	281,438	80	0	10	784
Liabilities due to financial institutions	0	412	4	3	275	18,086

11.2 Concentration of assets and debts

The client loan business of MLP Bank AG focuses on construction and medical practices financing, as well as on the granting of collateral loans. The breakdown of loans is as follows:

All figures in %	2003	2002
Loans		
Construction financing	13.3	12.2
Medical practice financing	16.5	10.8
Collateral loans	30.0	41.6
Remaining lending business	40.2	35.4
	100.0	**100.0**

The other loan business concerns receivables from current accounts and from the credit card business.

11.3 Contingent and other liabilities

All figures in €'000	31 Dec 2003	31 Dec 2002
Contingent liabilities		
Liabilities on account of sureties and warranty agreements	18,799	12,028
Other liabilities		
Irrevocable credit commitments	6,391	5,666
Total	**25,190**	**17,694**

11.4 Assets pledged as collateral for own liabilities of banking business

A security of a face value of € 1,500 thsd (previous year: € 1,500 thsd) has been produced to Clearstream AG, Frankfurt am Main, to secure the replacement risk on account of stock exchange business.

In addition, MLP Bank AG has pledged to Deutsche Bundesbank, Frankfurt/Main, a security of a face value of € 4,000 thsd (previous year: € 4,000 thsd) to secure collateral loans.

For liabilities to Kreditanstalt für Wiederaufbau (KfW) of € 9,916 thsd (previous year: € 14,572 thsd) securities of a face value of € 5,000 thsd (previous year: € 5,000 thsd) were pledged to the latter at the balance sheet date.

11.5 Trust transactions in banking

The volume of trust transactions in banking not shown by the balance sheet is as follows:

All figures in €'000	31 Dec 2003	31 Dec 2002
Receivables due to clients	360,108	248,610
Trust assets	**360,108**	**248,610**
Liabilities due to clients	360,108	248,610
Trust liabilities	**360,108**	**248,610**

11.6 Commission result

The commission result amounts to € 26,945 thsd (previous year: € 28,277 thsd).

12. Notes on financial instruments

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

Primary financial instruments on the assets side of the balance sheet represent chiefly financial assets, capital assets, the investments held on account and at risk of life insurance policy holders, receivables, cash, as well as parts of other assets.

The liabilities side shows the insurance provisions for investments held on account and at risk of life insurance policy holders, the convertible debentures and all liabilities in the form of primary financial instruments.

12.1 General information obligations

In the case of the MLP Group companies, the operational business is financed by the current cash flow whose liquidity is monitored by an company-wide cash management. As far as the short term is concerned, liquidity is planned on a daily or monthly basis. In the event of a short-term liquidity shortfall, appropriate credit lines have been agreed with a number of financial institutions.

The liquidity position of the MLP Group is chiefly determined by the productivity of the MLP consultants. For this purpose, comprehensive scenario calculations are performed. In view of the importance of the MLP consultants' productivity, this is subject to continuous monitoring and analysis. This is the reason why the instruments to measure the productivity of the operational units have been extended further over the past financial year.

MLP consultants are paid for the first two years an advance on commission regardless of the business transacted in order to build up their commercial activities. This results in receivables against MLP consultants as well as branch office managers to MLP Finanzdienstleistungen AG whose default may well constitute a risk. Receivables which constitute a present risk have been written down accordingly.

A further risk may consist of the default or write down of financial assets and other receivables. Financial assets are in principle only transacted with debtors of a satisfactory credit-worthiness. MLP Lebensversicherung AG and MLP Versicherung AG have claims on clients for insurance premiums. Defaults are monitored and minimised by a dunning system. Debtors have been reduced further over the financial year.

The credit portfolio of MLP Bank AG is subject to risk minimisation, among other things by debtors pledging mortgages and securities, as well as normal bank collateral. The interest risk is slight thanks to a small period transformation and is regularly monitored and valued within the scope of the overall bank control system.

Statutory solvency regulations are in force covering insurance and banking business which lay down an adequate capital structure of companies. All MLP companies covered by these regulations – i.e. MLP Lebensversicherung AG, MLP Versicherung AG and MLP Bank AG – dispose of an adequate level of unencumbered equity resources. The existing budget/actual figures ensure continuous monitoring and thus an adequate capital structure.

In order to hedge potential interest and currency risks, MLP AG took up interest and currency swaps.

Extension of the Group head-office continued during the past financial year. This will create some 1,500 jobs and training places at this site during the coming financial year.

The construction work is funded in part by long term bank loans. If additional capital should be required, MLP AG continues to dispose of an authorised capital I of 7,920,000 shares capable of generating additional resources if required.

12.2 Derivative business

Two interest swaps were concluded in 1999. These are coupon swaps for which MLP AG is the fixed rate payer (payer swaps).

The key data of the interest swaps are as follows:

	1st Contract	2nd Contract
Date of transaction	12 Aug 1999	12 Aug 1999
Start of term	15 Jan 2001	16 Jul 2001
End of term	17 Jan 2011	17 Jan 2011
Nominal amount (EUR)	30,000,000.00	20,000,000.00
Fixed rate payer	MLP AG	MLP AG
Fixed interest	5.9 %	6.0 %
Variable rate	EURIBOR – 6 months	EURIBOR – 6 months
Settlement	half-yearly	half-yearly

The fair value of both interest swaps of a volume of € 50,000 thsd amounts to – € 6,842 thsd on the balance sheet date (previous year: – € 6,751 thsd).

Furthermore, there are interest currency swaps of the following key data:

	1st Contract	2nd Contract
Date of transaction	11 Feb 1997	11 Feb 1997
Start of term	08 Oct 1999	11 Jan 2000
End of term	08 Oct 2004	11 Jan 2005
Acquisition amount A (CHF)	5,000,000.00	5,000,000.00
Fixed rate payer A	MLP AG	MLP AG
Fixed interest rate A	3.65 %	3.55 %
Acquisition amount B (EUR)	3,144,061.00	3,113,325.00
Fixed interest rate B	4.85 %	5.20 %
Settlement	annually	half-yearly

The fair value of the interest currency swaps amounts to – € 121 thsd on the balance sheet date. (previous year: – € 655 thsd).

The swaps are shown pursuant to IAS 39 at their market value.

12.3 Convertible debentures

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

Within the framework of the MLP Incentive Programme 2002, the company issued on 19 August 2002 for members of the Executive Board, members of the management and the staff of MLP AG, as well as for MLP consultants acting as self-employed agents and employees of affiliated companies pursuant to article 15 and following articles Companies Act, the first tranche of these non-interest-bearing convertible debentures to bearer of a total face value of € 140,000, which incorporate the right to purchase MLP AG shares. The second tranche was issued with effect from 4 August 2003.

The convertible debentures rank pari passu with the partial debentures to bearer of a face value of € 1 each and have a maturity of 6 years (of which a 3 year qualifying period). The exercise period of the first tranche begins on 20 August 2005 and ends on 19 August 2008, whilst the exercise period of the second tranche begins on 5 August 2006 and ends on 4 August 2009.

The conversion right may only be exercised if, at any time during the qualifying period, the closing price of the MLP AG shares in the Xetra trade (or a comparable successor system replacing the Xetra system at the Frankfurt/Main Stock Exchange) exceeds 130 percent of the basis price (exercise hurdle). The basis price corresponds to the arithmetic mean of the closing price of the MLP AG shares in the Xetra trade over the last five trading days preceding the MLP AG Executive Board's resolution concerning exercise of the authority to issue convertible debentures to the qualifying persons.

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

During the subscription period for the Incentive Programme 2002, partial debentures amounting to € 115,300 were subscribed, and for the subscription period 2003 partial debentures amounting to € 281,040 were subscribed. Of the subscribed convertible debentures, € 388,648 (previous year: € 115,300) were outstanding on the balance sheet date, convertible debentures amounting to € 7,692 were repaid during 2003.

The present value on the balance sheet date amounts to € 278 thsd (previous year: € 81 thsd) and is shown as liabilities under "Convertible debentures". The difference on issue of the first tranche amounted to € 36 thsd, that of the second tranche to € 88 thsd. The differences were added to the capital reserve during the year of issue of the tranches. The value of a convertible debenture determined according to Black & Scholes amounted to € 10.78 for the annual tranche 2002 on the date of issue of 19 August 2002, and to € 9.19 for the annual tranche 2003 on the date of issue of 4 August 2003.

	1st Tranche	2nd Tranche
Exercise period		
Beginning	20 Aug 2005	5 Aug 2006
End	19 Aug 2008	4 Aug 2009
Total amount in €	140,000	320,000
Nominal amount in €	1	1
Subscribed convertible debenture in €	115,300	281,040

12.4 Fair values of financial instruments

The fair value is the amount at which a financial instrument can be negotiated between two experts, willing to contract and independent parties in the course of normal business activities.

Inasmuch as stock exchange prices were available, these were used to determine the fair value. If no stock exchange prices were available, the fair value was determined by discounting the anticipated future cash flow with the aid of market rates or other appropriate valuation models.

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

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

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

All figures in €'000

	31 Dec 2003		31 Dec 2002	
	Balance sheet value	Market value	Balance sheet value	Market value
Financial assets				
Receivables from banking business	316,447	321,412	287,782	290,121
Financial liabilities				
Payables from banking business	302,610	302,960	267,573	268,455

13. Notes on the consolidated cash flow statement

The cash flow statement illustrates the change in cash resources of the MLP Group over the financial year as a result of the cash flows from operating activities, investing and financing activities. The cash flows of investing activities comprise mainly changes of investments. The financing activity illustrates the cash-related equity capital changes and loans used. All other cash flows of turnover-related principal activities are allocated to operating activities.

The constituents included in addition to the balance sheet item in “Cash and cash equivalents” can be allocated to the relevant balance sheet items as follows:

All figures in €'000	2003	2002
Financial assets		
Shown by cash and cash equivalents (other capital assets < 3 months)	73,590	44,235
Investments	1,383	1,375
Securities	87,422	92,619
Loans	100	144
Financial assets according to balance sheet	**162,495**	**138,373**

All figures in €'000	2003	2002
Other liabilities		
Shown by the cash and cash equivalents (liabilities due to financial institutions due on demand)	16	8,893
Liabilities due to financial institutions not due on demand	29,548	29,827
Remaining other liabilities	148,815	127,558
Other liabilities according to balance sheet	**178,379**	**166,278**

The accounts receivable of MLP Bank AG against other financial institutions have not been included in financial resources fund because they are to be attributed to the current business activities of MLP Bank AG.

The disposal of financial assets of the investment fund of the unit-linked life insurance in the financial year resulted in gains of € 87,263 thsd (previous year: € 3,698 thsd) and losses of € 9,415 thsd (previous year: € 132,448 thsd).

14. Notes on the reporting by Group segments

Segmentation of the annual accounts data is based on the internal organisational structure of the MLP Group according to business sectors (primary segment).

The operative segments consist of the individual companies of the MLP Group. The segments which have to be reported constitute strategic Group business sectors which differ as regards their services and products, as well as the regulatory framework.

Derivation of the strategic business sectors which have to be reported is based on the criteria of the relationship between potential opportunities and risks in the market in which the MLP Group transacts business.

The strategic business sectors are the following:
- Consulting and sales
- Life insurance
- Non-life insurance
- Banking
- Internal services and administration

The object of the consulting and sales segment consists of commercial and advisory services to clients, particularly with regard to insurance, investments and financing of all kinds, as well as of the broking of contracts concerning these financial services. The segment is formed by MLP Finanzdienstleistungen AG, Heidelberg, MLP Private Finance plc, London, Great Britain, MLP Private Finance Correduria de Seguros S.A., Madrid, Spain, as well as MLP Private Finance AG, Zurich, Switzerland.

The range of products and services of the life insurance segment comprises various types of life insurance policies, insurance policies attracting tax relief pursuant to the German Old Age Assets Act (AvmG), capitalisation transactions as well as the administration of pension schemes. The life insurance segment is composed exclusively of MLP Lebensversicherung AG.

The reduction of the long term investments of the life insurance segment as at 31 December 2002 amounting to € 82,770 thsd comprises chiefly the sale of the participation in MLP-Lebensversicherung AG, Vienna, Austria.

The business activity of the non-life insurance segment extends to the conception and running of property and accident insurance. The segment is formed by MLP Versicherung AG.

The business sectors of the banking segment include the administration of financial portfolios, the trustee credit business, the loan and credit card business, consulting regarding investment decisions in respect of investment funds, as well as the conception and organisational implementation of new financial products for the MLP Group. The segment is formed exclusively by MLP Bank AG.

The internal services and administration segment is formed by MLP AG, as well as by Login GmbH. All internal services and activities of the MLP Group are thus combined in a separate segment.

The loss made by the internal services and administration segment as at 31 December 2003 is chiefly the result of the low proceeds from the disposal of long term financial assets and the cost of personnel, which rose compared to the previous year.

The information supplied concerning the individual segments is based on standardised accounting and valuation methods with the aid of which the consolidated values of the Group's annual accounts are also arrived at.

Inasmuch as a segment is composed of several companies, reciprocal, intrasegmentary relations have been eliminated with the aid of consolidation measures. Intrasegmentary supplies and services are settled in principle at normal market prices. In the case of group allocations, an appropriate general overhead surcharge is levied on the actually incurred individual costs.

Presentation of the individual business sectors (primary segments) takes place after consolidation of internal transactions within the individual business sectors, but before cross-segment consolidation.

The reconciliation to the Group value is shown by the statements under "Consolidation".

Segment reporting is classified mainly in conformity with the Group's income statement with a view to attaining greater transparency as regards earning power and prospects. The items of the Group's income statement are allocated to the various operative segments.

The average number of employees of the Group in strategic business sectors during the financial year was as follows:

	2003	2002
Consulting and sales	1,317	1,276
Life insurance	221	235
Non-life insurance	109	113
Banking	152	149
Internal services and administration	36	37
Total	**1,835**	**1,810**

The segments of consulting and sales, life insurance, non-life insurance, banking as well as internal services and administration carry out their economic activities chiefly in Germany. The consulting and sales segment also comprises activities in Switzerland, Austria, the Netherlands, Great Britain, and to a negligible extent, Spain.

As the Group chiefly confines its business activities to Germany (proportion of foreign revenue in the period under report as well as in the previous year less than 3 percent), a geographic (secondary) breakdown of the segments is dispensed with.

15. Notes on the consolidated statement of equity

On 1 January 2002, the remaining equity capital contains a revaluation provision not affecting profits as a result of the initial transition amounting to € 90,338 thsd.

16. Miscellaneous information

16.1 Other financial liabilities

Payments for operating leases involve rentals of PC hardware, notebooks and copiers. The leases cover a period of 36 months subject to a purchase option in favour of the Group. This expenditure for the financial year amounted to € 60,033 thsd (previous year: € 53,898 thsd).

On the balance sheet date, hire and leases were subject to the following financial commitments:

All figures in €'000	2004	2005 – 2007	As from 2008	Total
Maintenance/licence contracts	214	0	0	214
Computer equipment	9,761	8,956	0	18,717
Outsourcing IT technology	21,041	38,730		59,771
Rent of administrative building	559	0	0	559
Rent of offices	15,568	38,145	29,716	83,429
Other rents	204	366	41	611
Total	**47,347**	**86,197**	**29,757**	**163,301**

Purchase commitments comprise intangible assets of € 4 thsd and tangible assets of € 13,856 thsd.

The income from subletting notebooks to MLP consultants amounts to an annual figure of € 4,548 thsd.

16.2 Assets accepted as collateral

In order to minimise the default risk of the credit portfolio, MLP Bank AG accepted normal banking collateral.

16.3 Contingent and other liabilities

On the balance sheet date, liabilities on account of sureties and warranties amounted to € 18,799 thsd (previous year: € 12,028 thsd) and irrevocable credit commitments amounted to € 6,391 thsd (previous year: € 5,666 thsd).

Following termination of his service contract, the Chairman of the Executive Board has been granted a profit-related payment for the period 2004 to 2007.

As it is composed of companies from different business sectors, the Group is exposed to a variety of legal risks. These may include, in particular, risks in the fields of warranty, fiscal law and other litigation. The outcome of currently pending or future legal actions cannot be forecast with any degree of certainty and it follows that expenditure could be incurred as a result of decisions, which has not been fully covered by insurance and which is liable to generate major effects on the business and its results. In the Executive Board's opinion, decisions producing a major effect on the assets and income at the Group's expense are not anticipated with regard to the currently pending legal actions.

[72] 16.4 Earnings per share

Computation of the basic and diluted earnings per share is based on the following data:

All figures in €'000	2003	2002
Result		
Basis of the basic earnings per share (Group net profit)	39,250	81,541
Effect of the potential share dilution: Interest on convertible debentures (after tax)	3	1
Basis of the diluted earnings per share	**39,253**	**81,542**

	2003 No. of shares	2002 No. of shares
Number of shares		
Weighted average number of shares for the basic earnings per share	108,640,686	96,373,734
Effect of the potential share dilution: Convertible debentures	388,648	115,300
Weighted average number of shares for the diluted earnings per share	**109,029,334**	**96,489,034**

The basic and diluted earnings per share amounts to € 0.36 (previous year: € 0.85). and, in view of the small number of convertible debentures issued so far, are identical.

16.5 Number of employees

The average number of staff employed by the companies included in the consolidated accounts during the financial year was as follows:

	2003 Total	2003 Germany	2003 Abroad	2002 Total	2002 Germany	2002 Abroad
Employees	1,492	1,336	156	1,361	1,244	117
Minor part time	343	341	2	449	443	6
Total	**1,835**	**1,677**	**158**	**1,810**	**1,687**	**123**

In addition, an average of 169 (previous year: 162) people underwent commercial apprenticeships/ training in Germany.

16.6 Information regarding relations with affiliated companies and persons

Business with affiliated companies has been transacted subject to normal market conditions.

Within the framework of ordinary business, members of the Executive Board and of the Supervisory Board exerted a major influence on the company. Members of the Executive Board and Supervisory Board as well as members of their families are granted the normal terms for employees when taking out insurance policies. Moreover, when concluding contracts with MLP Bank AG, they are granted normal personnel terms.

16.7 Executive Bodies

The following were members of the Executive Board during the financial year 2003:

Dr. Uwe Schroeder-Wildberg, Heidelberg

Eugen Bucher, Bammental

Gerhard Frieg, Heidelberg

Dr. Bernhard Termühlen, Gaiberg
Chairman (until 22 October 2003)

The members of the Executive Board are at the same time members of the following Supervisory Boards set up in accordance with the law or comparable German and foreign Control bodies:

Dr. Uwe Schroeder-Wildberg
Member of the Supervisory Board of MLP Bank AG (from 22 May until 18 December 2003)
Chairman of the Supervisory Board of MLP Bank AG (as from 19 December 2003)
Chairman of the Supervisory Board of MLP Lebensversicherung AG (as from 28 November 2003)
Member of the Supervisory Board of MLP Versicherung AG (as from 19 November 2003; Chairman as from 11 December 2003)

Dr. Bernhard Termühlen
Chairman of the Supervisory Board of MLP Bank AG (until 22 October 2003)
Chairman of the Supervisory Board of MLP Versicherung AG (until 22 October 2003)
Chairman of the Supervisory Board of MLP Lebensversicherung AG (from 1 October until 22 October 2003)

Eugen Bucher and Gerhard Frieg occupied no function notifiable pursuant to articles 285 and 314 German Commercial Code.

The following were members of the Supervisory Board during the financial year 2003:

Manfred Lautenschläger, Gaiberg
Chairman

Gerd Schmitz-Morkramer, Munich
Deputy Chairman
Chairman of the Shareholders Committee of Merck Finck & Co., Munich

Maria Bähr, Sandhausen
Employees' representative
Departmental Head of MLP Finanzdienstleistungen AG

Dietmar Hopp, Walldorf
(until 17 June 2003)

Norbert Kohler, Oftersheim
Employees' representative
Departmental Head of MLP Finanzdienstleistungen AG

Dr. Peter Lütke-Bornefeld, Bergisch-Gladbach
Chairman of the Executive Board of Kölnische Rückversicherungs-Gesellschaft AG, Cologne, and
Vice Chairman of General Re Corporation, Stamford, USA

Johannes Maret, Burgbrohl
(as from 17 June 2003)
Managing Director, Nordwind Capital, Cologne

The Supervisory Board members are at the same time members of the following Supervisory Boards set up according to the law or comparable German and foreign Control bodies:

Manfred Lautenschläger
Membership of German Supervisory Boards set up according to the law:
MLP Finanzdienstleistungen AG, Heidelberg (Chairman)
MLP Lebensversicherung AG, Heidelberg
(Chairman until 30 September 2003)

Membership of comparable German and foreign Control bodies:
MLP-Lebensversicherung AG, Vienna, Austria (Deputy Chairman until 6 January 2003)
Heidelberg University Clinic, Heidelberg

Gerd Schmitz-Morkramer
Membership of German Supervisory Boards set up according to the law:
Merck Finck Vermögensbetreuungs AG, Munich
Merck Finck Treuhand AG, Frankfurt/Main (Chairman)
bmp AG, Berlin (Deputy Chairman)
YOC! AG, Berlin (Chairman)

Membership of comparable German and foreign Control bodies:
Mannheimer Versicherung AG, Mannheim (Deputy Advisory Board Chairman)
Taurus Investment Holding, Boston, USA (Chairman of the Advisory Board)
Life Trust One GmbH & Co. KG, Berlin (Expert Advisor)

Dietmar Hopp
Membership of German Supervisory Boards set up according to the law:
SAP AG, Walldorf (Chairman until 9 May 2003)
ACTRIS AG, Frankfurt/Main

Dr. Peter Lütke-Bornefeld
Membership of German Supervisory Boards set up according to the law:
VPV Lebensversicherungs-AG, Stuttgart
Delvag Rückversicherungs-AG, Cologne
Gothaer Rückversicherungs-AG, Cologne

Membership of comparable German and foreign Control bodies:
a) Group companies:
   Europa Rückversicherungs-AG, Cologne
   General Cologne Re Reinsurance Australasia Limited, Sydney, Australia
   General Cologne Re Rückversicherungs-AG, Vienna Austria (Chairman)
   General Re Corporation, Stamford, USA (Vice Chairman)
   General Reinsurance Corporation, Stamford, USA
   Cologne Reinsurance Company (Dublin) Ltd., Dublin, Ireland
   General & Cologne Life Re of America, Stamford, USA
   GeneralCologne Re Capital Kapitalgesellschaft mbH, Cologne
   Faraday Reinsurance Co., London, Great Britain
   Faraday Holdings Limited, London, Great Britain

b) Others:
   Deutsche Kernreaktor-Versicherungsgemeinschaft, Cologne (Chairman)

Johannes Maret
Membership of German Supervisory Boards set up according to the law:
Direkt Anlagebank AG, Munich

Membership of comparable German and foreign Control bodies:
Gebrüder Rhodius KG, Burgbrohl (Chairman of the Advisory Board)
The Triton Fund, Jersey, USA (Non-Executive Investment Committee Member)
Xchanging Ltd., London (Non-Executive Board Member)

Mrs. Maria Bähr and Mr. Norbert Kohler occupied no function notifiable pursuant to articles 285 and 314 German Commercial Code.

16.8 Supervisory Board's and Executive Board' Emoluments

Total emoluments paid to members of the Executive Board in consideration for their activities during the financial year 2003 amounted to € 2,944 thsd and consisted of fixed salaries (€ 1,571 thsd) and profit-related payments (€ 1,373 thsd).

Members of the Executive Board having left were paid € 3,569 thsd inclusive of severance payments. As at 31 December 2003, pension provisions amounting to € 6,229 thsd existed for this group of people. The Supervisory Board's remuneration for the financial year 2003 amounted to € 223 thsd.

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

Shareholding as at 31 December 2003 was as follows:

	Ordinary shares 2003 Shares	Percentage of share capital 2003 %	Percentage of share capital 2002 %
Manfred Lautenschläger	17,087,897	15.7	20.3
Other members of executive bodies and remaining shareholders	91,552,789	84.3	79.7
	108,640,686	**100.0**	**100.0**

16.9.1 Information concerning notification pursuant to articles 21, § 1, 22 German Securities Act
Pursuant to article 21, § 1 German Securities Act, Bernhard Termühlen GmbH, Gaiberg, notified us that their share of voting rights in MLP AG exceeded the 5 percent threshold on 10 December 2002 and now amounts to 5.19 percent. This is the equivalent of 5,636,912 votes.

Pursuant to article 21, § 1 German Securities Act, Termühlen Beteiligungen Verwaltungs GmbH, Gaiberg, notified us that their share of voting rights in MLP AG exceeded the 10 percent threshold on 26 May 2003 and now amounts to 11.19 percent. This is the equivalent of 12,152,380 votes.

Pursuant to article 21, § 1 German Securities Act, Dr. Bernhard Termühlen, Gaiberg, notified us that his share of voting rights in MLP AG exceeded the 10 percent threshold on 26 May 2003 and now amounts to 13.69 percent. This is the equivalent of 14,875,811 votes. Of this, 11.19 percent (12,152,380 votes) have to be allocated to him pursuant to article 22, § 1, sentence 1, number 1 German Securities Act.

Pursuant to article 21, § 1 German Securities Act, Lautenschläger Vermögensverwaltung GmbH, notified us that their share of voting rights in MLP AG, Heidelberg, exceeded the 10 percent threshold on 10 February 2003 and now amounts to 13.35 percent. This is the equivalent of 14,501,295 votes. Of this, 4.14 percent (4,501,295 votes) have to be allocated to them pursuant to article 22, § 1, 1, number 1 German Securities Act.

Pursuant to article 21, § 1 German Securities Act, Manfred Lautenschläger Beteiligungen GmbH notified us that their share of voting rights in MLP AG, Heidelberg, exceeded the 10 percent threshold on 24 April 2003 and now amounts to 13.35 percent. This is the equivalent of 14,501,295 votes. Of this, 0.95 percent (1,027,446 votes) have to be allocated to them pursuant to article 22, § 1, sentence 1, number 1 German Securities Act.

Pursuant to article 21, § 1 German Securities Act, Mrs. Angelika Lautenschläger, Gaiberg, notified us that her share of voting rights in MLP AG, Heidelberg, dropped below the 5 percent threshold on 8 July 2003 and now amounts to 1.84 percent. This is the equivalent of 2,000,000 votes.

Pursuant to article 21, § 1 German Securities Act, Angelika Lautenschläger Beteiligungen Verwaltungs GmbH, Gaiberg, notified us that their share of voting rights in MLP AG, Heidelberg, exceeded the 10 percent threshold on 8 July 2003 and now amounts to 10.91 percent. This is the equivalent of 11,867,781 votes.

The following members of the Supervisory Board and Executive Board held convertible debentures in 2003:

Convertible debentures	2003 No. of shares	Change No. of shares	2002 No. of shares
Gerhard Frieg	6,546	3,624	2,922
Eugen Bucher	6,546	3,624	2,922
	13,092	**7,248**	**5,844**

16.10 Loans to members of Executive Bodies

On the balance sheet date, members of the Supervisory Board were granted short term current account loans amounting to € 2 thsd (previous year: € 74 thsd) and members of the Executive Board were granted short term current account loans amounting to € 2 thsd (previous year: € 40 thsd) which bore interest at the rate of 6.7 percent (previous year: 6.6 percent), In addition there are loans bearing variable interest to members of the Executive Board amounting to € 41 thsd, which bear 4.5 percent interest.

16.11 Release of consolidated financial statements

The consolidated financial statements were adopted by the Supervisory Board on 26 April 2004 and released for publication.

17. MLP Group's statement of changes in assets

In the financial year 2003 the development of tangible and intangible assets and shares in subsidiaries, equity holdings in other companies and loans was as follows:

All figures in €'000

	Procurement costs					
	1 Jan 2003	Exchange rate differentials	Addition	Disposal	Transfer	31 Dec 2003
Goodwill	–	–	6	–	–	6
Software (purchased)	72,799	–1	11,634	8,836	9,993	85,589
Software (developed in-house)	20,633	–	330	117	–	20,846
Other intangible assets	2,285	–	–	–	–	2,285
Payments on account for intangible assets and software under development	10,817	–	5,414	–	–9,993	6,238
Intangible assets	**106,534**	**–1**	**17,384**	**8,953**	**–**	**114,964**
Land, leasehold rights and buildings	74,227	–87	805	314	43	74,674
Other fixtures and fittings, office equipment	84,228	–132	1,787	1,901	30	84,014
Payments on account for property, plant and equipment and assets under construction	8,988	–	17,046	–	–73	25,961
Property, plant and equipment	**167,443**	**–219**	**19,638**	**2,215**	**–**	**184,649**
Intangible assets and property, plant and equipment	**273,977**	**–220**	**37,022**	**11,168**	**–**	**299,613**
Investments	**4,264**	**–**	**15**	**–**	**–**	**4,279**
Held-to-maturity securities	**–**	**–**	**2,667**	**18**	**–**	**2,649**
Loans	**144**	**–**	**–**	**44**	**–**	**100**

	Write-downs/write-ups					Book value	
	1 Jan 2003	Exchange rate differentials	Addition	Disposal	31 Dec 2003	31 Dec 2003	1 Jan 2003
	–	–	6	–	6	–	–
	27,504	–	14,033	8,350	33,187	52,402	45,295
	17,283	–	1,597	116	18,764	2,082	3,350
	1,693	–	47	–	1,740	545	592
	–	–	–	–	–	6,238	10,817
	46,480	**–**	**15,683**	**8,466**	**53,697**	**61,267**	**60,054**
	14,648	−26	3,128	172	17,578	57,096	59,579
	38,588	−39	6,579	1,248	43,880	40,134	45,640
	–	–	–	–	–	25,961	8,988
	53,236	**−65**	**9,707**	**1,420**	**61,458**	**123,191**	**114,207**
	99,716	**−65**	**25,390**	**9,886**	**115,155**	**184,458**	**174,261**
	2,889	**–**	**7**	**–**	**2,896**	**1,383**	**1,375**
	–	**–**	**–**	**–**	**–**	**2,649**	**–**
	–	**–**	**–**	**–**	**–**	**100**	**144**

18. List of holdings

The following subsidiaries have been included in the consolidated financial statements:

Name, registered office	Share %
MLP Finanzdienstleistungen Aktiengesellschaft[1], Heidelberg	100.00
MLP Lebensversicherung Aktiengesellschaft, Heidelberg	99.86[2]
MLP Bank Aktiengesellschaft, Heidelberg	100.00
MLP Versicherung Aktiengesellschaft, Heidelberg	100.00
MLP Login GmbH, Heidelberg	100.00
MLP Private Finance plc. (100 % subsidiary of MLP Finanzdienstleistungen AG), London, Great Britain	100.00
MLP Private Finance Correduria de Seguros S.A. (100 % subsidiary of MLP Finanzdienstleistungen AG), Madrid, Spain	100.00
MLP Private Finance AG[3] (99,93 % subsidiary of MLP Finanzdienstleistungen AG), Zürich, Switzerland	99.93

[1] There exists a profit transfer agreement
[2] Ordinary shares 100 %; non-voting 99.639 % (5,978,323 shares)
[3] The company commenced its operations in 2003

The following subsidiaries have not been included in the consolidated financial statements:

	Share %	Equity as at 31 Dec 2003 €
Name, registered office		
Academic Networks GmbH (90 % subsidiary of MLP Finanzdienstleistungen AG), Wiesloch	90.00	–599
MLP Consult GmbH, Heidelberg	100.00	1,440
MLP Media GmbH[1)] (100 % subsidiary of MLP Finanzdienstleistungen AG), Heidelberg	100.00	26

[1)] There exists a profit transfer agreement with MLP Finanzdienstleistungen AG

Auditors' Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements, prepared by the Company MLP AG, Heidelberg for the business year from 1 January to 31 December 2003. The preparation and the content of the consolidated financial statements are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with International Financial Reporting Standards (IFRS) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IFRS.

Our audit, which also extends to the Group management report prepared by the Executive Board for the business year from 1 January to 31 December 2003 has not led to any reservations. In our opinion, the Group management report together with the other disclosures in the consolidated financials statements provides a suitable understanding of the Group's position and suitably presents the risks of future development.

In addition, we confirm that the consolidated financial statements and the Group management report for the business year from 1 January to 31 December 2003 satisfy the conditions required for the company's exemption from its obligation to prepare consolidated financial statements and the Group management report in accordance with German law.

Düsseldorf, 8 April 2004

Rölfs WP Partner AG
Wirtschaftsprüfungsgesellschaft

Jochen Rölfs
Wirtschaftsprüfer

Jürgen Spielberg
Wirtschaftsprüfer

Stuttgart, 8 April 2004

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Nobert Pfitzer
Wirtschaftsprüfer

Ulrich Skirk
Wirtschaftsprüfer

List of references

Number of graduates from colleges and universities in Germany (see page 3):
Sekretariat der Ständigen Konferenz der Kultusminister der Länder in der Bundesrepublik Deutschland (Publisher): Statistische Veröffentlichungen der Kultusministerkonferenz, Dokumentation 167, March 2003. Prognose der Studienanfänger, Studierenden und Hochschulabsolventen bis 2020. Bonn 2003, page 34.

Percentage of people aged 60 or over: Population aged 60 and over (pension age) in relation to the population aged between 20 and 59 (persons capable of gainful employment) (see page 13):
Statistisches Bundesamt (Publisher): Bevölkerung Deutschlands bis 2050. 10. koordinierte Bevölkerungsvorausberechnung, Wiesbaden 2003, page 32pp.

Contributions to government-supported private pension provisions in Germany (see page 29):
Prognos AG (Publisher): Deutschland Report 2002 – 2020: Basel, Berlin, Brussels, Cologne, Bremen 2002, page 129p.

Assets managed in pension funds in relation to GDP (see page 37):
Deutsches Institut für Altersvorsorge, Cologne (Publisher): vorsorgeinfo 3/2001, page 1.

Increase in value of inherited wealth in Germany (see page 45):
BBE Das Beratungsunternehmen, Cologne (Publisher): Branchenreport Erbschaften Volume 2003, page 132.

Financial Calendar 2004

Annual General Meeting of MLP AG in Mannheim:	22 June 2004
Report on first quarter 2004:	26 May 2004
Report on second quarter 2004:	28 August 2004
Report on third quarter 2004:	24 November 2004

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Glossary

Acquisition cost
Acquisition cost is the amount of cash or cash equivalents paid or the fair value of other consideration given in order to acquire an asset at the time of its acquisition.

Available-for-sales securities
Securities available for sale are securities which are neither held with the intent that they will be held to maturity nor have been acquired for sale in the near term; securities available for sale are shown at their market value at the closing date.

Capital investment of the investment stock of unit-linked life insurance
Capital investments of policy holders are not included in unit-linked life insurance policies. These financial assets are kept separate from the Group's own financial assets. They are held on the liabilities side by the "actuarial life assurance reserves, inasmuch as these are to be covered by the investment stock" at the same level.

Cash flow statement
Statement about the source and disposal of means of payment during the financial year. It shows the changes in liquid assets divided into the areas of operating business activity, investment activity and financing activity.

Corporate governance
Corporate governance refers to the legal and practical framework for managing and monitoring companies. Corporate governance regulations serve to increase transparency, thereby increasing confidence in responsible company management and supervision which are oriented toward added value.

Deferred acquisition costs
Expenses of an insurance company which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies. They include commissions paid and the costs of processing proposals.

Earnings per share (basic/diluted)
Ratio calculated by dividing the consolidated profit or loss for the year by the average number of shares issued. For calculating diluted earnings per share the number of shares and the profit or loss for the year are adjusted by the dilutive effects of any rights to subscribe for shares which have been or can still be exercised. Subscription rights arise in connection with issues of convertible debentures or share options.

IAS/IFRS
International Financial Reporting Standards. Since 2002 the term IFRS is used to describe the overall concept underlying the issuing of standards by the International Accounting Standards Board. Adopted standards are referred to as International Accounting Standards (IAS).

Securities held to maturity
Securities held to maturity comprise debt securities held with the intent and ability to hold them to maturity. They are valued at amortized cost.

Segment reporting
Financial information based on the consolidated financial statements, reported by the following business segments: “consulting and sales”, “life insurance”, “banking”, “insurance” and “internal services and administration”.

Swap
The exchange of payment flows in order to benefit from relative cost advantages that one contractual partner enjoys compared with the other partner on a specific financial market. Interest rate swap involves exchanging payment obligations which are in the same currency, but subject to different terms of interest (e.g. fixed/variable).

Unearned premiums
Contributions received for future risk periods are accrued in the unearned premiums, which are in principle calculated on an individual basis for every insurance policy in proportion to the length of time involved.

Unit-linked life insurance
The benefits payable under this type of life insurance depend primarily on the performance of the investments in a mutual fund. The policyholder shares equally in the profits or losses of the underlying investments.

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