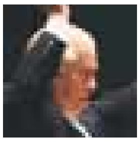
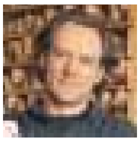
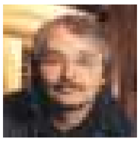
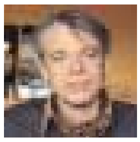
QUALITY ENSURES VALUES

Annual Report 2004

“QUALITY BEGINS WITH PEOPLE, NOT WITH THINGS”

Sergiu Celibidache conductor
Alfred-Klaus Bercher restaurant critic
Benjamin Klemann bespoke shoemaker
Reinhard Löwenstein wine-grower
Prof. Dr. Gerhard Neukum planetologist
Andreas Hentschel master watchmaker

For these personalities quality is a passion – for MLP quality is a mission, **since it secures value.**

Our aim is to offer all our clients top quality financial concepts covering all aspects of old-age provision, financial security and investment.

THE MLP GROUP

Key figures in € million	2004	2003	Change in %
Total revenues	703.3	536.2	31 %
Revenue from brokerage business	421.3	317.4	33 %
Revenue from insurance business	220.7	160.9	37 %
Revenue from banking business	46.2	44.3	4 %
Other income	15.0	13.5	11 %
Profits from operations (EBIT)	98.2	79.4	24 %
EBIT margin	14.0 %	14.8 %	
Profit before tax (EBT)	87.7	68.9	27 %
Net profit	51.4	39.3	31 %
Earnings per share in €	0.47	0.36	31 %
Dividend per share in €	0.22	0.15	47 %
Total dividend	23.9	16.3	47 %
Capital expenditure	25.3	37.0	−32 %
Shareholders' equity	289.0	253.8	14 %
Return on equity	17.8 %	15.5 %	
Clients	618,500	561,500	10 %
MLP consultants	2,546	2,771	−8 %
Branch offices	300	347	−14 %
Employees	1,775	1,835	−3 %
Brokered new business			
Old-age provision (premium sum in billion €)	11.2	7.4	51 %
Health insurance (annual premium)	58	64	−10 %
Loans (volume)	806	1,064	−24 %
Inflows into mutual funds	575	606	−5 %
Funds under management (in billion €)	4.1	3.5	17 %

PROFILE

MLP is an independent financial services company with a unique business model. Since its foundation in 1971, MLP has focussed on advising graduates and other discerning clients. The company's focus is on pension provisions, asset management and risk management. MLP is the market leader in this segment. With some 2,500 highly qualified consultants and an extensive range of services MLP supports almost 620,000 clients in every aspect of personal financial management including occupational pension schemes.

We source the best products available in the marketplace from numerous companies to develop innovative financial concepts that are tailored to our clients' individual requirements. Both this third-party brokerage and our bestpartner concept stand for top quality. Thereby clients' premium payments are divided across several top-performing partners within a policy contract.

OUR MISSION

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

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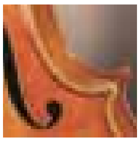
"RECORDINGS ONLY GIVE YOU AN IMPRESSION OF REALITY"

Sergiu Celibidache, conductor

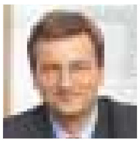
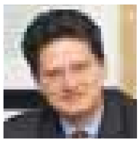


Sergiu Celibidache has resisted having recordings made of his work for his entire life. His motto: "Music can only be experienced in a concert hall." The legendary maestro "strove unreservedly for an ideal of pure, unspoilt music" (Frankfurter Allgemeine Zeitung). He always displayed an unparalleled intensity when rehearsing with all the orchestras he led up until his death in 1996. Under his leadership, the Munich Philharmonic became an elite ensemble in demand throughout the world.

As passionate as he was strict, the conductor's aim was not "virtuosity for virtuosity's sake". Rather, he strove "over and over to discover what the composer wanted". "I have no intentions other than one: to depersonalize myself to such a degree that I can slip into Mozart's shoes for half an hour."

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

The Executive Board

Members of the Executive Board

Dr. Uwe Schroeder-Wildberg (40), **Chairman and CEO**
Planning and strategy, human resources,
communication, legal affairs, audit and IT;
appointed until 31 December 2007

Eugen Bucher (47)
Sales;
appointed until 18 May 2007

Gerhard Frieg (48)
Product management and purchasing;
appointed until 18 May 2007

Nils Frowein (40)
Treasury, accounting, controlling,
tax, general administration;
appointed until 31 March 2009

Letter to our shareholders

Dear shareholders,

In 2004, MLP implemented the plans announced one year previously and continued to achieve profit-oriented growth. We met our ambitious targets without exception. There was a double-digit percentage increase in the number of new clients, up 10 percent to 618,500. We also lifted total revenues by 31 percent to €703.3 million. The positive business trend is also reflected in the much improved profit from operations (EBIT) which increased 24 percent to €98.2 million. Our net profit came to €51.4 million (+31 percent). We also increased return on equity to 17.8 percent (2003: 15.5 percent).

The strategy and value enhancement programme, MLP BEST VALUE, made a substantial contribution to the positive trend in our key figures in 2004. With this programme, we initiated a number of individual projects aimed at harnessing new potential. In addition, we optimised our branch office network and implemented targeted measures to improve efficiency and productivity. This helped revenue per branch rise by 57.6 percent to €1.8 million. With MLP BEST VALUE we have therefore paved the way for further profitable growth.

General conditions are now better than ever for MLP, as are chances of achieving above-average growth over the long term:

- Firstly, the latest laws and cuts show that state services in the pension and health sectors are continuing to shrink. Individuals are faced with a shortfall that can only be compensated for by increased private provision.
- Secondly, pension and healthcare provision is becoming an ever more complex subject, as a result of which there is a demand for competent advice and individual solutions. MLP offers both in a way that is unique in the marketplace.
- Thirdly, the typical MLP client has an above-average income compared to the population as a whole. This increases the need for quality consulting that covers all aspects of provision management.

Occupational pension schemes are one example of MLP's excellent prospects. These are becoming increasingly important as an integral part of any pension solution. Industry experts anticipate a sharp rise in the volume invested annually in this type of old-age provision. Although many companies already offer their employees an in-house pension scheme, most employees have yet to take up the products on offer.

Occupational pension schemes are therefore a strategically important market for MLP. We are seizing the opportunities available to us by advising mainly small and medium-sized enterprises and their employees on all aspects of state-sponsored occupational pension schemes. These offer companies two key benefits. Firstly, they become a more attractive employer for highly qualified staff, and secondly, they can reduce wage costs. With employer-financed and employee-financed models, MLP covers all aspects of occupational pensions, thereby generating great cross-selling potential.

In 2004, MLP positioned itself in this growth market and created unique selling points, from which it will already begin to benefit in 2005. We founded MLP BAV GmbH and acquired 51 percent of BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH. We are present across Germany with a high-quality sales team and cover the full spectrum of integrated consulting – from employer-financed and employee-financed models, through mathematical and legal opinions, right up to pension management, complete pension solutions and working life models. The confidence in the quality of our independent advice on occupational pension schemes is demonstrated by the fact that MLP has been commissioned by the German medical associations to advise the 170,000 doctors working in Germany on issues relating to occupational pension schemes.

Our success in all lines of business is based on our tried-and-tested business model, which itself essentially consists of three factors:

- **Independence**
  MLP tailors solutions to its clients' needs from the best products available in the marketplace.
- **Focus on one target group**
  Since it was founded, MLP has concentrated on advising one particular target group – university graduates and discerning clients.
- **Quality consulting**
  Our consultants receive unique, high-quality training at our Corporate University. Benefits for clients include continuous support and comprehensive service.

It is these three factors combined, rather than each one individually, that represent MLP's key unique selling point.

Therefore, in the financial year 2004, we were rigorous in taking measures to significantly strengthen our independence. These included increasing the number of product and solution partners and competing against the best providers in the marketplace with our own products. Our mission is to provide our clients with independent consultation – and this takes a very high priority. In order to be better able to concentrate on this core skill in future, the Executive Board of MLP AG intends to streamline the Group's structure through the planned sale of the subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG.

We also turned our attention to developing a systematic quality management procedure in 2004. Our focus on quality in our consulting and financial products is not simply a motto for this annual report, it has also been supported with hard facts by clients themselves in a broad-based satisfaction analysis. Nevertheless, we have identified potential that we intend to exploit rigorously in an effort to improve our market position further.

Another of our intentions is to do more to communicate MLP's understanding of quality to those outside the company. That is why we are investing in MLP as a premium brand. With our enhanced and sound corporate design, we will continue to cement our modern and innovative image among the public.

We have every reason to be confident about 2005. The unique selling points of our business model and the favourable market environment indicate strong growth. Demand for pension products among new and existing clients remains high. For example, people are increasingly conscious of the need for long-term coverage. Our target group is well aware of the need for private cover if they are to continue enjoying a high standard of living in their old age. And, not least due to Germany's tax reform and Alterseinkünftegesetz, the act governing the taxation of pensions and annuities, they have the liquidity they need to make provisions.

The acquisition of new clients is high on MLP's agenda for this year. Another key aim is to continue expanding the integrated consulting service extended to our clients. With this aim in mind, we are developing tailored financial products offering old-age and healthcare provisions, as well as risk, asset and cash management.

Profitable growth is also our aim abroad. Following the consolidation of structures and the expansion of our consulting skills in 2004, the stage is set for gradual international expansion again in the current financial year.

We are very well placed overall due to our diverse strengths. Through our focus on a clearly defined target group, our independence and our outstanding consulting skills, we will continue to seize the opportunities available to us in 2005 rigorously.

On behalf of my colleagues on the Executive Board and all MLP employees and consultants, I would like to thank you, our shareholders, for the confidence you have placed in us. We are pleased to have you with us on the road to becoming one of the leading financial services providers in Europe.

At the same time, I would also like to extend a word of thanks to all our employees and consultants for their dedication and enthusiasm, both of which are essential to MLP's continued success.

Yours sincerely,

Dr. Uwe Schroeder-Wildberg

Report by the Supervisory Board

The Supervisory Board acted according to German law and the company's articles of association and discharged its duties of supervision in their entirety in the financial year 2004. It regularly advised and monitored the Executive Board in its management of the company. All relevant business transactions were reviewed. The Supervisory and Executive Boards met to discuss business development, strategy and key events within the company. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. The Executive Board therefore provided the Supervisory Board with timely and comprehensive reports, both written and oral, on a regular basis and on all relevant issues related to corporate planning, strategic development, the business situation and the position of the Group as a whole, including the risk situation and risk management.

In the financial year 2004, the Supervisory Board held eight regular meetings, all of which were attended by all members. Meetings of the Personnel and Audit Committees were also held. Furthermore, the Chairman of the Supervisory Board met with the Executive Board on a regular basis to discuss specific issues.

Supervisory Board meetings and important resolutions

At its meeting in January 2004, the Supervisory Board discussed the appointment of Nils Frowein as Chief Financial Officer of MLP AG. The Supervisory Board also dealt with the company's operational and strategic focus.

The provisional financial statements for 2003 and business developments in the first quarter of 2004 were the focus of the meeting held in March. The Supervisory Board also discussed the internal audit report on the financial year 2003.

In April, the Supervisory Board dealt with the audited annual financial statements of MLP AG for 2003, the consolidated financial statements for 2003, the management report of MLP AG, the group management report for 2003 and the Executive Board's proposal for the appropriation of the unappropriated profit. In doing so, it discussed in particular the changes caused by the transition from the German Commercial Code (HGB) to IFRS reporting. Current business developments and the presentation of the MLP BEST VALUE programme were also on the agenda.

At its meeting in May, the Supervisory Board dealt with the figures for the first quarter. It also discussed in more depth the issue of whether MLP Finanzdienstleistungen AG should apply for authorisation as a financial services institution. The Supervisory Board supported this step since this kind of authorisation offers opportunities to develop new products, and regulatory influence is expected to increase at a European level.

In June, the Supervisory Board received information on business developments in the second quarter of 2004.

In August, business developments in the first half of 2004 were among the items on the agenda. In addition, the Executive Board presented the planned acquisition of BERAG GmbH, Bremen, by MLP Finanzdienstleistungen AG to the Supervisory Board.

Business developments in the third quarter of 2004 were the subject of the meeting in November. In addition, the Supervisory Board resolved to disclose details of Executive and Supervisory Board remuneration in the future.

In addition, the Executive Board and the Supervisory Board of MLP AG worked on streamlining the Group's structure. Both bodies regard this as a strategically vital move that will help us focus more effectively on our core competence of offering independent financial advice. Considerations with regard to the sale of MLP Lebensversicherung AG and MLP Versicherung AG were discussed at length. With a view to the requirements of the law on improvement of investor protection, the Supervisory Board and the Executive Board decided to inform the public about the possible sale of these two companies.

In December the Supervisory Board dealt with budget planning for 2005 and with the report of the compliance officer. Other points on the agenda included the resolution on the declaration of compliance in line with § 161 of the German Stock Corporation Act (AktG).

Corporate Governance

In 2004, the Supervisory Board spent much time and effort working on the German Corporate Governance Code. MLP AG complies strictly with the recommendations of the Government Commission on the German Corporate Governance Code (version dated 21 May 2003). The Supervisory and Executive Boards submitted a declaration of compliance in accordance with § 161 of the German Stock Corporation Act (AktG) for the financial year 2004. In this report, the remuneration of the Executive and Supervisory Board members is shown individually for the first time. Contrary to the recommendations of the Code, MLP's consolidated financial statements are not published within 90 days of the financial year-end, but after 120 days; analogously, the interim reports are not published 45 days, but 60 days after the end of the reporting period. The Supervisory Board followed the recommendation of the German Corporate Governance Code and monitored the effectiveness of its own work.

Audit of the annual financial statements for 2004

The annual financial statements of MLP AG for 2004 and the management report were prepared by the Executive Board and audited by Ernst&Young AG Wirtschaftsprüfungsgesellschaft, Stuttgart, which issued an unqualified auditors' opinion. This was also the case with the consolidated financial statements and Group management report prepared in accordance with IFRS. Taking advantage of the exemption provision in § 292a HGB, MLP did not prepare consolidated financial statements in accordance with the German Commercial Code.

The financial statements and the auditors' reports were made available to all Supervisory Board members in good time. The Audit Committee and the Supervisory Board examined and discussed the statements and reports in detail in the presence of the auditors. The Supervisory Board concurred with the outcome of the auditors' audit and in the course of its own audit found no grounds for raising an objection. Accordingly, the annual financial statements of MLP AG and the consolidated financial statements in accordance with IFRS were approved at the meeting held on 18 April 2005. The annual financial statements are therefore adopted.

The Supervisory Board concurred with the Executive Board's recommendation that a dividend of €0.22 per share be paid for the financial year 2004.

The Supervisory Board would like to thank the Executive Board, the management of the respective Group companies and all employees of the MLP Group for their commitment and achievements in the financial year 2004.

Heidelberg, April 2005
The Supervisory Board
Manfred Lautenschläger
Chairman

"IN ADDITION TO PERSONAL SKILL AND THE BEST QUALITY INGREDIENTS, GOOD FOOD ALSO ALWAYS REQUIRES CREATIVITY"

Alfred-Klaus Bercher, former head of the German "Michelin Guide"

Alfred-Klaus Bercher is an enthusiastic gourmet and seasoned connoisseur of haute cuisine. As chief taster for the world's most important restaurant guide, he constantly searched for the ultimate taste sensation. With the quality mark of the sought-after Michelin stars, Bercher also spent 35 years promoting the international reputation of German cooking.

The uncompromising critic received a euphoric reception last year for his efforts when he was awarded the new Gastronomy Culture Prize by the country's top chefs to mark his retirement as chief editor. In light of these achievements, his motto is quite modest: "Quality also has a lot to do with communication. The art of good food can only be learned in the family."

Review of 2004

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January February March April May June

January

Increased independence

MLP expands its independence as a financial services provider and transfers responsibility for product purchasing to its subsidiary MLP Finanzdienstleistungen AG. This task had previously been the responsibility of MLP Bank, MLP Lebensversicherung AG and MLP Versicherung AG, who also develop their own products.

February

Visions for the Rhine-Neckar-Delta

The Rhine-Neckar-Delta is to become one of the most attractive and competitive regions in Europe. MLP supports the initiative “Future for the Rhine-Neckar-Delta”, which launched 16 projects for developing the region starting in 2005.

March

30 top performers in one fund

Our titan portfolio product innovation sets new standards in the funds business. It offers MLP clients access to 30 leading funds from various investment markets. These have been selected from more than 5,000 funds based on top valuations from the rating agencies Feri Trust and Morning Star.

Standard & Poor’s Award

MLP receives the Standard & Poor’s Award 2004 for its “Basic Fund I” and the “DWS Share Strategy for Germany”. The two funds issued exclusively for our clients displayed above-average performance for an investment period of five years as well as over one year. The awards confirmed our investment strategy.

May

Title sponsor of the MLP Marathon in Mannheim (1)

The first Mannheim city marathon, which MLP supports as title sponsor, is a great success. Some 5,800 participants rise to the challenge, 300 of them MLP employees, cheered on through the city centre by 80,000 enthusiastic spectators.

June

Expansion of the company head office (2)

More than 200 guests from the worlds of trade and industry, politics and science celebrate the expansion of the new MLP company head office in Wiesloch. MLP invested €80 million in the project. Some 600 employees work in the new head office, while 27 seminar rooms offer space for 1,200 people. The architecturally attractive building symbolises growth and progress.

Successful annual general meeting (3)

“Recognise growth, seize opportunities, shape the future” is the motto of the MLP annual general meeting in Mannheim. Around 1,700 shareholders, representing 56 percent of the share capital, pass a vote of confidence in the Executive Board and the Supervisory Board. The actions of the Executive Board were approved with 99.2 percent and those of the Supervisory Board with 96.5 percent.


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July August September October November December

July

Lecture tour with Raffelhüschen (4)

MLP wins the renowned public finance expert Dr. Bernd Raffelhüschen for a nationwide series of lectures on demography and old-age provision. The member of the Rürup Commission on financing social security informs MLP clients and their guests of the most important agendas in private pension provisions in a series of over 40 lectures.

October

A holding in occupational pension scheme experts, BERAG

MLP takes over 51 percent of the shares in the Bremer Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH (BERAG). This move strengthens MLP's position in the future market of occupational pension schemes. The remaining shares will be purchased by 2008.

November

Career start in global companies

The Allianz Group in Singapore, Lufthansa in Mexico City – students with the "join the best" programme, developed exclusively by MLP in cooperation with the magazine "Karriere", can enjoy work placements with ten world-class companies. The applicants are selected via a multi-stage assessment centre process.

"IT user of the year"

MLP is chosen as "IT user of the year 2004" for the redesign of its IT infrastructure. The award is granted by the specialist journal "Computerwoche" and management consultancy Gartner Deutschland GmbH. Evaluation criteria include innovation, user-friendliness and orientation towards future needs.

Quality benchmark for the sector (5)

Consensus on strategic aims at the sales conference in Berlin: MLP aims to remain the financial services market leader in 2005 in terms of consulting quality and productivity. The standards set in 2004 for development to a premium brand form our guideline for working in the future.

Successful recruiting offensive (6)

MLP is an attractive employer that offers junior staff the best prospects. Our company enjoys a good image in the personnel market. This is confirmed by the high level of interest shown in MLP by the participants of the graduate congress in Cologne. The largest applicant fair for students in Europe supports us in recruiting young, talented consultants.

December

More than 600,000 clients

The upward trend in the number of new clients continues in 2004. In mid-November we welcome our 600,000th client, a lawyer from Hanover. MLP says a special thank you to the excited client by awarding him an extra bonus.

€50,000 for aid organisations

On Boxing Day the flood catastrophe in Asia hits the Indonesian region of Aceh particularly hard. MLP immediately donates €50,000 to support organisations involved in local humanitarian aid. Further initiatives by the staff and the company follow.

“It’s too expensive to have children”

Interview with public finance expert Professor Dr. Bernd Raffelhüschen on old-age provisions

Prof. Dr. Bernd Raffelhüschen is one of the most prominent experts on the problems associated with pensions. For the Rürup Commission on financing social security he has developed far-reaching reform proposals. He heads the Freiburg Institute for Public Finance and Economics and is research professor at the University of Bergen in Norway.

At your lectures you say to the 40- to 50-year-olds on the problem of old-age pension schemes: “You don’t have a problem. No, you are the problem.” Is our welfare state threatening to collapse because this generation has too few children?
“Not necessarily. One real threat to the system would be if the labour force and capital started migrating in large numbers and figures for fear of escalating social security contributions. However, we have taken measures to counter this. The reformation of our pension system has been completed for the most part. I hope we will be just as successful in managing this for civil service pensions and health and nursing care insurance.”

How does Germany compare with other countries as regards pensions?
“We are one of the few European countries with a good chance of getting their pensions under control in the long term. And we have only cut the highest pension level of the richest pensioners in the world. In other European countries that consider themselves Europe’s reform engines, far less ambitious pension reforms have folded in the face of general strikes. The previous reforms broke a paradigm. Now it is clear – the state does not arrange everything. It is no longer the state’s job to guarantee living standards. If the decision falls in favour of retirement at 67 in 2008, then pensions will be safe in the long term.”

Will civil servants also have to face a 20 percent cut in their pensions?
“20 percent, as with pensioners, is not enough. Even today the proportion of elderly civil servants is too high. They are much older than the rest of the population. This is because the number of civil servants was doubled in the 70s. All those who were made civil servants at the age of around 30 during this period are now going into retirement or will be doing so soon. The civil service pensions will probably need to be cut by 25 to 28 percent in order to bring the situation under control. The retirement age will have to be 68 or 69.”

“Reunification has rejuvenated Germany”

Does the underestimated burden caused by reunification not play a fundamental role in the pension and health problem?
“No, on the contrary. Germany has been rejuvenated by the reunification. The birth rates in the East in the 70s and into the 80s were double those in the West. In those days, the only way to get your own flat was if you had a child. That is why women in East Germany often had their first child between the ages of 18 and 21. Reunification and the emigration of young workers to the West put a stop to this phenomenon.”

Instead of cutting pensions, would a policy that is considerably more child-friendly not be an alternative? A policy that does everything to try and increase the birth rate?
"Even if such a policy were successful, it would be 25 years before future contribution payers were on hand. It would be good for the labour market to give some thought to that. The children of the future are simply arriving too late for the social security system. Resources would need to be employed more efficiently in family policy. One of the next commissions will need to deal with the redistribution from childless couples to those with a large number of children. Having children is too expensive. Those without children must contribute more to the costs of the others."

What do you see as the fundamental problem regarding nursing care insurance?
"We have entered into an inter-generation contract, although we know that the generation that must fulfil this contract does not exist. When the baby-boom age group starts needing nursing care, contributions will have to be raised by six or seven percent. The working population will not want to pay this."

Which means?
"45-year-olds today should not only prepare themselves for lower pensions and a longer working life. They will also need savings for health provision or extra insurance, and additional personal cover if care is needed. Or – if they need nursing care – they will need to be prepared to sell their house. The principle that we are responsible for ourselves first, then our families, then the state will be resurrected. Maybe children will have to pay for the care of their own parents, if possible."

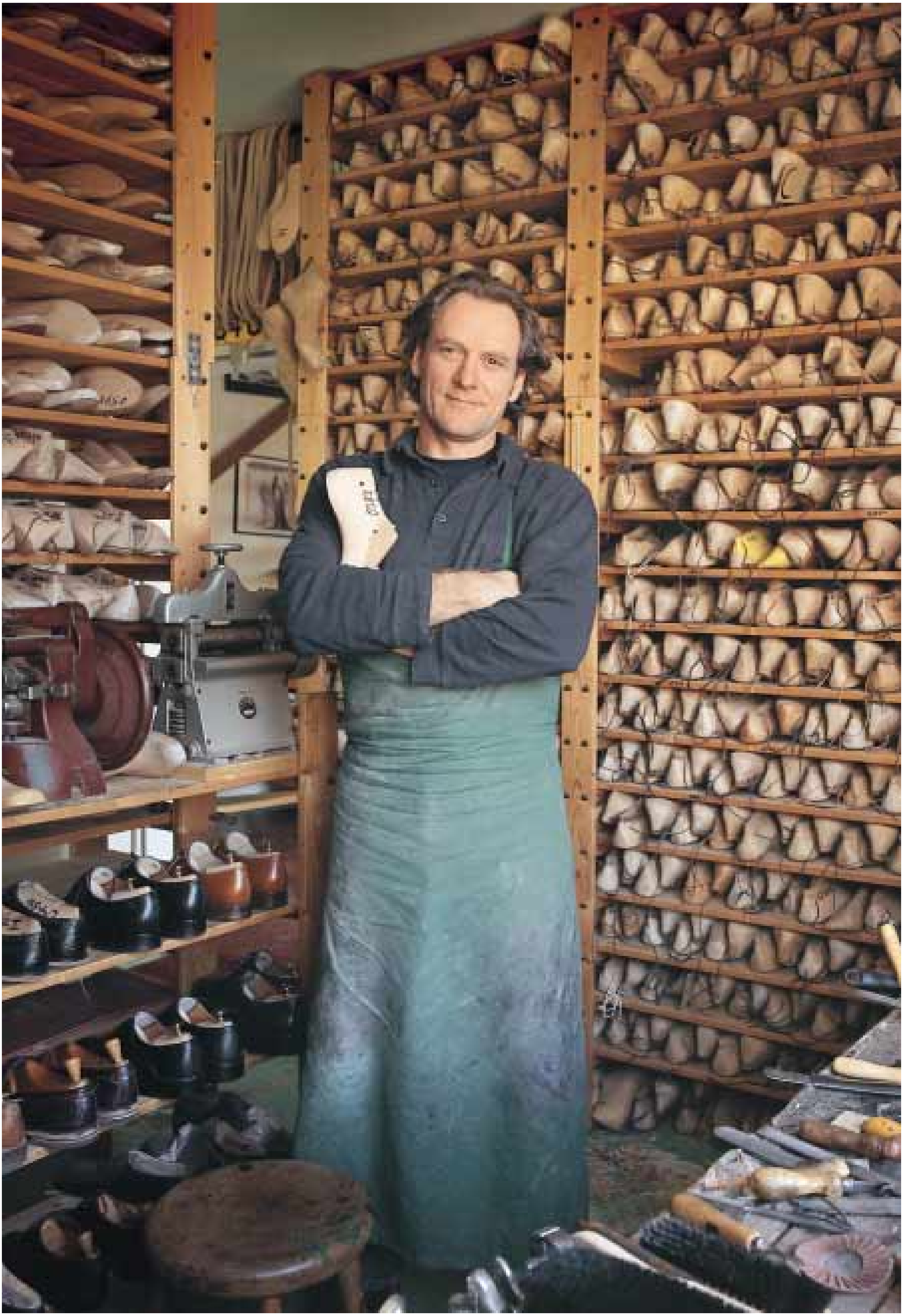
How do you see the health reform progressing?
"Over the next few years, we will primarily be concerned with the revenue side of health insurance: suretyship or flat-rate contribution. This is a purely political redistribution discussion. I am in favour of a flat-rate contribution, as we need to separate health from income."

"Why should the poor pay for the rich's skiing accident insurance?"

How can expenditure be reduced?
"We need to reduce the benefits paid out by the statutory health insurance funds without affecting the basic provisions. Furthermore, those insured are required to take more responsibility and make more of their own contributions. This is particularly true for dentistry, private accident insurance and health resort treatments. Such cover has no place in the inter-generation contract. Why, for example, should the poor pay for the rich's skiing accident insurance? Why should someone who looks after their teeth finance dentures for someone who never cleans theirs?"

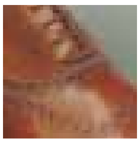
The problem also lies in high outpatient and medical costs...
"I have the following to say regarding outpatient treatment, medicines and the like: Forget material reimbursement, think financial reimbursement. Everyone gets their own invoice. Everyone checks their own invoice. Everyone pays their own invoice; and no one gets everything back. An invoice for which I am fully reimbursed is of no interest to me. Contribution payments foster price awareness. With the exception of prophylactics, emergency medical aid and major risks that are chronic, everything should fall under excess insurance. In addition to this, we have too many hospitals. Prices and competition should decide which ones close."

The interview was conducted for MLP by Ulrich Mattner, economic journalist (Frankfurt am Main)



"TO MAKE EACH SHOE A PERSONAL MASTERPIECE, YOU NEED TO EXPERIENCE THE LEATHER SENSUALLY"

Benjamin Klemann, master shoemaker



Benjamin Klemann invests at least 200 working stages in each pair of handmade shoes. As such, he creates a "Rolls Royce for the feet" for every one of his customers, so to speak. As one of only three masters worldwide of the "regal craft" of producing custom-made shoes, he is supplied with the finest 220-year old Russian leather by the Duchy of Cornwall, the dukedom of the British heir to the throne, Prince Charles.

Klemann's workshop on the Basthorst property in Northern Germany has long been among the international elite of fine shoemaking. "Time is one of the most important factors in manufacturing quality products", says the master of his craft, "as we tailor each original to the person as a whole, not just to their feet."

Management report

2004 was MLP's most successful year since it was founded in 1971. Group revenues rose by 31 percent to €703.3 million. A decisive contributing factor to this positive development was the significantly higher productivity of MLP consultants. Profit before tax (EBT) climbed 27 percent to €87.7 million despite restructuring costs to the tune of €21.3 million. MLP is also expecting a two-figure increase in profits in the financial year 2005.

General economic situation

World economy accelerates again

The year 2004 was marked by a dynamic development in the world economy. The worldwide gross domestic product rose more steeply than it has in almost thirty years. The powerful upturn slowed somewhat during the course of the year, however, damped by the sharp rise in oil prices. Nevertheless, the worldwide gross domestic product rose considerably by 5 percent.

Among the driving forces behind the growth in international economic activity were the United States, with an increase of 4 percent. Asia also continued its upward trend. Yet the real spur for the world economic situation was China once again, with growth of 10 percent. The Japanese economy also picked up, increasing by 4 percent.

Things are on the up in Germany, but only slowly

In 2004 the German economy overcame a stagnation that has lasted almost three years. Following a slight slump of 0.1 percent in 2003, Germany recorded a moderate growth of 2 percent in the reporting year. At the start of January 2004, the Ifo business climate index had reached a value as high as that of three years previously. However, the optimistic expectations were not to be fulfilled. The Ifo index showed a downward trend throughout the year and reached its lowest point in the middle of the fourth quarter.

Considering the booming world economy, Germany brought up the rear among the economic nations. The driving force behind domestic growth was export, which rose by 8 percent (2 percent in 2003). The economic trend was checked primarily by weak domestic demand and flagging economic movement in the second half of 2004. After a stagnation in 2003, private consumption dropped by 0.3 percent. Crucial factors behind the weakness of domestic economic activity included consumers' and investors' lack of confidence in the labour market and the delay of important political decisions to stimulate the economic situation.

Development in sectors relevant to MLP

Taxation of life insurance

Sectors relevant to MLP include independent brokers, insurance companies and banks. The demand for insurance and banking products developed cautiously at first, despite improved trend indicators. In the first half of the year this was due mainly to the uncertainty surrounding the taxation of life insurance policies and the anticipated revision of the law. These were placed on a completely new basis due to the law on pension income adopted by the Bundestag in summer 2004. According to this the state places more and more of the responsibility for old-age provision onto the individual. So from 2005 on statutory pension payments are subject to taxation. At first the taxable portion is 50 percent rising gradually to 100 percent by 2040. Therefore there is a big demand for additional old-age provision. In addition there is a fundamental rearrangement of private and occupational pension schemes. For example, as of 2005 lump sum payouts for newly contracted life insurance policies are subject to taxation.

Provisions are on the up

The current discussion of the pension reform and the resulting focus on private provision led to a considerably higher demand for long-term pension products.

Life insurance: 37 percent more policies signed

Income from premiums in the life-insurance business rose again in 2004, although the first three quarters were marked by a rather weak demand for insurance products. In the fourth quarter, however, business really picked up. In a year on year comparison, total premiums rose only insignificantly by 1 percent to €68.18 billion. New business, on the other hand, recorded a plus of 37 percent, rising to 11.79 million contracts with a recorded new business of €351.46 billion. The reasons behind the high demand for life insurance included the introduction of the law on pension income and the accompanying taxation of gains from life insurance policies as of 2005.

Weak economic situation influences banking

2004 was not an easy year for the German banking industry, which suffered particularly in the face of the weak economic situation in Germany and strong competition for reasonable terms and conditions. The negative effects became particularly apparent in the reluctance of the economy to make new investments. Private customers also proved less willing to invest. In 2004, private households increasingly refrained from making larger purchases and were cautious in house building.

Fund assets reach record level

Assets under management developed positively on the whole in 2004. They achieved a new record level with a total volume of €1 trillion. An inflow of funds and the positive trend on the capital markets contributed equally to the all-time high. Overall, mutual funds rose to €142.2 billion thanks to this appreciation. Fixed income bonds follow at €139.5 billion. Next in line are open-end real estate funds with assets totalling €87.2 billion, followed by money market funds at €60.0 billion, which have recently taken a downward turn. Over the last ten years the growth of managed fund assets has stood at an average of 12 percent per year. The sector is expecting this positive trend to continue for 2005.

Specific influences for financial services providers

Government passes the responsibility for old-age provisions onto citizens

The pension fund sustainability law and the law on pension income that came into force at the beginning of 2005 have had a direct influence on private provisions and asset management. The state is using these two far-reaching reform bills to ensure that a large part of the responsibility for future old-age provisions will be borne privately. MLP is ideally positioned in this growth market as an integrated financial services provider offering competent and independent advice.

The law on pension income governing the taxation of gains from life insurance policies, which came into effect on 1 January 2005, spurred on our new business in pension products in the fourth quarter of 2004. In contrast, health insurance activities took a back seat due to the high demand in the old-age provision sector and the continuing debate on “citizen’s insurance” and “flat-rate contribution”. The weak economy in Germany led to a slight downward trend in business as regards home financing.

MLP’s business model

Almost 620,000 MLP clients benefit from MLP’s unique business model. Since our establishment as an independent financial services advisor in 1971 we have concentrated on advising university graduates and other discerning clients on pension provisions, including occupational pension schemes, and on risk and wealth management.

Around 2,500 highly qualified MLP consultants support our clients in all areas of personal financial management. With a comprehensive product and service offering, we are positioned in Germany as the leading financial services provider for university graduates and other discerning clients in one of the most important growth markets of the coming years.

Development of new business

Life insurance boom

In 2004, against the backdrop of the introduction of the law on pension income, MLP deliberately concentrated on arranging life insurance policies and pension schemes. The fourth quarter saw a particularly sharp increase in new business due to the increased demand for pension provision products. Premium income from brokered policies grew by 51 percent to €11.2 billion, €5.3 billion of which was recorded under the fourth quarter. Brokered new business in the health insurance sector dropped by 10 percent from annual premiums amounting to €64.0 million to €57.5 million in 2004. The mutual funds sector developed laterally. The inflow of funds reached a volume of €575 million (€606 million). The field of financing saw a decline in new business, with the volume of brokered new loans dropping by 24 percent from €1,064 million to €806 million.

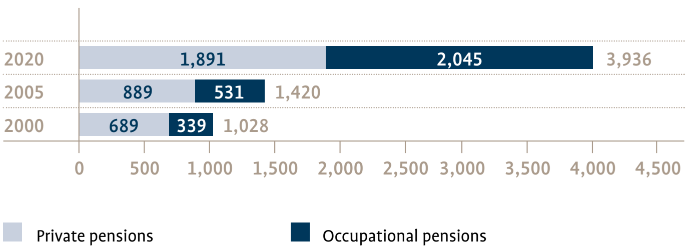
New business

	2004	2003	2002
Old-age provisions (premium sum in € billion)	11.2	7.4	6.3
Health insurance (annual premiums in € million)	58	64	75
Loans (volume in € million)	806	1,064	893
Inflows into mutual funds (in € million)	575	606	664

Growth market: occupational pension schemes

The occupational pension scheme will be a fixed component of private provision concepts in the future. As the rate of penetration in German companies is still low, the occupational pension scheme opens up enormous growth potential, particularly among medium-sized businesses. Market experts are predicting an average growth rate of 8 percent in this market up to the year 2020. We strengthened our position in this strategically important market considerably in 2004. With the foundation of MLP BAV GmbH and the acquisition of 51 percent of shares in the BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH, we have acquired a unique selling point. MLP also offers qualified consultancy on occupational pension schemes nationwide in Germany. At our new bAV Competence Centre we cover the entire spectrum of consultancy concerning occupational provision concepts.

Predicted development of private and occupational provision – investment volume (in € billion)



Source: Tillinghast

Trends abroad

MLP concentrates on developing its business abroad at selected university and college towns. Outside Germany, MLP is present in Austria, Great Britain, Switzerland, the Netherlands and Spain.

In 2004 the sales and administrative structures of the foreign sites were systematically strengthened in order to create the prerequisites for profitable growth in the future.

In Great Britain, MLP was awarded the coveted "Investor in People Award". Here we founded the first Consultant Academy in cooperation with the Sir John Cass Business School. The aim of the academy is to further improve the training of British MLP consultants and to increase MLP's attractiveness as an employer.

In 2005 we will celebrate our 10-year business anniversary in our largest foreign market, Austria. This market now employs 80 consultants at nine sites to look after more than 13,000 clients.

Organisation and structure

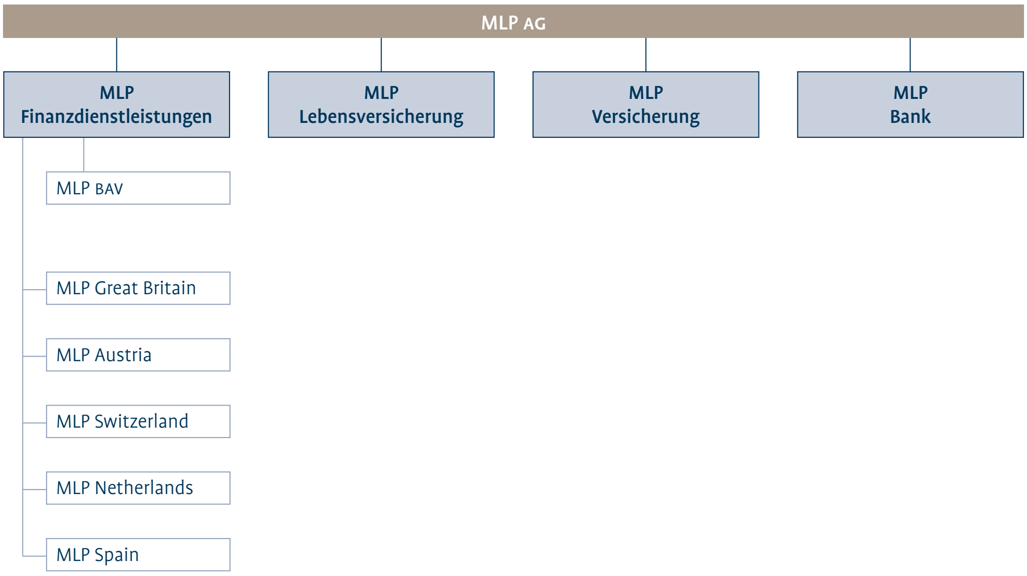
MLP AG is the strategic management and holding arm of the MLP Group. The following companies belonged to the Group in 2004:

- MLP Finanzdienstleistungen AG, including MLP BAV GmbH, BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH (including its subsidiary) and its foreign branch offices and subsidiaries
- MLP Lebensversicherung AG
- MLP Versicherung AG
- MLP Bank AG
- MLP Login GmbH

All companies are wholly owned by MLP AG, with the exception of MLP Lebensversicherung AG (99.9 percent) and Beratungsgesellschaft BERAG GmbH (51 percent).

MLP AG has concluded control and result transfer agreements with MLP Finanzdienstleistungen AG.

Overview of areas of business and regions

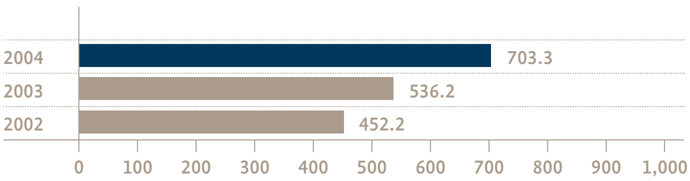


Group financial situation

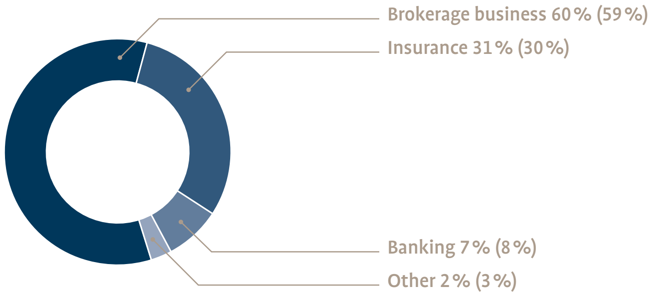
Total revenue up 31 percent

MLP Group business continued to develop pleasingly in 2004. We increased total revenue by 31 percent from €536.2 million to €703.3 million. In 2004, the brokering business was again the most significant value driver. It shot up by 33 percent to €421.3 million (€317.4 million). One of the crucial factors behind the increased growth was a high demand for old-age provision products following the introduction of the new law on pension income in Germany.

Total revenue (in € million)



Composition of revenue



Previous year's figures in brackets

Insurance business up to 37 percent

Revenue from the insurance business rose by 37 percent to €220.7 million. The increase in revenue is essentially due to the upturn in new business. Revenue from the banking business increased by 4 percent to €46.2 million. This includes commission earnings of €30.5 million (€29.1 million) and interest revenue of €15.7 million (€15.2 million). At €88.1 million, the change in deferred acquisition costs remained at the previous year's level of €89.4 million.

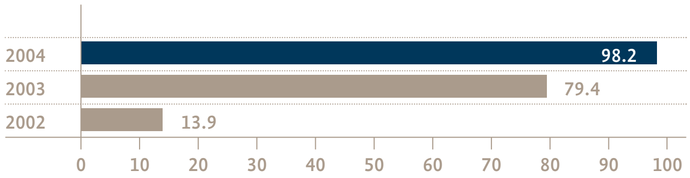
Expenses in the brokerage business increased by 61 percent to €251.5 million (€156.6 million). The distinct rise resulted from the upturn in new business in the old-age provisions sector and the resulting success of the branch offices. Expenses in the insurance business also grew accordingly, rising by 14 percent to €121.2 million (€106.5 million). In the banking business, expenses dropped slightly by 5 percent to €11.5 million (€12.2 million).

Personnel expenses remained practically unchanged, sliding by €0.9 million to €81.9 million. At €25.5 million, depreciation also remained at the previous year's level of €25.4 million. Other operating expenses rose by 24 percent from €162.7 million to €201.5 million. This includes €21.3 million restructuring costs for streamlining the branch office network.

Net profit up by 31 percent

Profit from operations (EBIT) saw growth of 24 percent to €98.2 million (€79.4 million). Finance cost remained unchanged at –€10.5 million (–€10.4 million). Profit before tax (EBT) rose by 27 percent to €87.7 million (€68.9 million). Net profit for the year increased – at a similar rate of taxation – by 31 percent to €51.4 million (€39.3 million).

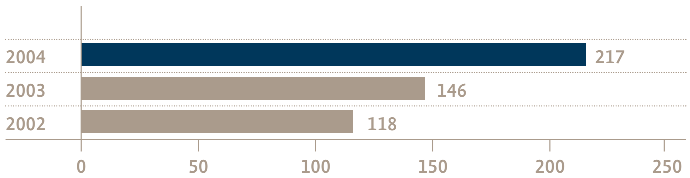
Profit from operations EBIT (in € million)



The MLP business segments

Our strategy to increase the profitability of branch offices and the productivity of consultants has shown very positive results. Revenue per branch office in Germany was up on the 2003 financial year by 58 percent, climbing to €1,817,000. At the same time, revenue per consultant rose by 49 percent to €217,000. With these values, we have taken a top position in the market of financial services companies.

Revenue per consultant (in € thousands)

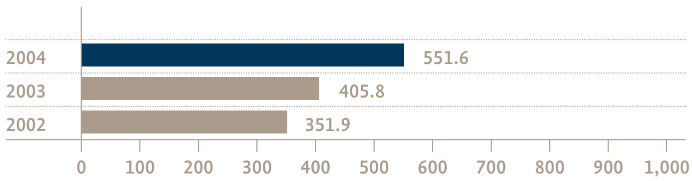


Some 57,000 new clients joined MLP in the financial year 2004, boosting the number of clients by approximately 10 percent to 618,500. On the balance sheet date of 31 December 2004, 2,546 consultants worked for MLP, 9 percent fewer than at the end of 2003. Consultant turnover lowered considerably over the course of the year. In the course of our MLP Best Value strategy programme, we reduced the number of branch offices from 347 to 300.

Consulting and sales: revenue up 36 percent

In the *consulting and sales* segment, segment revenue increased by 36 percent to €551.6 million (€405.8 million). Profit before tax and profit transfer grew by 31 percent to €90.7 million (€69.3 million). The EBIT margin for the segment stood at 18 percent compared with 19 percent in 2003. Following adjustment by restructuring costs amounting to €21.3 million, the EBIT margin stood at 22 percent. Losses from foreign business amounted to €9.4 million (€8.0 million), which includes bad debt allowances against sales representatives of €5.0 million (€1.2 million). The adjusted operating result from foreign operations has improved from –€6.8 million to –€4.4 million.

Consulting and sales segment revenue (in € million)



Insurance: Lapse rate significantly lower than market average

In the *life insurance* segment, segment revenue rose by 32 percent to €174.0 million (€132.3 million). Expenses from the insurance business rose due to the severe increase in new business from €176.7 million to €232.0 million. Operating costs dropped to a total of €31.9 million (€32.6 million). Despite the strong growth in new business, at €15.3 million, segment results before tax are slightly below the previous year's level of €17.9 million. Among other factors this was due to an increase in the administration cost results and the regular re-evaluation of future cash flows for business in force, which led to an overall greater amortisation of deferred acquisition costs. In addition, the amount allocated to deferred provisions for premium refunds increased due to the different valuation methods of HGB and IFRS. At 2.7 percent the lapse rate for contracts displayed an encouraging trend, and improved over the previous year's figure of 4.8 percent.

Revenue from the *non-life insurance* segment increased 20 percent to €41.5 million (€34.5 million). Due to the good risk selection, it was also possible to keep the claims quota low in this year. Operating costs were kept at around the same level as the previous year and came to approximately €13 million (€12.7 million). Profit before tax grew by 46 percent to €4.2 million (€2.8 million).

Banking revenue significantly increased

Interest and commission earnings in the *banking* segment climbed 5 percent to €49.5 million (€47.2 million). Interest revenue improved slightly to €15.7 million (€15.2 million). Allowances for losses remained virtually unchanged at €3.6 million (€3.8 million). Commission income increased by 5 percent to €33.8 million (€32.0 million). As expected, operating costs dropped due to savings in personnel expenses and other administrative expenses. These costs now amount to €22.8 million compared with €26.5 million in the previous year. Profit before tax for the segment increased considerably to €7.8 million (€3.2 million).

The *internal services and administration* segment entered profits before tax of –€19.3 million (–€16.3 million). The main contributing factor for this was the low level of other income, which essentially came about due to internal absorption. As the performance focus of the Group subsidiaries decreased, the item 'other income' dropped to €20.2 million (€24.7 million).

Consolidated balance sheet

Balance sheet total grows by 27 percent

The balance sheet is influenced significantly by specific items from the different companies in the MLP Group. Among other things, these include items for life insurers, such as investments held on account and at risk of life insurance policyholders and deferred acquisition costs on the asset side. Added to this are the items of receivables and liabilities from the banking business.

All insurance-related items were largely influenced by the high volume of new and existing business in the old-age provision sector. Due to the increase in premiums collected and favourable developments on the capital market, investments held on account and at risk of life insurance policyholders increased by 32 percent to €1,564 million (€1,184 million). This is matched by provisions for investments held on account and at risk of life insurance policyholders of the same amount on the liability side. Deferred acquisition costs recorded an increase from €269.5 million to €357.6 million. Insurance provisions rose from €315.6 million to €431.6 million. This was due to an increase in unearned premium reserves and the deferred provisions for premium refunds.

The refinancing of the loan business of MLP Bank succeeded primarily due to deposits in the account and credit card business fields, which in the financial year under review continued the positive development (+€46.2 million) of the previous years. They were essentially responsible for the increase in liabilities from the banking business from €302.6 million to €355.4 million.

The deposit surplus was reflected in particular in the significantly increased bank receivables (€64.1 million), with receivables from the banking business increasing from €316.4 million to €371.6 million.

In the course of the positive business development, cash and cash equivalents increased almost fourfold from €51.5 million to €191.0 million. The increase in other provisions from €141.0 million to €192.5 million can essentially be contributed to a rise in tax provisions, and to provisions for a self-employed sales representative bonus scheme and cancellations.

Due to a successful year, the balance sheet total rose overall by 27 percent from €2,428 million to €3,086 million.

Successful restructuring

In 2004, the efficiency increases made during the course of the MLP Best Value strategy programme, and the improved earnings situation of the MLP consultants led to a significant reduction in receivables from sales representatives of around €47 million from €77.9 million to €30.8 million. This very pleasing development manifests itself in the item "Accounts receivable and other assets", which dropped from €182.5 million to €128.0 million.

Equity up by 14 percent

Based on increased net profit to the tune of €51.4 million and a dividend payout in 2004 of around €16.3 million, shareholders' equity rose by 14 percent from €253.8 million to €289.0 million.

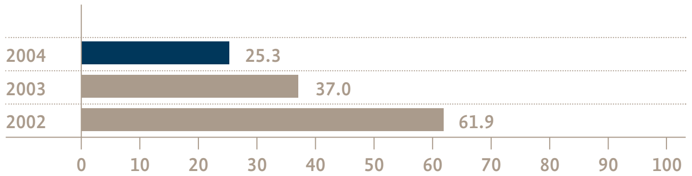
Capital expenditure, cash flow and dividends

IT accounts for the bulk of capital expenditure

Capital expenditure fell as planned from €37.0 million to €25.3 million. At €13.8 million, investment in IT infrastructure accounted for the majority of capital expenditure (previous year: €17.6 million). Investing activities in the life and non-life insurance segments centred on expanding the existing proposal and portfolio administration systems, of €6.1 million and €2.2 million respectively. The consulting and sales segment invested mainly in replacing the existing brokerage system and expanding the consulting environment for sales representatives, spending €4.9 million. The IT investments include capitalised own work of €2.9 million (previous year: €3.1 million).

Investment in the expansion of the Group headquarters and the branch office network fell from €19.4 million in the previous year to €11.5 million in the financial year 2004.

Capital expenditure in the MLP Group (in € million)



Cash flow increases by 88 percent

Cash flow from operating activities improved significantly year on year, rising to €526.6 million (previous year: €394.6 million). This was due mainly to the reduction in receivables from self-employed sales representatives and increases in provisions.

The outflow of funds from investment activity increased in comparison with the previous year, primarily due to the acquisition of securities for the purchase of investments held on account and at risk of life insurance policyholders. Overall, investment rose from €322.6 million in the previous year to €399.4 million in the financial year 2004.

Due to the dividend payments and repayment of long-term loans, net cash used in financing activities came to €17.1 million in the financial year 2004 (€0.3 million).

The MLP Group's cash and cash equivalents stood at €234.5 million as at the closing date, compared with €125.0 million in the previous year.

Proposed dividends of €0.22 per share

In light of the positive business trend, the Executive Board and Supervisory Board will suggest at the Annual General Meeting for the financial year 2004 that a dividend of €0.22 should be paid for each share. This corresponds to an increase of 47 percent in dividends and a dividend total of €23.9 million.

Our staff and consultants

Considerable drop in turnover rate

In 2004, the companies of the MLP Group employed an annual average of 1,775 salaried employees throughout Europe. This is a drop of around 3 percent compared with 2003. The number of consultants dropped from 2,771 to 2,546. This drop in the number of consultants was closely linked with the streamlining of our branch office network. The turnover among consultants dropped steadily throughout the year. In the fourth quarter we saw an increase in the actual number of consultants relative to the previous quarter for the first time since the end of 2002. When selecting potential consultants we place great value on excellent qualifications and social skills.

103 salaried employees and 109 self-employed MLP consultants worked in our foreign branch offices in Austria, Great Britain, Switzerland, Spain and the Netherlands.

Continuous improvement in consultant expertise

Our further training at the company's own MLP Corporate University focuses on continuously increasing the consultancy and financial expertise of our consultants. In addition to many specialist training courses on all subjects regarding provision, asset and risk management, behaviour and sales training is also crucial. With over 25,000 training days and two one-day group events for all consultants in 2004, each of our consultants attended an average of 12 training days.

Introduction of an MBA programme

The range of courses and seminars offered will be further expanded in 2005. In addition, in summer 2005 we will introduce an MBA study programme for the first time, in order to extend our international training programme. In cooperation with the European School of Business (ESB) in Reutlingen we offer a future-oriented General Management Programme to prepare our employees specifically for management roles.

Best practice sharing

MLP's further training philosophy is based on the network ethos and the "generation concept". The training courses are mostly run by experienced consultants and managers who pass on their knowledge and experience. Over 500 internal trainers are involved in our training programmes, and they in turn are supported intensively through train-the-trainer concepts as well as by regularly undergoing training by exchanging experience both internally and externally.

MLP promotes apprenticed professions

136 trainees employed

MLP plays an important role in professional training. Here, the focus is on financial services professions, with the emphasis on banks or insurance companies (training courses offered by the Chamber of Commerce and University of Cooperative Education). On the reporting date of 31 December 2004, we employed a total of 136 trainees in the company headquarters in Wiesloch and in the branch offices. This represents a training quota of 8 percent. In 2005, we will pursue a comprehensive training initiative, offering new apprenticed professions and thus committing ourselves even more strongly to the selection and development of our trainees.

Thanks to consultants and employees

The Executive Board would like to thank all employees of the MLP Group and all consultants for their excellent commitment and special motivation. Every individual has contributed to our success. The high motivation of all, their experience, competence and creativity, tipped the scales so that we were able to achieve our ambitious goals. The highly committed MLP employees and consultants will continue to form the basis for our business success.

Research and development

New financial products and new software

Research and development in the MLP Group concentrates on the development of new financial products and on the programming and implementation of innovative IT solutions for process optimisation and improved client and consultant service. In the year under report, a total of around 150 employees, in collaboration with consultants, worked on the development of projects and on market observation, in order to identify trends for the development of new products.

In 2004, the main focus of development was on:
- the new development of the MLP Finanzmanagement consultancy software
- the replacement of the former brokering system with the MLP Brokerpilot
- the development of a new calculation tool for optimising old-age pensions

MLP Finanzmanagement

MLP Finanzmanagement is a high performance software product that not only supports discussion with the client during the consultation, but also the preparation and follow-up. It maps the complete MLP consultancy approach and provides access to all essential client data and contracts. In 2004, the application was redeveloped based on state-of-the-art infrastructure components. The content primarily focused on the legal changes in old-age pensions, which entered into force at the start of 2005, and on the implementation of new consultancy concepts. Technically, the new platform allowed for more flexible implementation of innovative consultancy concepts. Client-specific contract data can be taken into account to a greater extent during the consultation. The application is being fully integrated into MLP's other strategic application platforms.

New brokering system, MLP Brokerpilot

One of MLP's key systems has been updated by replacing the former brokering system with MLP Brokerpilot. This new system gives MLP a flexible and efficient tool, allowing the company to meet future business requirements even more effectively. Client master data is administrated in the MLP Brokerpilot, which is also the basis for MLP's client relationship management and for corporate control within MLP branch offices. The strategic IT systems of MLP, MLP Finanzmanagement, MLP Brokerpilot and MLP Financepilot are now based on a common infrastructure. To achieve this, our software developers used a modern, scaleable software technology. MLP software products are supplemented by standard software components, for example by SAP, for data analysis or for optimised data exchange with MLP's product partners. The MLP Brokerpilot thus guarantees better data quality and significantly improved process efficiency.

Pension calculator optimises old-age pensions

Software programme offers clients individual old-age pension portfolios

To help our clients better understand the increasing complexity of pensions and the rising number of offers, MLP has developed a pension calculator together with professor Buhl of the University of Augsburg and integrated this into the MLP Finanzmanagement application. The software programme puts together a tailored old-age pension portfolio for each individual client. This is based on the Riester pension, basic pension, life insurance and pension insurance, occupational pension schemes and further capital investments. The pension calculator takes into account subsidy limits and all relevant tax and social law conditions. By utilising tax benefits, it calculates the best possible rate of return after tax for our clients for the specified classes, in order to ensure the best old-age pension.

Risk report

The MLP Group draws up, evaluates and manages a wide range of risks. The monitoring and responsible management of these risks are significant success factors for retaining and strengthening our competitiveness.

The aim of our risk management system is to detect potential risks and the resulting opportunities as early as possible, so that we can react to them appropriately.

We have drawn up the present Group risk report in accordance with the requirements of the German accounting standards (GAS 5). Where applicable, it was also extended with elements of the supplementary provisions for credit institutions (GAS 5-10) and insurance companies (GAS 5-20).

Principles

Group-wide risk management

For MLP AG, professional handling of risk is an essential part of the overall planning, controlling and reporting process. This is why we have made a risk management and early detection system available across all business areas in the MLP Group.

Identified risks are managed with recourse to defined measures for dealing with risk.

The principles for this are documented throughout the Group in a comprehensive manual which summarises principles, responsibilities and processes of the risk management system. We regularly update, check and adapt the regulations defined in this manual to internal and external developments.

Our Group companies exhibit varied risk profiles. Therefore, the risk management and monitoring of these companies is managed in a decentralised manner under the responsibility of the individual Group companies. This ensures quick reactions to changes in the risk situation.

For purposes of Group risk management, the inventoried and evaluated risks of the individual companies are aggregated and evaluated within an overall analysis. This ensures that we can identify any increase in risk potential through a build up of risks (risk accumulation) in good time.

Responsibilities

In their capacity as risk managers, the Executive Board Chairmen and managers of the corresponding Group companies are responsible for recording, analysing and assessing the risks related to the business fields, as well as for monitoring and reporting said risks.

In his capacity as Group Risk Manager the Chief Financial Officer of MLP AG is responsible for risk management within the Group. He guarantees regular reporting (or immediate reporting, if necessary) of the current risk situation to the Executive Board and the Supervisory Board. The Group Risk Manager is supported by the Group Risk Officer. A risk committee, which meets regularly, defines and monitors the requirements for recording and assessing the risks contained in a risk inventory.

Our internal audit department regularly checks the effectiveness and efficiency of the risk management, as well as its compliance with statutory and supervisory requirements. This also includes the system security.

Processes of the risk system

The risk-related control areas regularly undergo a process of risk identification. This risk inventory is based on standardised reporting procedures.

Risks are measured using risk-related key figures and company, area and function-related thresholds. The resulting risk assessment is executed based on risk classes. The risk classes include risks that pose a significant danger to business operations through loss of half the equity.

Control instruments

We use two types of software to monitor and control risks: industry-specific standard software by reputable providers, and individual, risk-specific programmes developed by us internally. These are used to measure and monitor changes and to control our company-specific risks.

To control our performance-related risks, we use our internal performance measurement system and planning system. These systems guarantee the evaluation of internal data with the help of simulations, taking into account the particular characteristics of our sales structure.

Our price risks (interest change risk, exchange risk, currency risk) are controlled through continuous monitoring and monthly assessment based on the current market values.

Further significant control instruments are our Group-wide strategic corporate planning and internal reporting.

Monitoring and controlling risks

Business environment and sector-related risks

A sustained decline in market share and market potential in its target groups could have a negative impact on the MLP Group's business development. We confront these risks with continuous monitoring and adjustment of our strategic and operational product portfolios.

The result of an action brought by the public prosecutor's office could potentially damage MLP's image. It has not been possible to determine any repercussions for the Group.

Corporate strategy risks
These can have very negative impacts, caused by the chosen business strategy, local strategy orientation and unexpected changes in business volume. We confront these risks with a target-group-oriented business strategy. This is supported by continuous analysis of the significant parameters through simulation using our own programmes.

Performance-related risk
MLP Finanzdienstleistungen AG sells financial products through self-employed sales representatives (MLP consultants) working at MLP-owned branch offices. Consistently high staff turnover among MLP consultants would have effects on new business. Specific processes and measures have therefore been introduced to stabilise the existing consultant workforce.

MLP Lebensversicherung AG and MLP Versicherung AG issue insurance policies on their own account. These contracts relate only to clearly defined insurable risks for which an offsettable insurance portfolio can be built up within a foreseeable period of time and with which the companies can confidently expect to achieve predictable insurance profits. These risks are underwritten in accordance with strict criteria. Premiums are calculated on the basis of conservative assumptions. The insurance premiums include sufficient risk allowance. In addition, the 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.

MLP Bank AG grants loans on its own account in the construction, medical practice and collateral financing areas of its private client segment. In medical practice financing in particular, loans and credits are granted based on the particular experience in this target-group-oriented financing type.

Financial risks
- Credit risks:
  In their first three years of service, we give MLP consultants 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. This risk is subject to continuous monitoring in the context of structured reporting. Accounts classified as risky have been written down accordingly.

We minimise non-payment risks of MLP Bank in the context of a defined credit strategy through single-transaction credit approvals, rigorous portfolio monitoring and security by collateral customary in banking. Reports from the operative systems support this monitoring. In the loan business, we accelerated the expansion of our rating procedure to the credit rating assessment. In addition, appropriate value adjustments were made in respect of loans that carry risk.

In the insurance companies, there are accounts receivable arising from insurance premiums. We monitor and limit these using an efficient payment reminder system. In comparison with the rest of the industry, our outstanding debts are very low and were further reduced in the financial year under review.

- Liquidity risk:
  MLP funds its business operations from current cash flow. MLP's liquidity is monitored and controlled by a Group-wide cash management system in the Group Treasury. Liquidity planning occurs on a daily and monthly basis, in the short-term area. For the short and medium-term area, appropriate credit lines have been put in place at several different credit institutions in order to cover temporary cash flow shortages.

- Exchange risk:
  A further risk could arise from strong exchange rate fluctuations in our capital investments. We confront this with internal minimum requirements of the capital investments and continuous monitoring and evaluation of our portfolio. This also includes an exclusive selection of debtors with a good credit-rating and consideration of the results of rating agencies.

- Market risk:
  Due to low term transformation, MLP Bank AG's risk of interest rate changes is rated low and is regularly monitored and assessed as part of overall bank management. In MLP AG and MLP Bank AG, the risk of interest changes is further safeguarded and managed through derivative financial instruments (interest swaps). In insurance, the risk of interest changes is monitored via stress tests and scenarios, taking into account the supervisory conditions.

- Capital investment risk in insurance business:
  A possible risk could arise from default or value adjustment of capital investments. Here too, our internal minimum requirements of the capital investment apply in terms of the credit rating criteria to be fulfilled. The interest guarantee risk is limited through the compliance with the supervisory capital investment regulations.

- Insurance risk:
  This risk is monitored by the specialist departments in the insurance companies, based on a mathematical insurance model with simulations and stress tests, as well as company-specific management programmes. In MLP Lebensversicherung AG, this is carried out under consideration of the biometrical risks (disability and incapacity to work, mortality).

Operational risks
This includes risks in operational systems or processes, which in turn includes operational risks that are caused by human or technical errors or external influences and/or through legal risks.

In the past financial year, we placed particular emphasis on the expansion of our risk management system to incorporate extensive identification and assessment of these risks.

- Operative risks:
  We minimise operational risks through centralisation and monitoring at Group level. In doing so, we support our quality management department, extensive company communication and defined workflows with implemented controls (dual control).

- Legal risks:
  The recognition, assessment and minimisation of legal risks is an important task of our legal department. It advises the Executive Bodies in corporate policy decisions, as well as the specialist departments of MLP companies. In addition, it provides support in projects throughout the Group and offers assistance in legal disputes of the Group and the subsidiaries. Furthermore, it monitors legal developments and, if necessary, makes recommendations.

  The rescissory actions filed by two small shareholders against resolutions adopted at the Extraordinary General Meeting held on 17 November 2000 were, as expected, rejected in MLP's favour.

  The public prosecutor's office in Mannheim has filed an action against the former CEO of MLP AG, a former manager and the manager of a subsidiary due to suspicion of incorrect statements. Based on the reports of accounting experts and legal experts, we are now firmly convinced that the objections raised are unjustified.

- IT risks:
  To limit the IT risks MLP pursues a standardised, Group-wide IT strategy. When selecting our IT systems, we generally opt for industry-specific standard software from reputable providers. If necessary, we supplement this with Group-specific internal developments. In order to ensure complete and effective operation, every IT system is subjected to thorough tests and pilot use. Operation of the computer centre is outsourced to leading service providers and distributed over several different locations. We protect our IT systems against unauthorised access through our proven authorisation concept and comprehensive IT security.

- Human resources risks:
  We confront Human resources risk through Group-wide Human resources planning and the expansion of multi-faceted training with in-house courses and subject-specific specialist seminars.

- Administrative risks:
  Our facility management and internal administration departments minimise the administration risks through centralisation of real estate/property management and material procurement for all Group companies.

- Supervisory risks:
  There are particular risks in connection with supervisory regulations for the operation of insurance and banking businesses. This concerns, in particular, legal solvency regulations that prescribe a minimum shareholders' equity backing of these businesses.

  These regulations are used by MLP Lebensversicherung AG, MLP Versicherung AG and MLP Bank AG. A suitable volume of free, unencumbered equity capital is available at all of these companies. This year, the results of MLP businesses again significantly exceeded the statutory minimum requirements (solvency limits). The existing planned/actual invoices guarantee continuous monitoring and therefore also continuously adequate equity capital backing.

- Group risk situation:
  At MLP, risk concentration results from our target group focus. This means that sustained decline in market share in a target group could have a negative impact on the MLP Group's business development. Client loyalty to MLP depends to a considerable degree on MLP consultants. Therefore, MLP places great importance on excellent Human resources selection and extensive training of MLP consultants. In addition, the head office optimises the existing quality measures on a continual basis.

Overall risk

All identified risks were classified as not presenting a threat to business operations. This means that the Group has an unlimited ability to bear risks. Rigorous and extensive risk assessment clearly indicates that there are no other risks that might pose a threat to MLP as a group.

Summary

In the MLP Group, the identified risks were generally classified as not posing a threat to business operations in the individual financial statements and at Group level. The audits carried out by the internal audit department showed that the method and scope of the management of our risks corresponds to the principles of risk management and that the existing monitoring system fulfils its task.

In the financial year 2004, MLP's early risk detection system also made a significant contribution to identification and assessment of risks. The risk inventory and risk measurement and assessment were updated regularly.

With our standardised reporting, which is structured Group-wide according to standardised regulations, we ensure monitoring and control of our risks in present and future development.

We consistently revised and optimised the procedures for risk management in the past financial year. This focused on Group-wide monitoring of risks and measuring systems as well as on the expansion of the identification and measurement of operational risks.

We will also further expand risk management in future and thus guarantee transparency and control of our risks.

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

Outlook for 2005

In view of the uncertain development of global capital markets, a reliable forecast of opportunities and risks in the financial services industry for 2005 is generally difficult. Many German investors are still hesitant about investing in shares and prefer to invest parts of their assets in money market funds. This is due to the restrained growth forecasts for the domestic market. Added to this are barely estimable risks from exchange rate fluctuations and the uncertainty over the further development of energy and raw material prices.

Reformation of old-age pension creates many opportunities

Yet MLP enters 2005 with confidence. As an integrated financial services provider we will on the one hand continue to offer a wide range of products, while on the other hand further concentrate efforts on working with university graduates and discerning clients, who are aware of the growing importance of comprehensive cover. The further reformation of old-age pensions, which continues to be promoted by the German Federal Government, is one specific area that offers us many new opportunities.

Pension products are still in demand

The new old-age pension is made up of three layers. The basic pension includes the statutory pension as well as the newly introduced basic pension product ("Rürup pension"). The second layer is based on the capital-covered supplementary old-age provision, such as the Riester pension or occupational pension schemes, while the third layer offers capital investment products, such as private pension insurance policies.

Although there were signs of above-average demand for life insurance policies in 2004 in the insurance industry, these products remain an attractive investment in the third layer even after introduction of the law on pension income. For this year, we are estimating above-average demand for investments in the Riester pension. As of 2006, legislators will for the first time convert it to a "unisex tariff" which is identical for men and women. This means that the insurance benefits of male clients will fall from 2006 onwards. Due to tax advantages, even the basic pension offers good market potential, when combined with a disability insurance policy.

Our business focuses on comprehensive consulting. We see the best opportunities of convincing our clients with further attractive products from our wide range of financial services. This is based on our multi-faceted offering and our high consulting competence.

The EU broker directive comes into force in 2005. German brokers will be confronted with changes, which of course are also relevant to MLP. While every discussion with a client obviously requires well-founded advice with written documentation, the new legislation stipulates that insurance brokers must meet an appropriate level of qualification before they can even work in the industry.

MLP as a quality partner

MLP sees the two legal changes and the increasing complexity of offers in the market as a unique chance to reinforce its position as a provider of quality solutions. Our new consulting documentation will exceed the legal requirements, while the qualifications of our MLP consultants already place us one step ahead of the competition. To further underline the importance we place on quality and expand our product portfolio, MLP Finanzdienstleistungen AG has applied for a licence to act as a financial services provider. We expect the licence to be issued in 2005.

Positioning as pure financial services provider

To help us focus better on our core competences, we intend to sell our subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG in the next financial year. This will enable MLP to clearly position itself as an independent financial services provider which focuses all resources on providing consultancy services to university graduates and other discerning clients.

We will use our financial strength predominantly to further strengthen our core services in the brokerage business and our commitments abroad. To build on our market position as an innovative financial services provider, we will continue our strategy of investment, mainly in the IT field. Since we were able to complete the major task of expanding our infrastructure in 2004, the level of capital expenditure in 2005 will be slightly below the previous year's level.

MLP expects double-digit earnings growth

For the fiscal year 2005 our target is for 65,000 new clients, and we also expect to increase the number of consultants on our books by more than 200. The MLP Group is once again expecting double-digit growth in results. We will also continue our shareholder-friendly dividend policy in 2005. Our business success is based on our high level of quality, and the continued successful integration of our corporate strategy.

Events after the balance sheet date

There were no noteworthy events after the balance sheet date affecting the net assets, financial position and results of operations of the MLP Group.

Heidelberg, 31 March 2005

Dr. Uwe Schroeder-Wildberg   Eugen Bucher

Gerhard Frieg   Nils Frowein

Prognoses

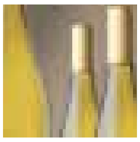
This documentation includes certain prognoses and information on future developments founded on the conviction of MLP AG's Executive Board and on assumptions and information currently available to MLP AG. Words such as "expect", "anticipate", "estimate", "assume", "intend", "plan", "should", "could",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

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

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

"QUALITY HOLDS MANY EMANCIPATORY ASPECTS: IT PAVES THE WAY FROM THE EGO TO THE SELF"

Reinhard Löwenstein, wine-grower



Oenologist Reinhard Löwenstein harvests and presses the grapes as his grandfather and great-grandfather did before him. Löwenstein is not a fan of the "industrialisation of wine". The secret of his unique wines lies in the creative interaction of grape type, soil, microclimate – and his work as an enthusiastic vintner.

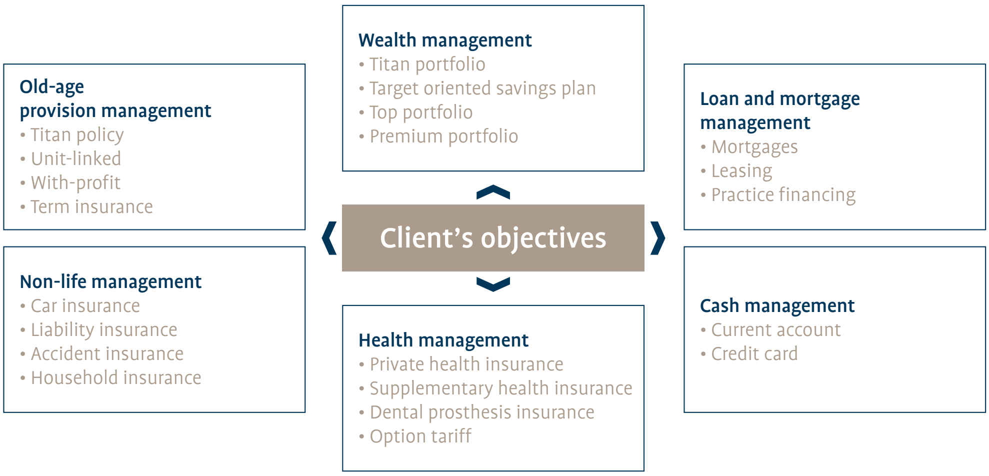
This is why Löwenstein is "by far the leading producer of dry Rieslings on the Moselle" (Fischer Wine Lexicon). His vines ripen on hard-to-reach slate terraces, which seem to hang on the steep inclines of the banks of the Moselle like swallows' nests. The refusal to resort to industrial processes costs energy and effort. Yet the success of his wines justifies his methods.

MLP’s business model

Professional financial management

MLP is Germany’s largest financial services provider for professionals and discerning clients. We take the best products from banks, investment companies and insurers and combine them to produce innovative financial solutions. Our clients benefit from MLP’s tried-and-tested business model, which is based on the company’s target group focus, quality consulting and independence.

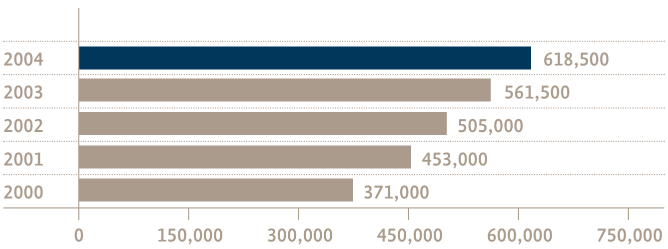
Comprehensive financial services concept



Target group focus pays off

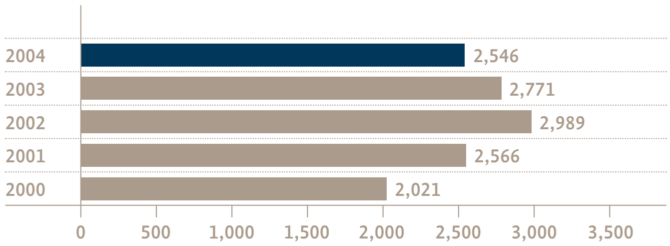
By concentrating on our target group – professionals, including around 110,000 graduates each year – we benefit from an attractive age and risk profile and in particular from a high demand for consulting covering pension and healthcare provision and risk, asset and cash management. MLP now serves nearly 620,000 clients with an average age of 35 years. At €4,800, average monthly employee salaries are considerably higher than the average for employees in Germany (€2,200). Our clients also include the top earners of the future.

Number of clients

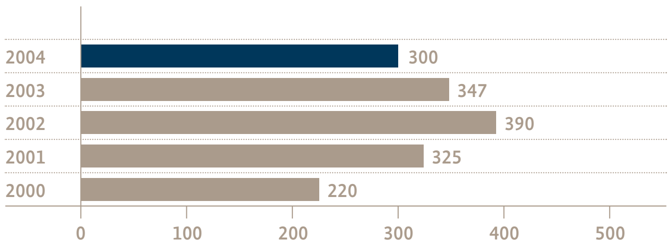


High quality consulting
For MLP, providing quality consulting means deploying qualified consultants with extensive financial and product know-how and with time for the client. Therefore, practically no financial services provider invests more in its consultants' training and continuing professional development. After joining the company, MLP consultants complete a two-year training course to become an MLP Financial Consultant, undergoing more than 800 teaching units at the MLP Corporate University in Wiesloch. In addition to this, regular training sessions are on the agenda.

Number of consultants



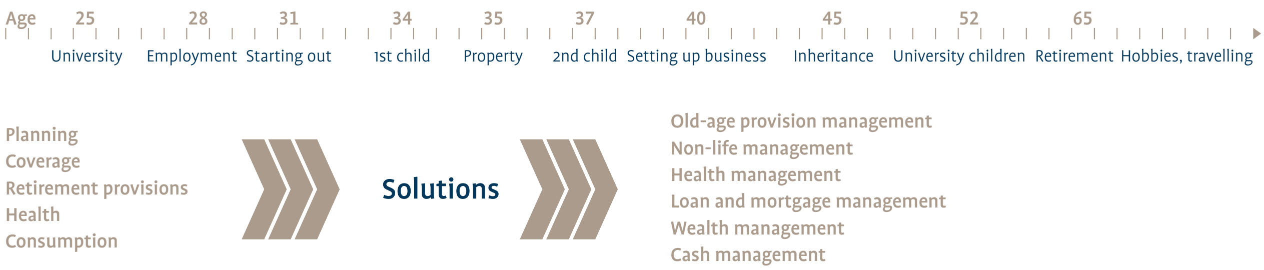
Number of branch offices



As well as subject-specific expertise, success in the financial services market requires regular contact with clients and a precise knowledge of their requirements. This is why an MLP consultant serves an average of 240 clients, far fewer than the industry average.

MLP consultants grow in the course of their long-term relationships with their clients. We understand the environment in which our clients work and live and can provide exactly the advice they need. As a reliable partner in all financial matters, we serve and support our clients throughout each phase of life – from graduation and the first years in the world of work, via marriage and family, buying property and possibly setting up a business through to old age. The integrated financial solutions provided by our consultants take the clients' spending requirements, career and family plans, long-term investment goals and envisaged standard of living in retirement into account.

Added value for the client: financial planning



One indicator of the quality of our consulting is the highest cross-selling rate in the industry. This means our clients trust their consultants to provide advice not just on one aspect, such as pension provisions for example, but across the board. As a result, the majority of our clients take advantage of our expertise in risk, asset and cash management as well as of our pension know-how.

Independent consulting as a success factor

Since it was established in 1971, MLP has focused its consulting on the client and his or her goals. MLP's competent financial services are therefore based on its independence from individual providers or products. In other words, MLP forms the most important starting point for clients seeking a solution to suit their individual requirements.

Based on their market and product know-how, our consultants develop a financial solution for each client with the help of a broad range of high-quality products from third-party providers. However, we do not just sell these companies' standard products. Working together with our partners, we also develop innovative products and financial solutions that are tailored specifically to our clients' requirements.

Our partners' tried-and-tested products form the basis of our MLP bestpartner concept®. With this, life insurance premiums and occupational pension contributions are distributed across several companies. By spreading the capital, we reduce the risk for the investor and increase the prospect of sustained high returns. In order to guarantee our clients the best chances of optimum performance, we review the performance of our partners' products on a regular basis.

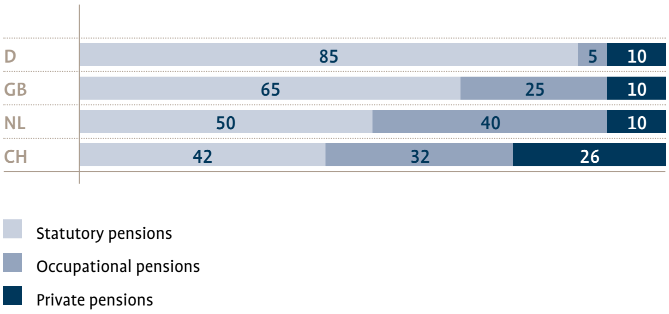
MLP Finanzdienstleistungen AG supports our consultants with services relating to the design of individual financial solutions and drives product innovation within the Group, while MLP Bank, in its role as asset manager, takes care of the company's investment products. Together with selected partners, MLP Bank is responsible for its traditional banking business, the management of fund assets and the investment of funds.

Occupational pension schemes: a future growth engine

Germany needs to catch up in terms of old-age provisions

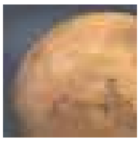
A comparison with other countries shows that Germany has made the least progress on occupational pension schemes, a key future market for us. We are one of the few companies offering integrated consulting covering everything from employer- and employee-financed models via mathematical and legal opinions through to pension management, complete pension solutions and working life models. This business line, too, is centred on a clear target group focus: For companies of all sizes, we have specially trained consultants who best understand their clients' situation. At the same time, we are present across Germany with a high-quality sales team.

Comparison of occupational pensions by country (in percent)



"SPACE DEMANDS A VERY HIGH STANDARD OF QUALITY"

Prof. Dr. Gerhard Neukum, inventor of the Mars camera and planetary researcher



Gerhard Neukum developed the "high resolution stereo camera", which transmits spectacular images of the red planet to Earth from on board the first European Mars orbiter. The three-dimensional shots of the surface of Mars provide international space researchers with unique data, which is evaluated under Neukum's supervision. This sensational success has made him one of the highly sought space experts.

The professor of planetology at the Freie Universität Berlin, who has been involved in a number of NASA and ESA space missions for decades, is always meticulous in his work. "Outer space requires the highest quality standards – much higher than on Earth. A camera like this needs to work perfectly for years without any maintenance."

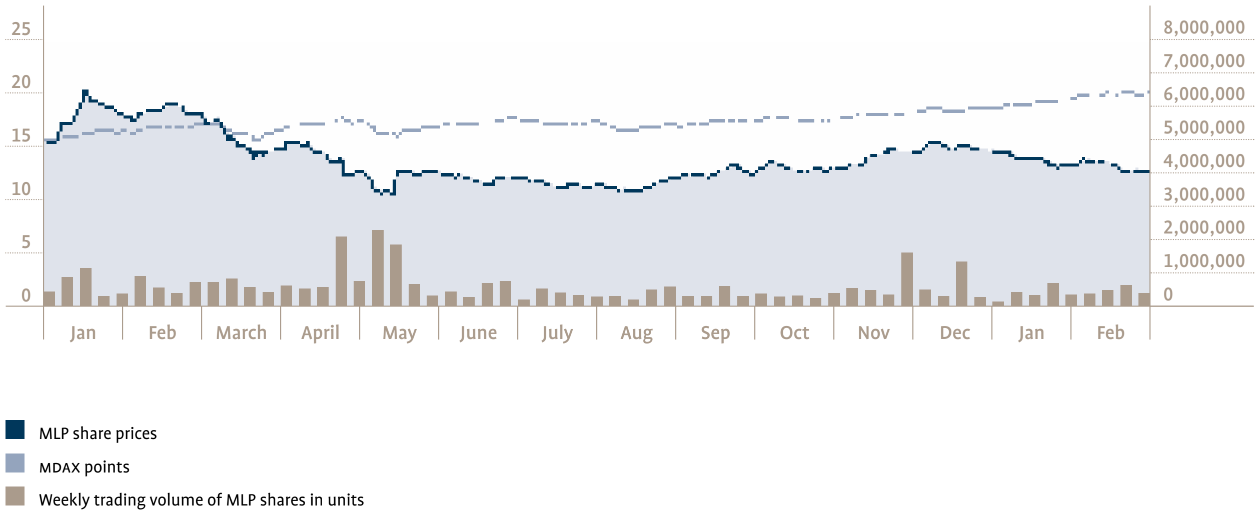
Investor Relations

MDAX beats DAX

Upward momentum on the stock markets

Global stock markets continued their upward trend in 2004. Following a marked decline in share prices between 2000 and 2002, 2004 was the second year of recovery. The MDAX, of which MLP is a constituent, gained 20 percent during the year under review. March, May and August were the only months marked by a brief downward trend. The DAX lagged far behind the MDAX. It closed the year up 7 percent. International indices also continued to recover. The DJ Eurostoxx 50, the leading index for Euroland, rose 7 percent. The Dow Jones Industrial Average added 3 percent. The Nikkei gained 0.6 percent and the MSCI World turned in a performance of 1.2 percent.

MLP share prices in € – from January 2004 to February 2005



MLP share records drop of 6 percent

MLP's share price performance

Unfortunately, the MLP share was unable to benefit from the upward momentum on the stock markets. At the start of the year the price was €15.41. In the first few weeks of last year, our share initially performed well. It reached an annual high of €20.65 on 19 January and an annual low of €10.35 on 12 May. At the end of 2004, the MLP share stood at €14.59, down 6 percent year on year.

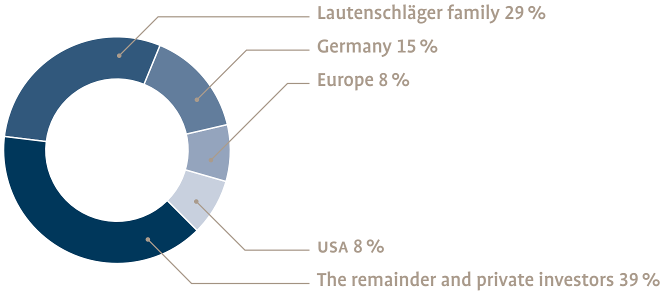
Market capitalisation of €1.6 billion

Our market capitalisation – the total value of all the shares – stood at €1.6 billion on 31 December 2004 compared to €1.7 billion at the end of 2003. The total number of MLP shares remained unchanged at 108.6 million as at the closing date. According to statistics from the German stock exchange, the MLP share ranks 47th among DAX, MDAX and Tecdax companies based on the market capitalisation of the free float. At the end of December 2003, it ranked 42nd. Based on stock market turnover, the MLP share dropped from 36th to 42nd place. The average daily turnover fell year on year from 571,501 to 481,686 shares. On peak trading days, more than 3.4 million shares changed hands.

Free float of 71 percent

In 2004, the largest shareholder was again the Lautenschläger family with its 28.9 percent stake. The MLP free float stands at 71 percent. At 15 percent, German investors represent the most important group among institutional investors (previous year: 13 percent). The percentage held by US investors rose from 7 to 8 percent and the percentage held by European investors remained unchanged at 8 percent. MLP regularly investigates its shareholder structure. Each quarter, we publish up-to-date details of the structure in the Investor Relations section of our website at www.mlp.de.

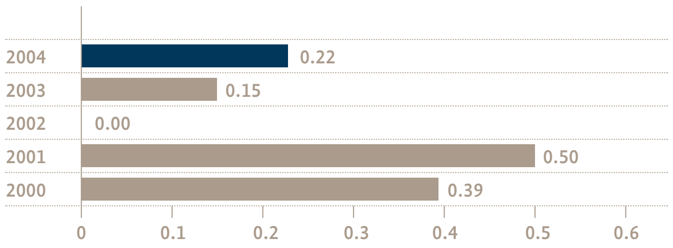
Shareholder structure and regional distribution of the institutional investors



Dividend payment of €0.22 per share

Since the IPO in 1988, MLP's shareholders have shared appropriately in the company's success. Due to the very encouraging business trend in 2004, the Executive and Supervisory Boards of MLP AG will propose an increase in the dividend from €0.15 per share (2003) to €0.22 per share to the Annual General Meeting on 21 June 2005. This translates into a distribution rate of 58 percent.

Dividends per share in €



More information for investors

Continuous dialogue with its shareholders and the capital market is MLP's top priority. We worked particularly intensively with institutional investors in the financial year 2004. We briefed them in detail, particularly about our transition to International Financial Reporting Standards (IFRS). At the same time, we significantly extended the information provided in the annual and quarterly reports.

Intensive communication with the capital market

Last year, MLP took part in eight investment conferences (five in 2003). The number of road show days rose from 17 to 22 and the number of one-on-ones from 130 to 158. Added to this were numerous conference calls with capital market participants in Germany and abroad, with the financial centres of Frankfurt, London and New York the main areas of focus. We also took part in two conferences organised by the Deutsche Schutzgemeinschaft für Wertpapierbesitz e.V., the German association that protects the interests of small shareholders. Given the considerable amount of interest demonstrated here, we will also present our company at this year's conferences held by the Deutsche Schutzgemeinschaft für Wertpapierbesitz.

Confidence in the Executive and Supervisory Boards

Around 1,700 shareholders took part in our Annual General Meeting on 22 June 2004, representing 56 percent of share capital. Our shareholders accepted all motions on the agenda with a majority of over 96 percent. They expressed a particularly high level of confidence in our Executive and Supervisory Boards, ratifying the actions of the Executive Board with a majority of 99.2 percent and those of the Supervisory Board with 96.5 percent.

Equal treatment of all investors

Positive assessment of the IR web page

We offer MLP shareholders and those interested in our shares detailed and regularly updated information on the Internet, thereby ensuring that all investors are treated equally when it comes to the publication of news on our company. The public and financial experts appreciate this. In a survey ranking the IR websites of DAX, MDAX and Tecdax companies, MLP was in second place among the financial services providers, behind the German stock exchange. The websites were ranked by the German financial newspaper "Handelsblatt" and NetFederation GmbH. Overall, MLP moved up from 74th place in 2003 to 37th place in 2004. In order to make it easier for visitors to find important information, we have also optimised the structure of the website. Ad-hoc notices, for example, now have their own navigation button, as does our corporate governance information. We publish the following information on our website for investor relations at http://ir.mlp.de.

- **Annual and quarterly reports**
  Our annual report explains the Group's business trend and financial position in detail. We also present our business model and describe targets and growth prospects. In addition, we provide up-to-date information on the business situation in our quarterly reports. Visitors to our website can download both the annual and quarterly reports. Since 2004, we have also posted online versions of the annual and quarterly reports on the Internet. These have been specially designed for on-screen viewing.

- **Presentations**
  Via the MLP website, investors can access the main presentations used for company presentations at conferences, the quarterly and annual results and at the Annual General Meeting.

- **Live transmissions via the Internet**
  Speeches and conference calls transmitted over the Internet are another major component of our information offering. Shareholders and interested investors can follow the Executive Board's reports on the quarterly figures and subsequent discussions with analysts live. We also transmit the annual press briefing and the Executive Board Chairman's speech to the Annual General Meeting over the Internet. All transmissions can subsequently be accessed via our website.

The MLP Shareholders' Club

2,000 investors are already benefiting from a further service: the MLP Shareholders' Club (http://ir.mlp.de). Members are kept abreast of the latest developments at MLP via E-Mail newsletters. We also send out e-mails on the days on which we publish our annual and quarterly reports and other important figures, plus reminders about the publication of our key figures two trading days before the actual date. Via our website at http://ir.mlp.de, we also offer all shareholders access to share price information, our MLP Financial Calendar and the answers to frequently asked questions.

Key figures compared to previous years

	2004	2003	2002
Share capital in € million	108.6	108.6	108.6
Number of shares as at 31 December	108,640,686	108,640,686	108,640,686
Share price at the beginning of the year in €	15.41	10.79	77.21
Share price at the end of the year in €	14.59	15.5	9.4
Share price – high in €	20.65	17.63	79.84
Share price – low in €	10.5	5.78	6.12
Market capitalisation at the end of the year in € billion	1.6	1.7	1.0
Average daily turnover of shares (number of shares)	480,217	582,421	725,299
Dividend per share in €	0.22	0.15	0.0
Total dividends in € million	23.9	16.3	0.0
Dividend yield in %	1.5	1.0	–
Earnings per share in €	0.47	0.36	0.85
Diluted earnings per share in €	0.47	0.36	0.85

Corporate Governance report

By complying with the German Corporate Governance Code of May 2003, MLP continues to reinforce the confidence of shareholders, clients, employees and other stakeholders in the management of the company. Responsible management oriented toward long-term added value is a high priority for us. The Executive and Supervisory Boards ensure that MLP continues to review and develop corporate governance across the Group.

Intensive dialogue between the Executive and Supervisory Boards forms the basis of transparent and responsible company management. The Executive Board of MLP AG provides the Supervisory Board with regular, timely and comprehensive information on the Group's position, including information on its risk position, risk management, corporate planning and strategic growth plans. The auditors are involved closely in this process.

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

An age limit has been set for members of the Executive and Supervisory Boards. For Supervisory Board members, it is 70 years. For Executive Board members being appointed for the first time or renewing their contract, the age limit is 57 years.

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

In line with the recommendation of the German Corporate Governance Code, the Supervisory Board also reviewed the efficiency of its own activities in 2004.

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

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

Since the 2003 annual report, MLP AG has prepared its consolidated financial statements in accordance with internationally accepted accounting standards (IFRS / IAS). By doing so, it provides a high level of transparency and improves comparability with competitors.

Salary of Executive and Supervisory Board members listed individually

In 2004, the Executive and Supervisory Boards of MLP AG again spent much time and effort on the German Corporate Governance Code. For the first time, the notes to the consolidated financial statements for 2004 show the compensation paid to the individual Executive and Supervisory Board members, broken down into variable and fixed components.

MLP AG complies strictly with the recommendations of the Government Commission on the German Corporate Governance Code (version of 21 May 2003) with the exception only of section 7.1.2 sentence 2 half-sentences 1 and 2. This section recommends that the consolidated financial statements be published within 90 days of the financial year-end and the interim reports within 45 days of the end of the reporting period. As in 2004, we are this year unable to meet this recommendation for technical reasons. As a result, we will not be publishing the consolidated financial statements until 120 days after the financial year-end and the interim reports until 90 days after the end of the reporting period.

Declaration of compliance of MLP AG pursuant to § 161 AktG

In December 2004, 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 2004

The Executive and Supervisory Boards of MLP AG hereby declare pursuant to § 161 AktG that the company has acted and is acting in line with the recommendations of the Government Commission on the German Corporate Governance Code (version of 21 May 2003). The recommendations contained in 4.2.4 sentence 2, 5.4.5 sentence 6 and 7.1.2 sentence 2 half-sentences 1 and 2 were not applied. 7.1.2 sentence 2 half-sentences 1 and 2 will not be applied in 2005.

The deviations cited above are based on the following reasons:

4.2.4 sentence 2 (Executive Board compensation)

The German Corporate Governance Code recommends disclosure of the compensation paid to the individual Executive Board members (sentence 2 of item 4.2.4).

Unlike in 2004, MLP will meet this recommendation in 2005 and publish information on individuals' compensation for the first time in the 2004 annual report.

5.4.5 sentence 6 (Information in the notes on compensation paid to individual Supervisory Board members)

The German Corporate Governance Code recommends that the notes to the consolidated financial statements list the compensation paid to the individual Supervisory Board members, broken down into its components.

Unlike in 2004, when only the total amount of compensation paid to members of the Supervisory Board for the financial year 2003 was disclosed and information on individuals' compensation was not provided, MLP will meet the recommendation in 2005 and for the first time publish information on the compensation paid to the individual Supervisory Board members, broken down into its components.

7.1.2 sentence 2 half-sentence 1 (Reporting: consolidated financial statements)

The German Corporate Governance Code recommends that consolidated financial statements be published within 90 days of the financial year-end. In 2005, as in 2004, MLP will not meet this recommendation for technical reasons. We will be unable to publish the consolidated financial statements until 120 days after the financial year-end.

7.1.2 sentence 2 half-sentence 2 (Reporting: interim reports)

The German Corporate Governance Code recommends that interim reports be published no later than 45 days after the end of the reporting period concerned. In 2005, as in 2004, MLP will not meet this recommendation for technical reasons. We will be unable to publish the interim reports until 60 days after the end of the reporting period concerned.

Heidelberg, December 2004
MLP AG

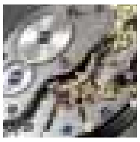
The Executive Board The Supervisory Board

The MLP Group's own Corporate Governance principles essentially correspond to the regulations of the German Corporate Governance Code in its version dated May 2003. This was the reason behind the decision of the Executive Board and Supervisory Board on 16 December 2004 to cancel the MLP Corporate Governance principles.

You can find further information on Corporate Governance at MLP on the internet at: www.mlp.de

"QUALITY MEANS PASSION AND ENTHUSIASM. YOU NEED TO BREAK BOUNDARIES"

Andreas Hentschel, master watchmaker



Andreas Hentschel is the wind beneath the wings of the soaring luxury watch industry with his classic wrist watches. A specialist in exclusive mechanical timepieces, Hentschel is continuing one of Hamburg's dignified traditions as the Hanseatic city's only watch manufacturer. As far back as 200 years ago, chronometers were made here for the famed captains of the seven seas.

Hentschel's unique pieces exhibit the highest perfection of the traditional watchmaker's art. From the watch mechanism to the pointer and casing, each individual part is designed, finished and mounted by the hand of the master. He is therefore able to assure his customers with a clear conscience: "We will make you a watch for life."

MLP in the public arena

Satisfied clients and committed employees are a company's best ambassadors in the public arena. This is why we play an active role at universities, help the socially disadvantaged, organise public lectures and support sporting or cultural events. This commitment reflects our company philosophy of making a positive contribution to the social environment of our employees and clients as well as to the general public in the region.

Focus on students

Promoting the next generation of graduates

MLP's relationship with its clients begins when they start their career and continues throughout every other phase of their life. However, we do not only engage with future professionals via our products but also via various university projects.

Spotlight on international university sports

MLP is a main sponsor of the winter University Olympics, the largest winter Olympic Games for students. In January 2005, around 1,500 athletes from 53 countries competed for 207 medals. As well as alpine skiing, cross-country skiing, ski jumping, Nordic combined, biathlon, figure skating, short track and ice hockey, the programme also included speed skating and freestyle snowboarding. 15 international TV stations broadcast 300 hours' live coverage of the events. The next winter University Olympics will take place in Turin in 2007.

University championships are an opportunity to raise our profile

Sport brings people together. University sport is increasingly international and promotes information exchange between universities. An environment that is right for MLP. As a main and title sponsor, MLP supports first-rate sporting events at over a dozen universities in Germany, particularly team sports such as basketball, handball and beach volleyball. As critical consumers with exacting requirements and good career prospects, university students are an important target group for our financial services. Through university sports, we can target them specifically and efficiently.

Pro Campus-Press promotes media work

Our Pro Campus-Press project promotes student journalism. We help student editorial offices by providing both practical tips and non-cash support, such as books and subscriptions to specialist publications. Pro Campus-Press organises regular seminars exclusively for student editors. The best receive a prize, the MLP Campus-Press Award, which was awarded for the first time last year. University editorial offices from Germany, Switzerland, Austria, Hungary and Italy competed for the prize for outstanding achievements in journalism. The winning editorial office received a full set of computer equipment. This year, we have again invited editorial offices to compete for the prize.

"Join the best", an international internship programme

2,100 take part in "Join the best" programme

MLP offers students from Germany, Austria and Switzerland the opportunity to live and work in one of the world's most exciting cities and gain practical work experience in global financial centres by becoming part of "Join the best", the international internship programme. The student interns can spend two to six months gathering work experience at companies such as Allianz in Singapore, Lufthansa in Mexico City, BMW Group Financial Services in Melbourne or Bertelsmann in Shanghai. MLP finances accommodation and return flights and puts together a complete insurance package including liability, overseas health and accident insurance. In 2004, 2,100 students applied to take part in "Join the best" (www.jointhebest.info).

Helping the less advantaged

MLP sees its work in the public arena as a substantial contribution to provide better living and learning conditions for the socially disadvantaged. It is with this in mind that we help those people in our society who are struggling, such as pupils in special schools and young people with disabilities.

Career prospects for school pupils

100 school projects promoted in Baden-Württemberg

Adopting the motto "Learning for life", we have been involved for some years in a programme that focuses on helping pupils with learning difficulties. Over the last four years, we have contributed around €700,000 to more than 100 school projects in Baden-Württemberg aimed at opening up better job prospects for the pupils and making them stronger. For example, we support year 9 at the Brechenmacherschule in Bad Saalgau, which got a teaching project against violence in schools off the ground after a pupil went on a rampage, shooting at a school in Erfurt three years ago. From this, the youngsters developed the "Firma ACHTA" initiative, which organises action days in schools with the aim of preventing violent clashes. This year, our support programme includes courses aimed at increasing the self-confidence of socially disadvantaged pupils in Stuttgart. We also finance a training facility in Laufen am Neckar, where disabled youngsters are prepared for an independent life outside homes.

Education, sport and culture

Our involvement in the public arena stretches from sporting events and lectures through to sponsorship of major musical events.

Focus on teaching

Training and continuing professional development are extremely important to MLP. Our MLP Corporate University in Wiesloch officially opened last year and has space for around 600 employees and 1,200 course participants. The openness and transparency of the building symbolise the type of teaching that takes place on our campus. The MLP Corporate University is a place for people to meet, and the public are also invited to Wiesloch. For example, the MLP Corporate University was the venue for the first event in MLP's berlinpolis lecture series, a presentation entitled "Brain drain – brain gain – Are the best minds welcome in Germany?".

Germany's first twilight marathon

In May 2004, MLP helped to create a party atmosphere in Mannheim with a marathon festival that became the largest sporting event in the Rhine-Neckar region and set standards across Germany. Eighty thousand spectators watched 5,800 athletes from around the world cross the starting line of Germany's first twilight marathon. In addition to the first German university marathon, onlookers also enjoyed marathon races for teams, inline skaters, wheelchair-bound athletes and handbikers, a mini-marathon for school pupils and a “bambini” race for the youngest participants. In 2005, MLP will again be the title sponsor of the Mannheim marathon, which is to take place on 21 May.

Heidelberg Spring Music Festival

A discerning target group, enthusiasm, a shared location and high quality as a measure of their work link MLP and the Heidelberg Spring Music Festival 2005. This is why we support the festival, which last year attracted 13,000 concert goers from Germany and abroad.

Demographic change affects us all

Successful series of lectures continued

The birth rate is dropping and Germany is ageing. Statutory pension insurance and social security systems are in a precarious situation due to the increasing number of pensioners and dwindling number of contributors. The renowned economist Professor Bernd Raffelhüschen, a member of the Rürup Commission, held lectures on the impact of demographic change on social systems in 43 German towns and cities in 2004. At many of the events, MLP was pleased to have the regional press as its media partner. The series of lectures with Professor Dr. Dr. h. c. Bert Rürup will continue in 2005.

Making our achievements visible

MLP is continuously improving the quality of its services and aims to set standards in the financial services market. Our clients and interested members of the public are also to learn of our achievements.

Good is not good enough

In 2005, MLP intends to once again be the financial services market leader in terms of consulting quality and performance. In 2004, we set standards with efforts to become a premium brand. These remain our guideline for the future. MLP clients can therefore rest assured that they have made the right financial decision.

“You deserve the best”

New image and print campaign

Under the brand claim “You deserve the best”, MLP has enhanced its corporate design and developed a new print campaign. The high-quality visual identity aims to strengthen the appeal of the MLP brand and reflect our mission to provide outstanding consulting and products in all advertising material. The campaign illustrates the quality of MLP’s services.

Award for client magazine FORUM

MLP won first prize for its client magazine FORUM at the BCP (Best of Corporate Publishing) awards. FORUM is published four times a year, providing highly useful information on careers, pensions, investments, finance and lifestyle. Around 500 client magazines, employee publications and newsletters were submitted for the BCP award in 2004.

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MLP consolidated financial statements

Consolidated income statement

Income statement in accordance with IFRS for the period 1 January to 31 December 2004

All figures in €'000	Note	2004	2003
Revenue from brokerage business	[2]	421,323	317,382
Revenue from insurance business	[3]	220,736	160,905
Revenue from banking business	[4]	46,199	44,335
Other income	[5]	15,029	13,530
Total revenues		**703,287**	**536,152**
Change in deferred acquisition costs	[6]	88,052	89,366
Expenses for brokerage business	[7]	−251,501	−156,553
Expenses for insurance business	[8]	−121,220	−106,543
Expenses for banking business	[9]	−11,543	−12,150
Personnel expenses	[10]	−81,897	−82,765
Depreciation/amortisation	[11]	−25,466	−25,390
Other operating expenses	[12]	−201,544	−162,726
Profit from operations (EBIT)		**98,168**	**79,391**
Other interest and similar income	[13]	2,909	1,765
Other interest and similar expenses	[13]	−13,398	−12,207
Finance cost	[13]	−10,489	−10,442
Profit before tax (EBT)		**87,679**	**68,949**
Income taxes	[31]	−36,269	−29,688
Minority interest		−7	−11
Net profit for the year		**51,403**	**39,250**
(Net profit for the year incl. minority interest)		51,410	39,261
		€	**€**
Earnings per share	[33]	0.47	0.36
Diluted earnings per share	[33]	0.47	0.36

Consolidated balance sheet

Consolidated balance sheet as at 31 December 2004

Assets – All figures in €'000	Note	31 Dec 2004	31 Dec 2003
Intangible assets	[14]	60,268	61,267
Property, plant and equipment	[15]	117,356	123,191
Financial assets	[16]	204,624	162,495
Investments held on account and at risk of life insurance policyholders	[17]	1,564,065	1,183,754
Reinsurance receivables	[18]	30,482	19,493
Receivables due from banking business	[19]	371,641	316,447
Accounts receivable and other assets	[20]	127,978	182,451
Cash and cash equivalents	[21]	190,957	51,469
Deferred acquisition costs (DAC)	[22]	357,600	269,549
Deferred tax assets	[31]	51,462	49,915
Prepaid expenses	[23]	9,760	7,567
		3,086,193	**2,427,598**

Shareholders' equity and liabilities – All figures in €'000	Note	31 Dec 2004	31 Dec 2003
Shareholders' equity	[24]	288,977	253,822
Minority interest		586	125
Insurance provisions	[25]	431,639	315,620
Insurance provisions for investments held on account and at risk of life insurance policyholders	[26]	1,564,065	1,183,754
Other provisions	[27]	192,513	140,994
Reinsurance liabilities	[28]	36,594	49,883
Liabilities due to banking business	[29]	355,408	302,610
Other liabilities	[30]	213,303	178,379
Deferred tax liabilities	[31]	1,618	1,829
Deferred income		1,490	582
		3,086,193	**2,427,598**

Consolidated cash flow statement

Consolidated cash flow statement for the period from 1 January to 31 December 2004

All figures in €'000	Note	2004	2003
Profit from operations (EBIT)		**98,168**	**79,391**
Income taxes paid		–20,489	–933
Interest and dividends received		22,174	19,554
Interest paid		–46,941	–41,848
Write-downs/write-ups on intangible assets, property, plant and equipment and financial assets	[11]	25,466	25,397
Bad debt allowances	[12]	9,912	1,828
Expenses for risk provisions	[9]	3,625	3,761
Increase/decrease of provisions		51,459	8,677
Other non-cash expenses/income		–2,924	9,589
Gain/loss from the disposal of intangible assets and property, plant and equipment		2,850	–605
Gain/loss from the disposal of financial assets		–1,029	725
Increase in deferred acquisition costs	[6]	–88,052	–89,366
Increase in provisions for unit-linked life insurance policies (if attributable to cash-relevant increases)		308,341	296,411
Increase of insurance provisions	[25]	116,019	100,311
Increase/decrease of reinsurance receivables/liabilities		–24,278	6,035
Increase/decrease of receivables/liabilities due to financial institutions from the banking business		–63,562	–26,870
Increase/decrease of receivables from/liabilities due to bank clients		59,877	29,502
Increase/decrease of other assets		42,861	–28,075
Increase/decrease of other liabilities and shareholders' equity		33,121	1,114
Cash flow from operating activities		**526,597**	**394,598**
Proceeds from disposals of intangible assets and property, plant and equipment		5,001	1,887
Payments for intangible assets and property, plant and equipment		–25,278	–33,929
Proceeds from disposals of financial assets		49,387	66,198
Payments for purchases of financial assets		–119,488	–60,314
Proceeds from the sale of investments held on account and at risk of life insurance policyholders		5,643	1,410,970
Payments for purchase of investments held on account and at risk of life insurance policyholders		–313,984	–1,707,381
Payments for purchase of MLP Lebensversicherung AG		–21	–28
Payments for purchase of subsidiaries (net of cash)	[1]	–654	–
Cash flow from investing activities		**–399,394**	**–322,597**

All figures in €'000	Note	2004	2003
Proceeds from transfer to equity		213	89
Payments to company owners and minority shareholders		−16,296	–
Proceeds from issues of bonds and taking out loans		677	197
Payments of bonds and redemption of loans		−2,326	–
Cash flow from financing activities		**−17,732**	**286**
Financial resources			
Change in cash and cash equivalents		109,471	72,287
Changes in cash and cash equivalents due to exchange rate movements		20	−108
Cash and cash equivalents at beginning of period		125,043	52,864
Cash and cash equivalents at end of period		**234,534**	**125,043**
Composition of financial resources			
Cash and cash equivalents	[32]	190,941	51,469
Other capital investments < 3 months	[32]	43,600	73,590
Liabilities due to financial institutions due on demand	[32]	−7	−16
Cash and cash equivalents at end of period		**234,534**	**125,043**

Segment reporting

Segment reporting 2004 – All figures in €'000

	Consulting and sales	Life insurance	Non-life insurance	Banking	Internal services and administration	Consolidation	MLP Group
Segment revenue							
External revenue from							
Brokerage business	421,323						421,323
Insurance business		174,019	41,532			5,185	220,736
Banking business				46,199			46,199
Inter-segment revenue	130,298			3,306		–133,604	
Total segment revenue	**551,621**	**174,019**	**41,532**	**49,505**		**–128,419**	**688,258**
Other income	28,765	976	515	953	20,221	–36,401	15,029
Change in deferred acquisition costs (DAC)		103,959	12			–15,919	88,052
Segment expenses							
Brokerage business	–248,828					–2,673	–251,501
Insurance business		–232,004	–24,893			135,677	–121,220
Banking business				–19,815		8,272	–11,543
Personnel expenses	–54,278	–9,743	–5,714	–6,125	–6,037		–81,897
Depreciation/amortisation	–12,140	–6,297	–956	–266	–5,807		–25,466
Other	–167,042	–15,812	–6,354	–16,439	–25,225	29,328	–201,544
Total segment expenses	**–482,288**	**–263,856**	**–37,917**	**–42,645**	**–37,069**	**170,604**	**–693,171**
Segment result before finance cost	**98,098**	**15,098**	**4,142**	**7,813**	**–16,848**	**–10,135**	**98,168**
Finance cost	**–7,434**	**221**	**12**	**–9**	**–2,429**	**–850**	**–10,489**
Segment result after finance cost	**90,664**	**15,319**	**4,154**	**7,804**	**–19,277**	**–10,985**	**87,679**
Group income tax expenditure/revenue							**–36,269**
Group net profit incl. minority interest							**51,410**
Additional information							
Capital expenditure on intangible assets and property, plant and equipment	6,520	6,189	2,232	494	9,843		25,278
Other non-cash expenses	–53,464	–100,904	–7,642	–6,583	–15,886		–184,479
Impairment losses affecting net profit	345						345
Total segment assets	441,988	2,180,162	39,536	404,650	306,820	–286,963	3,086,193
less tax receivables/tax deferral	–38,936	–284	–431	–15	–2,305	–11,276	–53,247
Segment assets	**403,052**	**2,179,878**	**39,105**	**404,635**	**304,515**	**–298,239**	**3,032,946**
Total segment liabilities	308,061	2,075,952	28,061	374,757	202,193	–192,394	2,796,630
less tax liabilities/tax deferral	–393	–6,453	–867	–2,066	–15,902	4,907	–20,774
Segment liabilities	**307,668**	**2,069,499**	**27,194**	**372,691**	**186,291**	**–187,487**	**2,775,856**

Segment reporting 2003 – All figures in €'000

	Consulting and sales	Life insurance	Non-life insurance	Banking	Internal services and administration	Consolidation	MLP Group
Segment revenue							
External revenue from							
Brokerage business	317,382						317,382
Insurance business		132,260*	34,497			–5,852*	160,905
Banking business				44,335			44,335
Inter-segment revenue	88,384	*		2,905		–91,289*	
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 (DAC)		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	0	–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 finance cost	**77,018**	**17,778**	**2,852**	**3,635**	**–14,339**	**–7,553**	**79,391**
Finance cost	–7,715	94	–7	–419	–1,945	–450	–10,442
Segment result after finance cost	**69,303**	**17,872**	**2,845**	**3,216**	**–16,284**	**–8,003**	**68,949**
Group income tax expenditure/revenue							**–29,688**
Group net profit incl. minority interest							**39,261**
Additional information							
Capital expenditure on intangible assets 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 liabilities/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**

* The reporting difference as compared to the previous year concerns the regrouping of unearned revenue liability (URL) of the individual financial statements of MLP Lebensversicherung AG

Changes in the consolidated shareholders' equity

All figures in €'000	Share capital	Capital reserves	Available-for-sale reserve	Remaining shareholders' equity	Shareholders' equity
As at 31 Dec 2002	**108,641**	**7,619**	**−368**	**97,964**	**213,856**
Currency translation				477	477
Capital increases					
Change in available-for-sale reserve			151		151
Net profit				39,250	39,250
Dividends paid to shareholders					
Convertible debenture		88			88
As at 31 Dec 2003	**108,641**	**7,707**	**−217**	**137,691**	**253,822**
Currency translation				−153	−153
Capital increases					
Change in available-for-sale reserve			−12*		−12
Net profit				51,403	51,403
Dividends paid to shareholders				−16,296	−16,296
Convertible debenture		213			213
As at 31 Dec 2004	**108,641**	**7,920**	**-229**	**172,645**	**288,977**

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

Notes to the consolidated financial statements

1. General information

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

Since it was founded in 1971, MLP has focused on advising university graduates and discerning clients on pension provisions, asset management and risk management.

The MLP Group therefore combines a broker for financial services, a bank with an asset management department, a life and non-life insurance company and an IT service provider.

Pursuant to European directive 83/349 EEC (on consolidated accounts), the consolidated financial statements of MLP AG as at 31 December 2004 were prepared in accordance with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The accounting policies applied within the MLP Group included all IAS/IFRS standards issued and mandatory as at the reporting date, 31 December 2004. This means that with the exception of IFRS 5 stated below, it was decided not to apply IAS 32/39, revised within the scope of the Improvement Project and the new IFRS standards ahead of time.

In 2004 the IASB issued the new standard IFRS 5 "Non-current assets held for sale and discontinued operations". We followed the IASB's recommendation to implement this standard ahead of time and applied IFRS 5 in the Group consolidated accounts 2004. IFRS 5 replaces IAS 35 "Discontinuing operations". Among other things, IFRS 5 stipulates tighter criteria that have to be met if business segments are to be classified as "to be discontinued" in the financial statements. As a result, the potential sale of MLP Lebensversicherung AG and MLP Versicherung AG was not disclosed as discontinued operations.

The industry-specific factors for credit institutions and insurance companies have been included within the scope of the application of IFRS.

Since we did not follow the IASB's recommendation for ahead-of-time application of the new standard IFRS 4 "Insurance contracts", the provisions of the US Generally Accepted Accounting Principles (US GAAP) were applied here.

The following US GAAP stipulations for the insurance sector were also applied: Financial Accounting Standard (FAS) 60, FAS 97, FAS 113 and FAS 120.

The designation IFRS for the overall concept of the standards passed by the International Accounting Standards Board has been in force since 2002. Standards previously passed as IAS standards continue to be quoted as such.

The consolidated financial statements prepared in accordance with IFRS have an exempting effect in line with § 292a of the German Commercial Code (HGB). The interpretation of the German Accounting Standards Board (DRSC – Deutscher Standardisierungsrat e. V.) in German Accounting Standard No. 1 (GAS 1) was followed with regard to judging whether the consolidated financial statements and the Group management report comply with the 7th EC Directive.

In addition to the consolidated balance sheet and the consolidated income statement, the consolidated financial statements also include the statement of changes in shareholders' equity, the cash flow statement and the notes to the consolidated financial statements.

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

The accounting policies applied in the previous year, with the exception of business combinations which took place on or after 31 March 2004, were stated in the balance sheet in line with IFRS 3. In accordance with this, intangible assets from business combinations, insofar as they are identifiable, must be recorded separately from goodwill, added to an independent balance sheet and are subject to scheduled amortisation or, in the case of an indefinite useful life, tested for impairment at least once a year analogously to goodwill. The remaining core goodwill is assigned to the goodwill carrying unit(s) and tested for impairment on this level. Due to the obligation of prospective application, the previous year's figures did not have to be adjusted. IFRS 3 is closely linked to the revision of IAS 36 and IAS 38, which were also applied as appropriate.

The reporting currency of MLP AG is the euro. Unless otherwise stated, amounts are given in thousands of euros (€'000).

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

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

3. Scope of consolidation

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

Alongside MLP AG, 8 (previous year: 5) domestic and 3 (previous year: 3) foreign companies were fully consolidated. In the financial year, MLP AG extended its scope of consolidation to include a further three domestic subsidiaries. Other than this there were no changes to the scope of consolidation.

Subsidiaries	Shareholding in %	First consolidated
MLP Finanzdienstleistungen AG, Heidelberg	100	31 Dec 1992
MLP Lebensversicherung AG, Heidelberg	99.86	31 Dec 1992
MLP Bank AG, Heidelberg	100	31 Dec 1997
MLP Login GmbH, Heidelberg	100	31 Dec 1995
MLP Versicherung AG, Heidelberg	100	31 Dec 1997
MLP BAV GmbH, Heidelberg	100	01 Apr 2004
BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH, Bremen	51	08 Oct 2004
BERAG Versicherungs-Makler GmbH, Bremen	51	08 Oct 2004
MLP Private Finance Correduria de Seguros S.A., Madrid, Spain	100	22 Feb 2002
MLP Private Finance plc, London, Great Britain	100	31 Dec 2001
MLP Private Finance AG, Zurich, Switzerland	99.93	28 Feb 2002

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

3.1 Principles of consolidation

The financial statements included in the consolidated financial statements are prepared uniformly in accordance with the IFRS accounting principles applicable to the MLP Group as at the closing date, 31 December 2004. Insofar as it is necessary, the consolidated financial statements of subsidiaries are adjusted to bring them in line with the methods of financial reporting and valuation used in the Group.

The consolidation of capital is made in accordance with the benchmark method pursuant to IAS 22 or IFRS 3, insofar as the business combination took place on or after 31 March 2004.

Pursuant to IFRS 3, assets and liabilities of the subsidiary concerned are measured at their fair value at the date of acquisition of a company. If the cost of the acquisition exceeds the fair value of the identifiable assets and liabilities acquired, the difference is recognised as goodwill. This goodwill is tested annually for impairment to determine whether its carrying amount is recoverable (impairment only approach). If its carrying amount is no longer recoverable, an impairment loss is recognised. Otherwise, the carrying amount of the goodwill remains unchanged year on year.

If the cost of the acquisition is less than the fair value of the identifiable assets and liabilities acquired, the difference is recognised in the income statement in the period of the acquisition pursuant to IFRS 3.

In the case of subsidiaries acquired after 31 March 2004, minority interests are carried at the fair value of the minority's share of the recognised assets and liabilities. Any losses attributable to and exceeding the minority interest are then directly offset against the shares of the parent company.

The acquired assets and liabilities are recognised at their fair value and depreciated or amortised over their useful life. If the useful life is indefinite, a potential need for devaluation is calculated analogously to goodwill.

Intra-Group transactions are eliminated. Receivables and liabilities between the consolidated companies are netted, and intra-Group gains and losses are eliminated in non-current assets and inventories. Intra-Group income is offset against the corresponding expenses. Deferred taxes are recognised for temporary differences resulting from consolidation in accordance with IAS 12. Other investments are carried at cost.

The results of the subsidiaries acquired in the course of the year are included in the consolidated income statement as of the actual date of acquisition.

3.2 Currency translation

In the separate financial statements of the subsidiaries, all foreign-currency assets and liabilities are measured at the exchange rate prevailing on the closing date, irrespective of whether they are hedged. Forward transactions used for hedging purposes are stated at fair value. Adjustments affect net earnings.

Within the scope of currency translation the assets and liabilities of individual accounts from foreign subsidiaries not drawn up in euros are translated using the market price on the reporting date. Revenue and expense items are translated using average exchange rates for this time period. Any currency translation differences are recorded under shareholders' equity without effect on the operating result.

The exchange rates are as follows (in each case, the amount shown is worth €1):

Currencies	Closing rate (€)		Average exchange rates (€)	
	2004	2003	2004	2003
Pound Sterling (GBP)	0.70505	0.70480	0.69532	0.69240
Swiss francs (CHF)	1.54290	1.55790	1.53322	1.52105

4. Accounting policies

The consolidated financial statements were prepared in accordance with the historical cost principle, although certain financial instruments (derivatives, held-to-maturity securities and available-for-sale securities) were measured at fair value. Income and expenses are accounted for on an accrual basis.

The accounting policies applied in preparing these consolidated financial statements are listed below.

4.1 Revenue

Sales revenue and insurance premiums are recognised in accordance with IAS 18, i.e. once MLP has fulfilled all contractual obligations or once it is reasonably sure that it will receive the revenue. Premiums which have to be ceded to reinsurers are deducted from this revenue.

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

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

4.2 Expenditure for old-age pensions

The costs for the provision of benefits under defined benefit plans are determined using the projected unit credit method, with an actuarial valuation performed at each closing date. Actuarial gains and losses are only recognised in the income statement if they deviate from the total amount of obligations by more than ten percent (“corridor rule”). Past service cost is recognised in the income statement immediately to the extent that benefits are already vested, and is otherwise amortised on a straight-line basis over the average period until adjusted benefits are vested.

The amount shown is the present value of the obligations under defined benefit plans adjusted for unrecognised actuarial gains and losses and past service cost. Payments for defined contribution plans are recognised as expenses on their due date. Payments for statutory pension plans are treated in the same way as defined contribution plans.

4.3 Finance cost

Interest income and charges are accounted for on an accrual basis.

Dividend income is recognised on the date when the shareholder's right to receive payment arises.

4.4 Taxes

Income tax expenses are determined on the basis of the net profit for the year, adjusted for exempt and non-deductible items. They are calculated using the tax rates applicable as at the closing date.

Deferred taxes are recognised in accordance with the balance sheet liability method for temporary differences arising from the differences between the carrying amounts of the assets and liabilities in the annual financial statements in accordance with IFRS and their tax base.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for tax loss carryforwards, provided it is likely they can be utilised in future periods. This is determined on the basis of the projected medium-term profits of the unit concerned. Deferred taxes are not recognised if the temporary difference arising from goodwill or the first-time recognition of other assets and liabilities occurs in a transaction that affects neither the net profits for tax purposes nor the net profits in accordance with IFRS.

Deferred taxes are measured at the tax rates that are expected to apply when an asset is realised or a liability settled. Deferred taxes are recognised in the income statement as tax income or expenses unless they relate to items that are taken directly to equity. In this case, the deferred taxes are also taken directly to equity.

Deferred tax assets and tax liabilities are offset if they concern income taxes collected by the same tax authority, affect the same tax object and if the intention is to offset current tax claims and liabilities on a net basis.

4.5 Intangible assets with finite life

Intangible assets with finite life include acquired software and software internally generated, acquired trademark rights and goodwill.

Acquired intangible assets are recognised at their cost of acquisition, while internally generated intangible assets are recognised at their cost of production provided the criteria set out in IAS 38 are met. If the criteria for recognition as assets are not met, the expenses are recognised in the income statement in the year in which they are incurred. The cost of production includes all costs directly attributable to the production process and appropriate portions of production-related overheads. Financing costs are not capitalised.

Intangible assets with finite life are amortised on a straight-line basis over the following expected useful lives:

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

4.6 Goodwill and intangible assets with indefinite life

Goodwill and intangible assets with indefinite life are tested annually for impairment. If its carrying amount is no longer recoverable, an impairment loss is recognised. Impairment may not be subsequently reversed in the case of goodwill. To determine the recoverability of goodwill and intangible assets with indefinite life, MLP takes the value in use. This is based on the current planning drawn up by the management. The principles for planning are adjusted respectively to reflect current circumstances. In this process, appropriate assumptions of macroeconomic trends and historical development are taken into account. As a rule, the anticipated growth rates of the markets relevant for MLP are taken as a basis to determine cash flows.

4.7 Property, plant and equipment

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

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

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

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

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

Property, plant and equipment	Finite life
Administration buildings	33 years to residual value (30 % of the original procurement costs)
Land improvements	15–25 years
Leasehold improvements	Duration of the rental agreement
Furniture and fixtures	10–25 years
IT hardware, IT cabling	3–13 years
Office equipment, office machines	5–13 years
Cars	5 or 6 years

4.8 Leases

Leases are classified as finance leases if they transfer substantially all risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases. The leases currently in place are classified as operating leases.

Rental income and expenses from operating leases are recognised in the income statement at constant rates over the term of contract.

4.9 Impairment of intangible assets with finite life and items of property, plant and equipment

At each closing date, the carrying amounts of intangible assets and items of property, plant and equipment are tested for indications of impairment pursuant to IAS 36. If there are indications of impairment, the recoverable amount of the asset is estimated in order to determine the extent to which the asset is impaired. The recoverable amount is either the fair value minus selling costs or the value in use – whichever is higher. Impairment is recognised in the income statement as impairment losses.

If the reason for impairment subsequently ceases to apply, the carrying amount of the asset is increased accordingly. The increase in the carrying amount is limited to the value that would have arisen if scheduled depreciation had been recognised for the asset in prior years. The reversal of impairment is also recognised in the income statement.

4.10 Financial instruments

Financial assets and financial liabilities are carried in the consolidated balance sheet if the Group becomes a party to the financial instrument's contractual provisions. They are recognised when, and only when, this occurs.

Financial assets are allocated to the following categories, which determine how each asset is measured:

- Originated loans and receivables are measured at amortised cost.
- Held-to-maturity securities are measured at amortised cost.
- Available-for-sale securities are stated at fair value.
- Securities held for trading are measured at fair value.

Financial liabilities are measured at amortised cost.

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

The Group's financial assets include investments, held-to-maturity securities, available-for-sale securities, loans and other capital investments.

Investments
Investments are measured at fair value or, if this cannot be reliably determined, at amortised cost.

Securities
Held-to-maturity securities are measured at amortised cost. The annual amortisation of a discount or premium from the acquisition of held-to-maturity securities is allocated to investment income over the instrument's term in such a way that the amount recognised as income in each period shows a constant rate of return for the investment.

Securities classified as available-for-sale assets are stated at fair value. Unrealised gains and losses are taken to equity until the date of disposal, when the net gains or losses are taken to income for the period concerned. Premiums or discounts are recognised in the income statement over the term.

Securities held for trading are measured at fair value. If their fair value cannot be determined, a fair value is estimated using reliable methods. Unrealised gains and losses are recognised in the income statement.

Loans
Loans are stated at amortised cost.

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

Impairment
All financial assets are tested for indications of impairment on a regular basis. Impaired financial assets are written down to their fair value and the impairment loss recognised in the income statement at the closing date. If the reason for prior-period write-downs ceases to apply, the impairment losses are reversed through the income statement.

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

Investments held on account and at risk of life insurance policyholders include those shares in investment funds which policyholders are entitled to directly. They are carried in the balance sheet at their fair value at the closing date. Unrealised gains and losses from measurement at fair value are offset against changes in the corresponding investments held on account and at risk of life insurance policyholders in the same amount. The changes in value are recorded without effect on income.

4.12 Receivables due from reinsurance business

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

4.13 Receivables due from banking business

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

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

In addition, allowances for bad debts on a portfolio basis are formed for remaining accounts receivable. The allowances are determined with reference to the dunning level and on the basis of past experience and other banks' ratings.

Bad debts are recorded against the existing allowances (or charged directly to the credit balance and recognised as expenditure). Payments received on receivables that have been written down are recognised in the income statement.

4.14 Receivables and other assets

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

4.15 Cash and cash equivalents

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

4.16 Deferred acquisition costs

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

Deferred acquisition costs are amortised over the term of the contract. The amount by which they are amortised depends on the classification of the underlying block of business.

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

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

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

4.17 Insurance provisions

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

Unearned premium reserves

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

Investments held on account and at risk of life insurance policyholders

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

- Insurance with natural profit-sharing

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

- Unit-linked insurance

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

As a rule, FAS 120 in conjunction with SOP 95-1 are applied as the basis for the calculation of insurance provisions for life insurance policies with profit participation. The net provisions for these policies are calculated as the present value of future guaranteed insurance benefits less the present value of future net premiums. The actuarial interest rate and the biometric accounting principles for premium calculation are applied here. The actuarial interest rate depends on the insurance portfolio in question and is between 2.75 and 4.0 percent (previous year: 3.25 and 4 percent). For non-contributory insurance policies, an additional provision is recognised for administrative costs. The insurance provision includes the provision for the final bonus, which was reclassified from the provision for premium refunds. With the revaluation, this provision (LTD – liability for terminal dividends) is built up from interest added and annual amounts added from a fixed share in the gross margins calculated for the corresponding year of the term of the contract. The gross margins include the expected premium income and returns from the net insurance provisions less insurance payouts, administrative costs, the change in net insurance provisions and the expected current profit shares for the year in question. Current accounting principles are used to determine this. The interest rate for the returns is 4.0 percent (previous year: 4.5 percent)

Provisions for insurance claims not yet settled (claims reserve)

The non-life insurance business recognises provisions for claims that are yet to be settled and for internal and external expenses incurred in settling claims. Pursuant to FAS 60, provisions for insurance claims not yet settled are recognised only for losses that occurred prior to the closing date. Taking account of the potential time lag that may occur between the loss and notification of the related claim, provisions are recognised for incurred, but not reported losses on the basis of the company's own estimates. These estimates are based on the principle of the most reliable estimate using recognised actuarial methods.

Provisions for claims are not discounted to present value. Changes in the estimates 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 performance-related premium refunds to life insurance policyholders.

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

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

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

4.18 Other provisions

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

Other provisions

Other provisions are recognised for uncertain liabilities to third parties and anticipated losses from pending transactions in the amount of the present value of the anticipated claim.

The carrying amount of the provisions is reviewed at each closing date.

4.19 Reinsurance liabilities

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

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

4.20 Liabilities due to banking business

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

4.21 Other liabilities

Trade accounts payable

Trade accounts payable are recognised at their face value.

Loans

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

Derivative financial instruments

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

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

Convertible debentures

Convertible debentures are regarded as compound financial instruments consisting of a debt and an equity component. On the issue date, the fair value of the debt component is estimated using the applicable interest rate for a similar debenture without conversion rights. 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. It is recognised in the capital reserves.

The interest charge is calculated using the current market rate for a similar debenture without conversion rights.

4.22 Estimates

In preparing the consolidated financial statements, it is necessary to make estimates and assumptions that affect the measurement of items disclosed in the consolidated balance sheet and the consolidated income statement and of contingent liabilities. Actual values may differ from the values disclosed.

5. Notes on accounting policies that differ from German law

In order to take advantage of the exemption provision in § 292a HGB, an enterprise must illustrate the significant differences between IFRS and HGB accounting policies.

These consolidated financial statements incorporate the following accounting policies that differ from German law:

While the HGB generally prohibits their recognition in the balance sheet, **internally generated intangible assets** (e.g. internally generated software) must under certain conditions be capitalised under IFRS.

While **amortisation** in line with the German Commercial Code (HGB) is based on tax regulations, amortisation of intangible assets and property, plant and equipment in line with IFRS occurs over the expected useful life.

Goodwill arising on the consolidation of subsidiaries must be capitalised under IFRS, while it may be taken directly to unappropriated profit in the consolidated financial statements prepared in accordance with the HGB system. Under IFRS 3, goodwill and intangible assets with indefinite life are subject to an annual impairment test (impairment-only approach) and are not amortised systematically.

Leases are carried in the balance sheet by the owner of the asset under both the IFRS and the HGB systems. The IFRS and the HGB systems differ in the criteria used to determine ownership. Under IFRS, leases are recognised by the party with the risks and rewards incident to ownership of the asset.

Available-for-sale securities are measured at their fair value. Under the HGB system, historical cost represents the upper valuation limit and, if allocated to current assets, is written down even if impaired temporarily (principle of lower of cost or market), which is not the case under IFRS.

Trust transactions, which are carried in the balance sheet under the HGB system, do not have to be recognised under IFRS.

In the consolidated financial statements prepared in accordance with IFRS, **minority interests** are disclosed as a separate balance sheet item between shareholders' equity and liabilities. By contrast, under the HGB system, minority interests are disclosed separately within shareholders' equity.

In accordance with IAS 19, **pension provisions** are determined using the projected unit credit method, bearing in mind future salary and old-age pension increases. The fiscal regulations in force were applied for the valuation in the financial statements based on commercial law.

In contrast to IFRS, under the HGB system **other provisions** may only be discounted if the underlying liabilities comprise interest.

Under IFRS, unlike under the net statement principle in commercial law, the **reinsurers' share in the insurance provisions** is disclosed on the assets side. Gross amounts are then reported accordingly on the liabilities side. However, in the income statement, the portion ceded to reinsurers from each item concerned is reported on a net basis.

While the HGB system prohibits the capitalisation of **acquisition costs**, US GAAP stipulates that acquisition costs resulting from new business are capitalised and amortised over the term of the policy or the period during which premiums are paid. Investments held on account and at risk of life insurance policyholders are therefore zillmerised. Acquisition costs capitalised in accordance with US GAAP replace the receivables not yet due from policyholders (Zillmer requirements) in accordance with the HGB system.

Under the HGB system, the **claims reserve** is determined by specifically identifying individual losses and adding a flat-rate for belated claims in accordance with the prudence principle. Under US GAAP, provisions are determined using statistical estimation methods and recognised at the probable future settlement amount.

In accordance with US GAAP, **provisions for premium refunds** also cover policyholders' potential claims resulting from all valuation differences caused by the transition from HGB to IFRS.

The **claims/loss equalisation provision** prescribed by German law is not permitted under US GAAP, as it does not represent a present obligation to third parties as at the closing date.

In accordance with US GAAP, **premiums from the provision for premium refunds** are also not disclosed as premiums but recognised under "Change in the provision for premium refunds". As a result, premiums pursuant to IFRS are usually lower than those pursuant to German law.

Under IAS 12, the main focus in determining **deferred income tax assets and liabilities** is on the balance sheet. Deferred tax assets and liabilities are recognised for temporary differences between carrying amounts pursuant to tax law and IFRS.

[1] 6. Business combinations

We account for business combinations in accordance with IFRS 3, insofar as they took place on or after 31 March 2004.

In the financial year 2004, €778 thsd was spent on acquisitions. All acquisitions in 2004 were settled on a cash basis. In total, goodwill on first-time consolidation amounted to €685 thsd. These additions have been entered in the balance sheet in line with the acquisition method.

On 1 April 2004, MLP Finanzdienstleistungen AG paid €28 thsd in total for 100 percent of the shares in Ganymed 283. VV GmbH, Frankfurt am Main, Germany. In April 2004, the company was renamed MLP BAV GmbH, Heidelberg, Germany. MLP BAV GmbH specialises in providing employers and employees with end-to-end advisory services covering occupational pension schemes and compensation in Germany and abroad, as well as in selling occupational pension products and the necessary organisational and administrative services. A profit transfer agreement is in place with MLP Finanzdienstleistungen AG.

In addition, MLP Finanzdienstleistungen AG paid €750 thsd in total for 51 percent of the shares in BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH (hereinafter referred to as "BERAG Beratung"), Bremen, Germany on 8 October 2004 after receiving the approval of the German Federal Cartel Office. BERAG Beratung holds 100 percent of the shares in BERAG Versicherungs-Makler GmbH (hereinafter referred to as "BERAG Makler"), Bremen, Germany. A profit transfer agreement is in place between BERAG Beratung and BERAG Makler.

BERAG Consulting conducts pension and actuarial consulting, in particular covering all aspects of occupational pension provision and compensation, pension and burial funds, benefit funds and money purchase schemes. It also carries out actuarial valuations and brokers investment funds for occupational pension provision and compensation, pension and other benefit obligations, pension and burial funds, benefit funds and money purchase schemes.

Acquired net assets – All figures in €'000

	Carrying amount	Adjustment	Fair value
Intangible assets	287	–	287
Property, plant and equipment	218	–	218
Accounts receivable and other assets	449	–	449
Cash and cash equivalents	96	–	96
Prepaid expenses	60	–	60
Provisions	–60	–	–60
Liabilities	–923	–	–923
Total net assets	**127**	**–**	**127**
Pro rata net assets		51.00 %	65
Goodwill			685
Total purchase price			**750**
Net cash flow from the acquisition			654

The purchased goodwill consists solely of the anticipated potential synergies and the employees' know-how.

If the acquisition of the BERAG companies had been completed on the first day of the financial year 2004, consolidated sales would have increased by €3,551 thsd and the profit attributable to acquirers to €581 thsd. In actual fact, the profit included in the consolidated profit since the acquisition date amounts to €195 thsd.

MLP BAV GmbH and the BERAG companies are part of the “consulting and sales” segment.

7. Notes on the income statement

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

[2] 7.1 Revenue from brokerage business

Revenue from brokerage business breaks down as follows:

All figures in €'000	2004	2003
Life insurance	339,341	218,460
Health insurance	47,587	56,182
Non-life insurance	9,522	11,814
Mutual funds	14,139	15,798
Loans	7,078	5,558
Other income	3,656	9,570
Total	**421,323**	**317,382**

[3] 7.2 Revenue from insurance business

The following table shows the revenue from insurance business.

All figures in €'000	2004	2003
Insurance premiums	181,914	134,804
Revenue from financial assets	5,007	2,876
Other income from insurance business	33,815	23,225
Total	**220,736**	**160,905**

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

Of the life insurance premiums where the policyholder bears the investment risk (for example, unit-linked life insurance), the only amount to be disclosed as premiums is that required to cover the risk and the costs, pursuant to FAS 97. Only payouts which exceed the corresponding policyholder's fund balance are charged to the income statement. Realised and unrealised gains and losses from fluctuations in the value of the corresponding capital investments are credited 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 term of the contract pursuant to FAS 60. They contain the amount necessary to cover the insurance risk and all surcharges. The shares of the premiums that are attributable to future financial years are deferred depending on the policy, and form the unearned premium reserves reported in the balance sheet. The premiums that are actually attributable 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 own account remain.

Insurance premiums break down as follows:

All figures in €'000	Life insurance		Non-life insurance	
	2004	2003	2004	2003
Posted gross premiums	224,266	190,256	42,651	34,837
Released reinsurance premiums	−28,123	−24,205	−9,402	−6,384
Change in unearned premium reserves (gross)	−48,564	−60,249	−82	0*
Change in unearned premium reserves from reinsurance	1,159	554	9	−5
Total (net)	**148,738**	**106,356**	**33,176**	**28,448**

* less than €1 thsd

Gross premiums from life insurance business include €730 thsd (previous year: €398 thsd) from reinsurance.

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

All figures in €'000	2004	2003
Interest and similar income	3,889	2,876
Non-current revenue from financial assets	1,118	–
Revenue from syndicate business	17,751	12,887
Other insurance income	16,036	10,338
Other income	28	–
Total	**38,822**	**26,101**

In the previous year interest and similar income includes €308 thsd in dividend income.

[4] 7.3 Revenue from banking business

Revenue from the banking business breaks down as follows:

All figures in €'000	2004	2003
Interest and similar income	15,741	15,222
Non-current revenue from financial assets	4	3
Commission income	30,454	29,110
Total	**46,199**	**44,335**

Interest and similar income (current income) from banking business breaks down as follows:

All figures in €'000	2004	2003
Interest income from		
Available-for-sale securities	498	448
Held-to-maturity securities	129	47
Claims on clients	13,158	13,680
Claims of credit institutions	1,956	1,047
Total	**15,741**	**15,222**

Commission income from the banking business are essentially from income received from the bank accounts, the credit card and financing business and from fees for asset management and saving scheme products.

[5] 7.4 Other income

The following table shows other income:

All figures in €'000	2004	2003
Income from currency translation	13	37
Income from the disposal of intangible assets and property, plant and equipment	311	1,074
Income from the reversal of provisions	573	530
Own work capitalised	2,926	3,088
Other operating income	11,206	8,801
Total	**15,029**	**13,530**

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

[6] 7.5 Change in deferred acquisition costs

Deferred acquisition costs relating to life and non-life insurance changed as follows year on year:

All figures in €'000	Life insurance		Non-life insurance	
	2004	2003	2004	2003
Capitalisation	107,028	74,539	4,882	3,371
Portion of reinsurers	−19,629	−3,428	−1,672	−739
	87,399	**71,111**	**3,210**	**2,632**
Interest added	25,414	20,415	–	–
Portion of reinsurers	−8,164	−7,999	–	–
	17,250	**12,416**	**–**	**–**
Amortisation	−45,858	−18,767	−4,868	−3,371
Portion of reinsurers	29,248	24,605	1,670	740
	−16,610	**5,838**	**−3,198**	**−2,631**
	88,039	**89,365**	**12**	**1**

[7] 7.6 Expenses for brokerage business

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

Expenses for the brokerage business increased by 61 percent to €251,501 thsd (previous year: €156,553 thsd). This significant rise is the result of increased new business in the field of old-age provision and from the associated branch office success.

[8] 7.7 Expenses for insurance business

Actuarial expenses break down as follows:

All figures in €'000	Life insurance		Non-life insurance	
	2004	2003	2004	2003
Claims payments (gross)	4,392	1,796	19,865	17,588
Change in the claims reserve (gross)	4,269	−2,705	8,462	1,840
Claims expenditure (gross)	**8,661**	**−909**	**28,327**	**19,428**
Portion of reinsurers	−3,909	414	−8,856	−1,936
Claims expenditure (net)	**4,752**	**−495**	**19,471**	**17,492**
Change in the reinsurance provisions (gross)	22,133	19,446	–	–
Portion of reinsurers	−3,334	−3,356	–	–
Change in the provision for premium refunds (gross = net)	31,182	21,127	–	–
Total (net)	**54,733**	**36,722**	**19,471**	**17,492**

The change in the provision for premium refunds of €32,805 thsd (previous year: €22,953 thsd) is split into the contractual part of €1,133 thsd (previous year: €78 thsd) and the deferred part of €31,672 thsd (previous year: €22,875 thsd). The changes to the deferred provision for premium refunds included in the operating results amount to €31,182 thsd (previous year: €21,127 thsd).

The table shows a breakdown of the other expenses for insurance business:

All figures in €'000	2004	2003
Interest and similar expenses	27,095	23,444
Expenses for investments	90	737
Other expenses	51,358	36,915
Total	**78,543**	**61,096**
Commission income	−861	−1,008
Reinsurance commission received	−30,666	−7,759
Total	**47,016**	**52,329**

At €24,336 thsd (previous year: €20,580 thsd), interest charges comprise the interest on deposits from reinsurance business.

The other expenses consist largely of direct credits to policyholders.

Expenses for investments from insurance business break down as follows:

All figures in €'000	2004	2003
Losses on the disposal of available-for-sale securities	88	723
Amortisation of other investments	2	7
Amortisation of financial assets	–	7
Total	**90**	**737**

[9] 7.8 Expenses for banking business

The following table shows the expenses for the banking business:

All figures in €'000	2004	2003
Interest and similar expenses	6,469	6,223
Expenses for financial assets	1	1
Allowances for losses	3,625	3,761
Change in value interest swaps	48	–
Commissions paid	1,400	2,165
Total	**11,543**	**12,150**

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

All figures in €'000	2004	2003
Added to allowances for losses	1,461	3,733
Income from the reversal of allowances for losses	−114	–
Direct amortisation	2,278	28
Total	**3,625**	**3,761**

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

Income from the reversal of allowances amounting to €25 thsd was reported under “Other income” in the previous year.

[10] 7.9 Personnel expenses

The following table shows a breakdown of personnel expenses:

All figures in €'000	2004	2003
Salaries and wages	68,951	69,030
Social security contributions	10,687	10,946
Expenses for old-age pensions	2,259	2,789
Total	**81,897**	**82,765**

Within the scope of defined contribution plans, €5,060 thsd was recorded as expenses for old-age pensions (previous year: €5,034 thsd).

Expenses for pensions and for defined benefit pension plans break down as follows:

All figures in €'000	2004	2003
Current service costs for the financial year 2004	928	669
Past service cost	12	1,016
Interest charge	612	470
Premiums for direct insurance and other expenses for old-age pension	707	634
Expenses for old-age pension	**2,259**	**2,789**

Severance payments made due to the termination of employment contracts amounted to €847 thsd (previous year: €2,688 thsd).

[11] 7.10 Depreciation/amortisation

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

All figures in €'000	2004	2003
Scheduled depreciation/amortisation	**25,121**	**24,547**
Intangible assets	15,427	14,840
Property, plant and equipment	9,694	9,707
Impairment losses	**345**	**843**
Property, plant and equipment	345	843
Total	**25,466**	**25,390**

The impairment losses of property, plant and equipment of €345 thsd was charged to leasehold improvements ("consulting and sales" segment).

The development of intangible assets is shown on page 100. The development of property, plant and equipment is shown on page 101.

[12] 7.11 Other operating expenses

This table shows the changes in operating expenses and their sub-items:

All figures in €'000	2004	2003
IT costs	43,618	52,342
Rent and rent incidentals	27,483	25,144
Restructuring expenses	21,250	–
Audit and consultancy costs	18,159	15,760
Communication requirements	15,407	15,426
Bad debt allowances	9,912	1,828
Training and seminars	7,616	5,506
Expenses for retired sales representatives	7,602	8,422
Advertising expenses	7,088	5,373
Representation, entertainment expenses	4,443	3,401
Office supplies	3,625	3,760
Other taxes	2,764	256
Currency translation expenses	7	784
Other sundry expenses	32,570	24,724
Total	**201,544**	**162,726**

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

[13] 7.12 Finance cost

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

All figures in €'000	2004	2003
Income from investments	–	1
Other interest and similar income	2,909	1,764
Interest and similar expenses	−13,382	−12,180
Transfer of losses	−16	−25
Losses on the disposal of financial assets	–	−2
Total	**−10,489**	**−10,442**

8. Notes on Group assets

[14] 8.1 Intangible assets

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

* less than €1 thsd

Of the total development costs for the financial year 2004, €2,926 thsd (previous year: €3,088 thsd) met the criteria for inclusion on the asset side in line with IFRS. They are recorded under "Assets under construction" and will be transferred upon completion.

The €685 thsd addition to goodwill is due to the acquisition of shares in BERAG Beratung GmbH. €24 thsd result mainly from the acquisition of shares in MLP Lebensversicherung AG.

There were no restraints or pledges.

The amortisation of intangible assets is included in the income statement item "Depreciation/amortisation" (note 11).

[15] 8.2 Property, plant and equipment

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

The land and payments on account relate to the administration buildings in Heidelberg and Wiesloch.

Land charges are in place as collateral, to the tune of €27,412 thsd (previous year: €30,000 thsd). There were no further restraints or pledges.

In the financial year 2004, impairment losses of €345 thsd were recognised on leasehold improvements to closed offices.

Depreciation of property, plant and equipment is disclosed in the income statement under "Depreciation/amortisation" (note 11).

[16] 8.3 Financial assets

Financial assets consist of:

All figures in €'000	2004	2003
Investments	1,383	1,383
Available-for-sale securities	157,030	84,773
Held-to-maturity securities	2,599	2,649
Loans	12	100
Other financial assets	43,600	73,590
Total	**204,624**	**162,495**

Investments, held-to-maturity securities and loans were as follows in the financial year 2004:

All figures in €'000	Investments	Held-to-maturity securities	Loans	Total
Acquisition costs				
As at 1 Jan 2004	**4,279**	**2,649**	**100**	**7,028**
Currency differences	–	–	–	–
Additions	–	–	–	–
Disposals	–	50	88	138
Transfers	–	–	–	–
As at 31 Dec 2004	**4,279**	**2,599**	**12**	**6,890**
Depreciation/amortisation				
As at 1 Jan 2004	**2,896**	**–**	**–**	**2,896**
Currency differences	–	–	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
As at 31 Dec 2004	**2,896**	**–**	**–**	**2,896**
Book value 31 Dec 2004	**1,383**	**2,599**	**12**	**3,994**
Book value 1 Jan 2004	**1,383**	**2,649**	**100**	**4,132**

In the reporting year, no value adjustments had to be made on held-to-maturity securities.

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

All figures in €'000	Amortised cost		Fair values	
	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003
Held-to-maturity securities				
Up to 1 year	2,599	–	2,629	–
More than 1 and up to 5 years	–	2,649	–	2,655
More than 5 years	–	–	–	–
Held-to-maturity securities in total	**2,599**	**2,649**	**2,629**	**2,655**
Available-for-sale securities				
Up to 1 year	13,234	10,048	13,259	10,084
More than 1 year and up to 5 years	45,710	36,941	46,873	37,323
More than 5 years	60,388	18,676	61,868	18,760
Shares	17	17	8	9
Investment funds	34,820	17,876	35,022	18,597
Available-for-sale securities in total	**154,169**	**83,558**	**157,030**	**84,773**
Securities in total	**156,768**	**86,207**	**159,659**	**87,428**

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

Available-for-sale securities have developed as follows:

All figures in €'000	Amortised cost		Accumulated unrealised gains		Accumulated realised losses		Fair values	
	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003
Shares	17	17	–	–	−9	−8	8	9
Participating certificate	18,874	8,481	843	60	–	−1	19,717	8,540
Fixed rate securities	100,458	57,184	1,840	494	−15	−51	102,283	57,627
Investment funds	34,820	17,876	265	731	−63	−10	35,022	18,597
Total	**154,169**	**83,558**	**2,948**	**1,285**	**−87**	**−70**	**157,030**	**84,773**

Unrealised gains of €1,787 thsd (previous year: €1,507 thsd) and unrealised losses of €26 thsd (previous year: €12 thsd) were taken directly to shareholders' equity in the period under review. €115 thsd (previous year: −€38 thsd) was eliminated from shareholders' equity and taken to the profit or loss for the period.

All figures in €'000	Realised gains		Realised losses	
	2004	2003	2004	2003
Shares	–	–	–	–
Participating certificates	–	–	–	–
Fixed rate securities	154	–	–22	–38
Investment funds	965	–	–66	–687
Total	**1,119**	–	**–88**	**–725**

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

8.3.1 Loans

Loans with up to one year to maturity amount to €12 thsd (previous year: €37 thsd). In the previous year loans with between one and five years to maturity amounted to €56 thsd, and those with more than five years to maturity amounted to €7 thsd.

8.3.2 Other financial assets

Other financial assets of €43,600 thsd (previous year: €73,590 thsd) include fixed-term deposits and fixed rate securities which have no more than 3 months remaining to maturity at the time of acquisition.

[17] 8.4 Investments held on account and at risk of life insurance policyholders

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

The year-on-year increase from €1,183,754 thsd to €1,564,065 thsd can mainly be attributed to the positive trend in the capital market in 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 funds policy. Funds of funds account for €1,432,761 thsd (previous year: €1,085,652 thsd), individual funds for €130,981 thsd and cash for €323 thsd of the investment fund as at the closing date.

[18] 8.5 Receivables due from reinsurance business

This item is made up of receivables from the reinsurance business and the reinsurer's share in insurance provisions.

All figures in €'000	Life insurance		Non-life insurance	
	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003
Reinsurance receivables				
Of which from inward reinsurance business	455	252	–	–
Of which from outward reinsurance business	–	–	4,851	1,620
Reinsurers' share in insurance provisions	20,912	15,361	4,264	2,260
Total	**21,367**	**15,613**	**9,115**	**3,880**

The reinsurers' share in the insurance provisions breaks down as follows:

All figures in €'000	Life insurance		Non-life insurance	
	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003
Unearned premium reserves	7,775	6,616	12	3
Investments held on account and at risk of life insurance policyholders	9,773	6,439	–	–
Claims reserve	3,364	2,306	4,252	2,257
Total	**20,912**	**15,361**	**4,264**	**2,260**

[19] 8.6 Receivables due from banking business

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

All figures in €'000	31 Dec 2004	31 Dec 2003
Receivables due from bank clients	229,138	237,998
Receivables due from other financial institutions	142,503	78,449
Total	**371,641**	**316,447**

Receivables due from bank clients are mainly in the form of loans, accounts and credit cards. Allowances for losses on individual accounts of €1,763 thsd (previous year: €1,051 thsd) and allowances for bad debts on a portfolio basis of €7,523 thsd (previous year: €6,970 thsd) were recognised for credit risks.

Accounts receivable with up to one year to maturity come to €304,396 thsd (previous year: €248,077 thsd) and those with more than one year to maturity to €67,245 thsd (previous year: €68,370 thsd).

8.6.1 Changes in allowances for losses on loans and advances

Allowances for losses on loans and advances changed as follows:

All figures in €'000	Allowances for losses on individual accounts		Changes in allowances for losses on a portfolio basis		Total	
	2004	2003	2004	2003	2004	2003
As at 1 January	**1,093**	**471**	**6,970**	**3,884**	**8,063**	**4,355**
Allocation	794	647	667	3,086	1,461	3,733
Release	–	−25	−114	–	−114	−25
As at 31 December	**1,887**	**1,093**	**7,523**	**6,970**	**9,410**	**8,063**

Allowances for losses were recognised for:

All figures in €'000	31 Dec 2004	31 Dec 2003
Accounts receivable due from bank clients	9,286	8,021
Sureties	124	42
Total allowances for losses	**9,410**	**8,063**

Alongside the receivables deducted from the allowances on the assets side of €9,286 thsd (previous year: €8,021 thsd), the allowances for losses on loans and advances include provisions for the lending business of €124 thsd (previous year: €42 thsd).

Taking into account total direct amortisation of €2,278 thsd (previous year: €28 thsd), funds provided and recognised in the income statement of €1,461 thsd (previous year: €3,733 thsd) and the reversed allowances of €114 thsd (previous year: €25 thsd) resulted in net cost of allowances for losses of €3,625 thsd (previous year: €3,736 thsd).

As at the closing date, credits for which no interest payments are received amount to €1,453 thsd (previous year: €1,534 thsd). This figure was established on the basis of a separate compilation drawn up by MLP Bank AG.

[20] 8.7 Receivables and other assets

This item breaks down as follows:

All figures in €'000	31 Dec 2004	Of which with a time to maturity of more than one year	31 Dec 2003	Of which with a time to maturity of more than one year
Trade accounts receivable	80,698	–	86,348	–
Accounts receivable from sales representatives	30,755	25,377	77,875	68,631
Accounts receivable from policyholders	6,164	–	9,676	–
Tax refund claims	1,785	–	2,276	–
Accounts receivable from companies in which the Group holds an interest	500	–	179	–
Other assets	8,076	583	6,097	313
Total	**127,978**	**25,960**	**182,451**	**68,944**

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

Receivables from companies in which the Group holds an interest relate to receivables from consolidated companies. There were no allowances for losses on individual accounts in the financial year 2004 (previous year: €657 thsd).

Receivables from policyholders comprise premium receivables from life insurance policies of €5,688 thsd (previous year: €9,078 thsd) and from non-life insurance policies of €476 thsd (previous year: €598 thsd). General allowances for bad debts in life insurance of €151 thsd (previous year: €290 thsd) have already been deducted here. With non-life insurance, the receivables have been adjusted by allowances for losses on individual accounts of €55 thsd.

Receivables from sales representatives concern MLP consultants and office managers. The reported figures include allowances for losses on individual accounts of €3,209 thsd (previous year: €1,196 thsd) and general allowances for bad debts of €11,854 thsd (previous year: €7,682 thsd).

Tax refund claims include €1,627 thsd (previous year: €1,820 thsd) of corporation tax and €158 thsd (previous year: €456 thsd) of trade tax. The major portion of €1,342 thsd (previous year: €1,379 thsd) relates to MLP AG.

[21] 8.8 Cash and cash equivalents

The item of cash and cash equivalents is made up of:

All figures in €'000	31 Dec 2004	31 Dec 2003
Cash on hand	293	301
Deposits at Deutsche Bundesbank	7,301	6,126
Cash at financial institutions	183,363	45,042
Total	**190,957**	**51,469**

[22] 8.9 Deferred acquisition costs (DAC)

Deferred acquisition costs are made up of deferred acquisition costs (gross) and reinsurers' portions as follows:

All figures in €'000	Life insurance		Non-life insurance	
	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003
Deferred acquisition costs (gross)	491,304	404,720	23	8
Portion of reinsurers	−133,724	−135,179	−3	0*
Total (net)	**357,580**	**269,541**	**20**	**8**

* less than €1 thsd.

Deferred acquisition costs changed as follows:

All figures in €'000	Life insurance		Non-life insurance	
	Gross	Reinsurers' portion	Gross	Reinsurers' portion
As at 1 Jan 2004	**404,720**	**135,179**	**8**	**1**
Capitalisation	107,028	19,629	4,882	1,672
Interest added	25,414	8,164	–	–
Amortisation	−45,858	−29,248	−4,867	−1,670
As at 31 Dec 2004	**491,304**	**133,724**	**23**	**3**

[23] 8.10 Prepaid expenses

Prepaid expenses of €9,760 thsd (previous year: €7,567 thsd) were recognised mainly for rental payments and for the deferral of support service commission.

9. Notes on Group liabilities and shareholders' equity

[24] 9.1 Shareholders' equity

Shareholders' equity is made up as follows:

All figures in €'000	31 Dec 2004	31 Dec 2003
Share capital	108,641	108,641
Capital reserves	7,920	7,707
Available-for-sale reserves	–229	–217
Reserve from currency translation	426	579
Remaining equity	172,219	137,112
Total	**288,977**	**253,822**

Changes in shareholders' equity are shown in the statement of changes in shareholders' equity on page 72.

9.1.1 Share capital

The share capital is made up of 108,640,686 ordinary no-par-value ordinary shares. As at 31 December 2004 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 (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 a one-off or several non-interest-bearing convertible debentures up to a total face value of €1,700,000 (contingent capital) over the period until 28 May 2007.

Changes in the fully paid-in shares outstanding:

	2004 No. of shares	2003 No. of shares
As at 1 January	**108,640,686**	**108,640,686**
Capital increases	–	–
As at 31 December	**108,640,686**	**108,640,686**

Pursuant to § 170 (2) of the German Stock Corporation Act (AktG), the Executive Board of MLP AG proposes that, of the unappropriated profit reported in the annual financial statements of MLP AG as at 31 December 2004 of €23,915,118.52, €23,900,950.92 is to be distributed to shareholders and €14,167.60 carried forward to new account. This represents a dividend of €0.22 per share.

9.1.2 Capital reserves

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

9.1.3 Available-for-sale reserve

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

Changes in 2003 and 2004 which are not recognised in the income statement (currency translation, capital measures, other) are shown in the statement of changes in shareholders' equity.

[25] 9.2 Insurance provisions

Gross insurance provisions are as follows:

All figures in €'000	Life insurance		Non-life insurance	
	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003
Unearned premium reserves	220,648	172,084	143	60
Investments held on account and at risk of life insurance policyholders	89,766	67,929	–	–
Provisions for insurance claims not yet settled (claim reserve)	10,378	6,110	21,171	12,709
Provisions for premium refunds	89,533	56,728	–	–
Total (gross)	**410,325**	**302,851**	**21,314**	**12,769**

The life insurance segment accounts for €753 thsd (previous year: €534 thsd) in the insurance provisions and €744 thsd (previous year: €688 thsd) in the claim provisions for reinsurance business.

Of the provisions for premium refunds, deferred provisions amount to €80,280 thsd (previous year: €48,608 thsd).

[26] 9.3 Insurance provisions for investments held on account and at risk of life insurance policyholders

Gross insurance provisions for investments held on account and at risk of life insurance policyholders on the liabilities side correspond to the investments held on account and at risk of life insurance policyholders on the assets side.

[27] 9.4 Other provisions

The item of other provisions breaks down as follows:

All figures in €'000	31 Dec 2004	31 Dec 2003
Provisions for pensions	11,960	10,393
Provisions for taxes	19,113	2,553
Other provisions for taxes	763	–
Other provisions	160,677	128,048
Total	**192,513**	**140,994**

Provisions of €122,530 thsd (previous year: €127,823 thsd) have more than one year to maturity.

9.4.1 Pension provisions

In the MLP Group, the Members of the Executive Board and Executive Members of Staff of MLP AG, MLP Finanzdienstleistungen AG, MLP Lebensversicherung AG, MLP Bank AG and MLP Versicherung AG and independently acting insurance brokers (branch office managers) 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 or single payment of disability capital (branch office managers)
- widow's pension of 60 percent
- orphan's benefit of 10 percent of the main pension and
- one-off capital sum payable on death before due date of pension (office managers)

The pension entitlement for Members of the Executive Board and Executive Members of Staff is equal to 60 percent of the last monthly salary. A current pension payment is already being paid in one case.

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

Financial status of the defined benefit pension plans:

All figures in €'000	31 Dec 2004	31 Dec 2003
Present value of obligations	14,370	10,430
Unrecognised actuarial gains/losses	−2,410	−37
Pension provision according to balance sheet	**11,960**	**10,393**

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	2004	2003
As at 1 January	**10,393**	**8,482**
Actuarial interest	612	470
Current service cost	1,191	669
Past service cost	12	1,016
Pension payments	−248	−244
Pension provisions recognised in the balance sheet	**11,960**	**10,393**

Actuarial calculations incorporate the following significant assumptions:

	2004	2003
Assumed interest rate	5.00 %	5.75 %
Anticipated annual salary development	2.60 %	2.60 %
Anticipated annual pension adjustment	1.60 %	1.60 %
Assumed employee turnover	0.00 %	0.00 %
Assumed retirement age	60 or 65	60 or 65

The expenditure for old-age pensions for members of the Executive Board and Executive Members of Staff of €928 thsd is reported in the income statement under personnel expenses (note 10). The expenditure for old-age pensions for branch office managers of €263 thsd is included under operating expenses (note 12).

9.4.2 Provisions for income taxes

The “provisions for income taxes” are recorded under point 10.2 of the notes.

9.4.3 Other provisions

The other provisions changed as follows:

All figures in €'000	01 Jan 2004	Utilised	Released	Allocation	31 Dec 2004
Litigation risks	545	156	358	1,114	1,145
Economic loss	216	32	–	152	336
Factoring	123,167	–	8,244	7,672	122,595
Other	4,120	1,278	1,044	34,803	36,601
Total	**128,048**	**1,466**	**9,646**	**43,741**	**160,677**

The other provisions include the provision for MLP Finanzdienstleistungen AG's liabilities due to factoring of €122,595 thsd (previous year: €123,167 thsd).

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

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

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

[28] 9.5 Reinsurance liabilities

This item comprises unsettled claims of €19,045 thsd (previous year: €36,828 thsd) and deposit liabilities of €17,549 thsd (previous year: €13,055 thsd).

Unsettled claims of €18,559 thsd (previous year: €36,754 thsd) relate to life insurance and €468 thsd (previous year: €74 thsd) to non-life insurance business.

[29] 9.6 Liabilities due to banking business

The table below shows the breakdown of liabilities:

All figures in €'000	31 Dec 2004	31 Dec 2003
Liabilities due to financial institutions	**19,272**	**18,780**
Due on demand	548	411
Short-term	18,724	18,369
Liabilities due to client	**2,090**	**80**
Savings deposits with an agreed notice period of three months	2,090	80
Other liabilities due to clients	**334,046**	**283,750**
Due on demand	332,359	281,438
Short-term	1,687	2,312
Total	**355,408**	**302,610**

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

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

Liabilities with a remaining term of up to one year amount to €336,029 thsd (previous year: €283,454 thsd).

[30] 9.7 Other liabilities

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

All figures in €'000	31 Dec 2004	Of which with a remaining term of less than 1 year	31 Dec 2003	Of which with a remaining term of less than 1 year
Liabilities due to sales representatives	95,313	89,568	57,683	53,795
Trade accounts payable	53,302	53,302	44,136	44,136
Liabilities due to financial institutions	27,272	23,292	29,564	2,300
Negative market values from derivates	8,202	–	6,963	–
Liabilities due to policyholders	4,947	4,947	5,105	5,105
Liabilities due to tax on wages/salaries and social securities contributions	3,185	3,185	2,965	2,965
Liabilities due to companies in which the Group holds an interest	1,498	1,498	1,038	1,038
Convertible debentures	753	81	278	–
Liabilities due to income tax	43	43	284	284
Other liabilities	18,788	11,711	30,363	14,608
Total	**213,303**	**187,627**	**178,379**	**124,231**

The item "Liabilities due to financial institutions" includes two building loans for financing the buildings in Wiesloch. Real estate mortgages to the tune of €30,000 thsd were entered as security in the mortgage register no. 7866 for the plot in Wiesloch. A loan with a value of €23,000 thsd on 31 December 2004 was repaid in full on 17 January 2005.

Of the liabilities due to financial institutions, €7 thsd (previous year: €16 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 commission.

The liabilities due to policyholders from life insurance comprise interest-bearing accumulated profit shares, premium deposits and advance premium payments from policyholders of €1,512 thsd (previous year: €1,754 thsd). Liabilities due to policyholders also include surrender values for cancelled unit-linked insurance policies that have not yet been paid out of €400 thsd (previous year: €567 thsd) and insurance payouts for expired unit-linked insurance policies that have not yet been paid out of €115 thsd (previous year: €260 thsd).

Liabilities due to policyholders from non-life insurance result from advance premium payments of €2,198 thsd (previous year: €1,991 thsd) and from insurance payouts that have been calculated but not yet paid out of €722 thsd (previous year: €533 thsd).

The item “Other liabilities” essentially contains commission withheld from sales representatives (MLP consultants) of €8,692 thsd (previous year: €5,765 thsd) that is related to cancellations.

[31] 10. Income taxes, including deferred taxes

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

All figures in €’000	31 Dec 2004	31 Dec 2003
Current taxes on income	38,063	20,986
Deferred taxes	–1,794	8,702
Total	**36,269**	**29,688**

The current taxes on income include revenue of €61 thsd (previous year: €98 thsd) relating to previous periods. The tax expense includes current foreign taxes of €154 thsd (previous year: €183 thsd) and deferred foreign taxes of €17 thsd (previous year: –€102 thsd).

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

The effective income tax rate applicable to the profit before tax is 41.37 percent (previous year: 43.06 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 38.5 percent (previous year: 39.9 percent).

The combined income tax rate is made up of corporation tax at 25 percent (previous year: 26.5 percent, one-off increase due to the flood victim solidarity act), the solidarity surcharge at 5.5 percent and an average trade tax of 12.12 percent (previous year: 11.94 percent).

All figures in €'000	31 Dec 2004	31 Dec 2003
Profit before tax under IFRS	87,679	68,949
Group income tax rate	38.50 %	39.90 %
Calculated income tax expenditure in the financial year	33,756	27,511
Tax-exempt earnings	−213	−302
Non-deductible expenses	800	608
Divergent trade taxation charge	−220	−23
Effects of other taxation rates applicable to subsidiaries operating abroad	732	768
Income tax not relating to the period	−61	−98
Change in the tax effect due to unrecognised deferred tax assets from losses	1,146	270
Consolidation processes	−91	165
Effects of dividend payouts	–	–
Other	420	789
Income tax expense	**36,269**	**29,688**

The tax-exempt earnings essentially result from tax-exempt dividend income amounting to €532 thsd (previous year: €745 thsd).

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.

10.1 Deferred taxes

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

All figures in €'000	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003
Intangible assets	0*	0*	2,962	2,857
Property, plant and equipment	17	12	3,080	2,696
Financial assets	229	201	924	458
Deferred acquisition costs	50,507	51,864	185,274	155,230
Unused tax losses	5,064	4,003	–	–
Other assets	15,744	15,396	2,497	2,257
Insurance provisions	128,767	97,740	63	0*
Provisions	41,231	39,672	293	225
Liabilities	3,613	3,223	192	287
Other liabilities	0*	37	43	52
Gross value	**245,172**	**212,148**	**195,328**	**164,062**
Netting with deferred tax liabilites	−193,710	−162,233	−193,710	−162,233
Total	**51,462**	**49,915**	**1,618**	**1,829**

* less than €1 thsd.

On 31 December 2004 the domestic companies reported unused corporation tax losses of €18,226 thsd (previous year: €20,607 thsd) and unused municipal trade tax losses of €18,444 thsd (previous year: €20,317 thsd), most of which can be attributed to MLP Lebensversicherung AG. In addition to this, the foreign branches and Group companies report unused tax losses of €24,803 thsd (previous year: €14,363 thsd).

The budgeting produced a possible usability for the losses brought forward at MLP Lebensversicherung AG of 70 percent (previous year: 50 percent). Based on the current planning, no deferred tax assets were recognised at MLP Lebensversicherung AG for a pro-rata unused corporation tax loss of €5,595 thsd (previous year: €10,049 thsd) and a pro-rata unused trade tax loss of €5,662 thsd (previous year: €10,159 thsd). At the foreign entities, deferred tax assets for unused tax losses of €23,882 thsd (previous year: €14,362 thsd) and tax-reducing temporary differences of €1 thsd (previous year: €284 thsd) were not carried in the balance sheet.

On 31 December 2004 deferred income tax claims of €1,198 thsd (previous year: €590 thsd) and deferred income tax liabilities of €1,093 thsd (previous year: €450 thsd) were charged directly to shareholders' equity.

10.2 Provisions for income taxes

Provisions for income taxes have changed as follows:

All figures in €'000	01 Jan 2004	Utilised	Released	Allocation	31 Dec 2004
Corporation tax	889	−763	−36	8,427	8,517
Trade tax	1,664	−130	–	9,062	10,596
Total	**2,553**	**−893**	**−36**	**17,489**	**19,113**

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.

11. 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, investments, investments held on account and at risk of life insurance policyholders, receivables, cash and cash equivalents, 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 policyholders, convertible debentures and all liabilities in the form of primary financial instruments.

11.1 Fair values of financial instruments

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

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

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

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

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

All figures in €'000	31 Dec 2004		31 Dec 2003	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Financial assets				
Receivables from banking business	371,640	377,845	316,447	321,412
Financial liabilities				
Liabilities due to banking business	355,408	356,049	302,610	302,960

11.2 Derivative business

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

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

	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 value (€)	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 the two interest swaps, with a volume of €50,000 thsd, amounts to –€8,154 thsd on the balance sheet date (previous year: –€6,842 thsd).

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

11.3 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 once only or several non-interest-bearing convertible debentures up to a total face value of €1,700 thsd over the period up to 28 May 2007.

On 19 August 2002, within the framework of the MLP Incentive Programme 2002, the company issued the first tranche of these non-interest-bearing convertible debentures to bearer with a total face value of €140 thsd. They incorporate the right to purchase MLP AG shares and were issued for members of the Executive Board, members of the management and the staff of MLP AG, as well as for MLP consultants acting as self-employed agents and employees of affiliated companies pursuant to article 15 and following articles of the German Stock Corporation Act. The second tranche was issued with effect from 4 August 2003 with a total face value of €320 thsd. The third tranche was issued with effect from 16 August 2004 with a total face value of €750 thsd.

The convertible debentures rank pari passu with the partial debentures to bearer with a face value of €1 each and have a maturity of 6 years each (of which 3 years is a qualifying period). The exercise period of the first tranche begins on 20 August 2005 and ends on 19 August 2008, while the exercise period of the second tranche begins on 5 August 2006 and ends on 4 August 2009. The exercise period of the third tranche begins on 17 August 2007 and ends on 16 August 2010.

The 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 basic price corresponds to the arithmetic mean of the closing price of the MLP AG shares in the XETRA trade over the last five trading days preceding the MLP AG Executive Board's resolution concerning exercise of the authority to issue convertible debentures to qualifying persons.

When this right is exercised, each partial debenture with a face value of €1 is exchanged for a new non-par value share.

During the subscription period for the Incentive Programme 2002, partial debentures amounting to €115 thsd were subscribed, and for the subscription period 2003 partial debentures amounting to €281 thsd were subscribed. During the 2004 subscription period, the subscription of partial debentures amounted to €677 thsd. Of the subscribed convertible debentures, €1,042 thsd (previous year: €389 thsd) were outstanding on the balance sheet date; convertible debentures amounting to €24 thsd (previous year: €8 thsd) were repaid during 2004.

The present value on the balance sheet date amounts to €753 thsd (previous year: €278 thsd) and is shown as liabilities under "Debentures". The difference on issue of the first tranche amounted to €36 thsd, that of the second tranche to €88 thsd and that of the third tranche to €213 thsd. The differences were added to the capital reserve during the year in which the tranches were issued.

	1st tranche	2nd tranche	3rd tranche
Exercise period			
Beginning	20 Aug 2005	05 Aug 2006	17 Aug 2007
End	19 Aug 2008	04 Aug 2009	16 Aug 2010
Total amount in €	140,000	320,000	750,000
Nominal amount in €	1	1	1
Subscribed convertible debentures in €	115,300	281,040	677,042
Repaid in €	14,010	15,590	2,242

[32] 12. Notes on the Group cash flow statement

The cash flow statement illustrates the change in cash resources of the MLP Group over the financial year as a result of the cash flows from operating, investing and financing activities. The cash flows from investing activities mainly comprise changes in fixed assets. The financing activity shows the cash-related equity capital changes and loans used. All other cash flows of revenue-related principal activities are allocated to operating activities. The cash and cash equivalents included in the financial resources were reduced by €16 thsd, which are intended for committed sponsoring projects.

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

All figures in €’000	31 Dec 2004	31 Dec 2003
Financial assets		
Shown by cash and cash equivalents (other capital assets < 3 months)	43,600	73,590
Investments	1,383	1,383
Securities	159,629	87,422
Loans	12	100
Financial assets according to balance sheet	**204,624**	**162,495**

All figures in €’000	31 Dec 2004	31 Dec 2003
Other liabilities		
Shown by the cash and cash equivalents (liabilities due to financial institutions due on demand	7	16
Liabilities due to financial institutions not due on demand	27,265	29,548
Other liabilities	186,031	148,815
Other liabilities according to balance sheet	**213,303**	**178,379**

The receivables and liabilities of MLP Bank AG due to other financial institutions have not been included in cash and cash equivalents as they are to be attributed to the current business activities of MLP Bank AG.

From the disposal of investments held on account and at risk of life insurance policyholders, profit to the tune of €105 thsd (previous year: €87,263 thsd) and losses to the tune of €38 thsd (previous year: €9,415 thsd) were recorded in the financial year.

13. Notes on Group reporting by segment

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

The business segments are made up of the individual companies in the MLP Group. The reportable segments constitute strategic Group business segments which differ as regards their services and products, as well as the regulatory framework.

Derivation of the reportable strategic business segments is based on the criteria of the relationship between potential opportunities and risks in the market in which the MLP Group transacts business.

The strategic business segments include:
- Consulting and sales
- Life insurance
- Non-life insurance
- Banking
- Internal services and administration

The object of the **consulting and sales** segment consists of client consulting services, particularly with regard to insurance, investments, occupational pension schemes and financing of all kinds, as well as of the broking of contracts concerning these financial services. This strategic line of business expanded by three companies in the financial year 2004 due to the acquisition of the BERAG companies and MLP BAV GmbH.

The segment is made up of MLP Finanzdienstleistungen AG, Heidelberg, MLP Private Finance plc, London, Great Britain, MLP Private Finance Correduria de Seguros S.A., Madrid, Spain, MLP Private Finance AG, Zurich, Switzerland, BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH, Bremen, BERAG Versicherungs-Makler GmbH, Bremen, and MLP BAV GmbH, Heidelberg.

The portfolio of products and services of the **life insurance** segment comprises various types of life insurance policies, tax-privileged insurance policies pursuant to the German law on pension income, capitalisation transactions as well as the administration of pension schemes. The life insurance segment is made up exclusively of MLP Lebensversicherung AG.

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

The **banking** segment includes the administration of financial portfolios, the trustee credit business, the loan and credit card business, consulting regarding investment decisions regarding investment funds, as well as the conception and organisational implementation of new financial products for the MLP Group. The segment is made up exclusively of MLP Bank AG.

The **internal services and administration** segment is made up of MLP AG and MLP Login GmbH. All internal services and activities of the MLP Group are thus combined in a separate segment.

The loss made by the internal services and administration segment as at 31 December 2004 is essentially due to lower intra-Group operating income. The information supplied concerning the individual segments is based on standardised accounting and valuation methods which were also applied for establishing the consolidated figures of the Group's financial statements.

Where 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 direct costs actually incurred.

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 figures is shown by the statements under "Consolidation".

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

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

	2004	2003
Consulting and sales	1,301	1,317
Life insurance	186	221
Non-life insurance	111	109
Banking	138	152
Internal services and administration	39	36
Total	**1,775**	**1,835**

The segments of consulting and sales, life insurance, non-life insurance, banking and 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 review and in the previous year is less than 3 percent), a geographic (secondary) breakdown of the segments is not required.

14. Additional information concerning the insurance business

14.1 Statement of financial assets

Of the financial assets amounting to €204,624 thsd (previous year: €162,495 thsd), €144,431 thsd (previous year: €127,459 thsd) represent investments held by the insurance companies.

All figures in €'000	Life insurance		Non-life insurance	
	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003
Investment	7	7	–	–
Shares	–	–	–	–
Participation certificates	17,513	7,447	2,204	1,093
Available-for-sale securities	60,257	22,185	5,872	4,558
Investment funds	33,989	18,579	989	–
Other financial assets	20,500	66,477	3,100	7,113
Total	**132,266**	**114,695**	**12,165**	**12,764**

14.2 Breakdown of income from financial assets

All figures in €'000	Life insurance		Non-life insurance	
	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003
Current income	3,133	2,053	755	823
Non-current income	1,099	–	20	–
Non-current expenditure	−88	−701	−2	−36
Total	**4,144**	**1,352**	**773**	**787**

14.3 Insurance provisions

All figures in €'000	Life insurance		Non-life insurance	
	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003
Premium provisions (gross)	220,648	172,084	143	60
Portion of reinsurers	−7,775	−6,616	−12	−3
Premium provisions (net)	**212,873**	**165,468**	**131**	**57**
Premium funds (gross)	89,766	67,929	–	–
Portion of reinsurers	−9,773	−6,440	–	–
Premium funds (net)	**79,993**	**61,489**	**–**	**–**
Provision for insurance claims not yet settled (pending claim reserve) (gross)	10,378	6,110	21,171	12,709
Portion of reinsurers	−3,364	−2,306	−4,252	−2,257
Provision for insurance claims not yet settled (pending claim reserve) (net)	**7,014**	**3,804**	**16,919**	**10,452**
Provision for premium refunds (gross = net)	89,533	56,728	–	–
Total (net)	**389,413**	**287,489**	**17,050**	**10,509**

15. Additional information concerning the banking business

15.1 Residual period breakdown concerning the banking business

The breakdown of receivables and liabilities from the banking business as a function of the residual period is as follows:

All figures in €'000	31 Dec 2003						
	Indefinite term	Due on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Total
Assets							
Receivables due to clients	158,064	–	4,255	7,309	21,772	46,598	237,998
Receivables due to financial institutions	–	55,929	22,520	–	–	–	78,449
Liabilities							
Liabilities due to clients	–	281,438	1,598	–	10	784	283,830
Liabilities due to financial institutions	–	412	4	3	275	18,086	18,780

All figures in €'000	31 Dec 2004						
	Indefinite term	Due on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Total
Assets							
Receivables due to clients	147,204	–	6,100	8,589	27,076	40,169	229,138
Receivables due to financial institutions	–	82,434	60,069	–	–	–	142,503
Liabilities							
Liabilities due to clients	–	332,359	3,085	10	179	503	336,136
Liabilities due to financial institutions	–	548	7	20	354	18,343	19,272

15.2 Concentration of assets and liabilities

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

All figures in percent	2004	2003
Loans		
Construction financing	22.9	13.3
Medical practice financing	30.9	16.5
Lombard loans	43.5	30.0
Remaining lending business	2.7	40.2
	100.0	**100.0**

The remaining lending business concerns receivables from accounts and from the credit card business.

15.3 Contingent and other liabilities

All figures in €'000	31 Dec 2004	31 Dec 2003
Contingent liabilities		
Liabilities on account of sureties and warranty agreements	18,341	18,799
Other liabilities		
Irrevocable credit commitments	9,750	6,391
Total	**28,091**	**25,190**

15.4 Assets pledged as collateral for own liabilities due to the banking business

A security with a face value of €1,500 thsd (previous year: €1,500 thsd) was granted 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, a security with a face value of €4,000 thsd (previous year: €4,000 thsd) to secure collateral loans.

Securities with a face value of €5,000 thsd (previous year: €5,000 thsd) were pledged to the "Kreditanstalt für Wiederaufbau" (KfW) for liabilities payable of €16,063 thsd (previous year: €9,916 thsd) as at the balance sheet date.

15.5 Trust transactions in the banking business

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

All figures in €'000	31 Dec 2004	31 Dec 2003
Trust assets		
Receivables from clients	392,739	360,108
Trust liabilities		
Liabilities due to clients	392,739	360,108

15.6 Commission result

The commission result comes to €29,054 thsd (previous year: €26,945 thsd).

16. Risk management policy and hedging strategies

16.1 General information obligations

As a financial services provider, MLP is exposed to various financial and other risks. It is company policy to minimise these risks through systematic monitoring and control.

16.2 Performance-related risks

MLP Lebensversicherung AG and MLP Versicherung AG issue insurance policies on their own account. These contracts relate only to clearly defined insurable risks for which an offsettable insurance portfolio can be built up within a foreseeable period of time and which the companies can confidently expect to achieve predictable insurance profits. These risks are underwritten in accordance with strict criteria. Premiums are calculated on the basis of conservative assumptions. The insurance premiums include sufficient security surcharges. In addition, the 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.

MLP Bank AG grants loans on its own account in the construction, medical practice and collateral financing areas of its private client segment. In medical practice financing in particular, loans and credits are granted based on the particular experience in this target-group-oriented financing type.

16.3 Financial risks

Default risk: In their first two years of service, we grant MLP consultants 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. This risk is constantly monitored within the scope of structured reporting. Accounts that are regarded as carrying risk have been adjusted accordingly.

We minimise non-payment risks at MLP Bank in the context of a defined credit strategy through single-transaction credit approvals, rigorous portfolio monitoring and security by collateral customary in banking. Reports from the operative systems support the monitoring process. In the credit business, we intensified the expansion of our rating procedure to cover credit rating. Appropriate value adjustments have been made in respect of loans that carry risk.

The insurance companies have claims for insurance premiums, which we monitor and limit by an effective dunning system. In comparison to the sector, we have a low number of debtors and these have been reduced further over the financial year.

The greatest overall credit risk lies in the loss of a contractual partner, i.e. to the level of the maximum book values of financial instruments stated in the balance sheet. Since appropriate value adjustments have been made for detectable risks, the actual credit risk lies significantly below this value.

Liquidity risk: MLP finances the operational business by current cash flow, the liquidity of which is monitored and controlled by a company-wide cash management system in the Group treasury. In the short-term, liquidity is planned on a daily or monthly basis. Appropriate short and medium-term credit lines have been agreed with a number of financial institutions in the event of a short-term liquidity shortfall.

Exchange risk: A further risk could arise from strong fluctuations in the prices of our financial assets. We combat this risk through minimum internal requirements for financial assets and constant monitoring and evaluation of our portfolio. This includes selecting only debtors of a satisfactory creditworthiness and observing the findings of rating agencies.

Interest risk: The interest risk for MLP Bank AG is slight thanks to a small period transformation and is regularly monitored and valued within the scope of the overall bank control system. A further method of hedging and controlling potential interest risk is in place at MLP AG and MLP Bank AG in the form of derivative financial instruments (interest rate swaps). In the life insurance and non-life insurance sector, the interest risk is monitored via stress tests and scenarios, in compliance with the supervisory framework conditions.

Investment risk in insurance business: A further risk may consist of the default or write down of financial assets. Our minimum internal requirements for financial assets regarding criteria for creditworthiness also apply here. The guaranteed interest risk is minimised through compliance with the supervisory financial asset regulations.

Insurance-related risk: The specialist areas in the insurance companies monitor this risk, based on actuarial models with simulations and stress tests and company-specific controlling programmes. Within MLP Lebensversicherung AG this takes place under special consideration of biometric risks (illness, incapacity to work, life expectancy).

The insurance and banking business faces particular risks concerning supervisory regulations. This is especially true of statutory solvency regulations covering the insurance and banking business which lay down a minimum capital structure of companies. The companies covered by these regulations are MLP Lebensversicherung AG, MLP Versicherung AG and MLP Bank AG, all of which have an adequate level of unencumbered equity resources at their disposal. The results of the MLP companies again considerably exceeded the statutory minimum requirements (solvency limits) this year. The existing budget/actual figures ensure continuous monitoring and thus an adequate capital structure.

With the exception of those already mentioned, there are no significant transactions of particular importance following the closing of the financial year.

17. Miscellaneous information

17.1 Other financial liabilities

Payments for operating leases iclude rental charges for 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 €53,205 thsd (previous year: €60,033 thsd).

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

All figures in €'000	Due in 2005	Due between 2006 and 2009	Due from 2010	Total
Rent of offices	13,241	41,664	11,202	66,107
Outsourcing IT technology	24,665	32,011	–	56,676
IT equipment	8,242	5,661	–	13,903
Maintenance/licence contracts	638	296	–	934
Other rents	370	555	–	925
Sponsoring	429	290	–	719
Total	**47,585**	**80,477**	**11,202**	**139,264**

Purchase commitments comprise intangible assets of €88 thsd and plant, property and equipment of €257 thsd.

The income from subletting notebooks to MLP consultants amounts to €4,213 thsd.

17.2 Assets accepted as collateral

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

17.3 Contingent and other liabilities

On the balance sheet date, liabilities on account of sureties and warranties amounted to €18,341 thsd (previous year: €18,799 thsd) and irrevocable credit commitments amounted to €9,750 thsd (previous year: €6,391 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.

[33] 17.4 Earnings per share

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

All figures in €'000	2004	2003
Result		
Basis of the basic earnings per share (Group net profit)	51,403	39,250
Effect of the potential share dilution:		
Interest on convertible debentures (after tax)	8	3
Basis of the diluted earnings per share	**51,411**	**39,253**

	2004 No. of shares	2003 No. of shares
Number of shares		
Weighted average number of shares for the basic earnings per share	108,640,686	108,640,686
Effect of the potential share dilution: Convertible debentures	1,041,540	388,648
Weighted average number of shares for the diluted earnings per share	**109,682,226**	**109,029,334**

The basic and diluted earnings per share amount to €0.47 (previous year: €0.36) and, in view of the small number of convertible debentures issued so far, are identical.

17.5 Number of employees

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

	2004			2003		
	Total	Germany	Foreign operations	Total	Germany	Foreign operations
Employees	1,398	1,299	99	1,492	1,336	156
Minor part time	377	373	4	343	341	2
Total	**1,775**	**1,672**	**103**	**1,835**	**1,677**	**158**

In addition an average of 136 (previous year: 169) people underwent commercial training in Germany.

17.6 Executive Bodies of MLP AG

Executive Board

Dr. Uwe Schroeder-Wildberg, Heidelberg
Chairman of the Board and CEO
Responsible for planning and strategy, human resources
communication, legal affairs, audit and IT

Eugen Bucher, Bammental
Responsible for sales

Gerhard Frieg, Heidelberg
Responsible for product management and purchasing

Nils Frowein, Frankfurt
Chief Financial Officer (since April 2004)
Responsible for treasury, accounting, controlling, tax and general administration

Supervisory Board

Manfred Lautenschläger, Gaiberg
Chairman of the Board and CEO

Gerd Schmitz-Morkramer, Munich
Deputy Chairman

Dr. Peter Lütke-Bornefeld, Bergisch-Gladbach

Johannes Maret, Burgbrohl

Maria Bähr, Sandhausen
Employees' representative; departmental head of MLP Finanzdienstleistungen AG

Norbert Kohler, Oftersheim
Employees' representative; team leader of MLP Finanzdienstleistungen AG

Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
MLP Bank AG (Chairman) MLP Lebensversicherung AG (Chairman) MLP Versicherung AG (Chairman) MLP BAV GmbH (Chairman)	Deutsche Bank AG, Mannheim (Advisory Board)
–	–
MLP BAV GmbH	–
MLP BAV GmbH	–

Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
MLP Finanzdienstleistungen AG, Heidelberg (Chairman)	Heidelberg University Clinic, Heidelberg
Merck Finck & Co., Munich (Chairman of the Shareholders' Committee) Merck Finck Vermögensbetreuungs-AG, Munich Merck Finck Treuhand AG, Frankfurt on the Main (Chairman) bmp AG, Berlin (Deputy Chairman) YOC! AG, Berlin (Chairman)	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)
Europa Rückversicherung AG, Cologne VPV Lebensversicherungs-AG, Stuttgart Delvag Rückversicherungs-AG, Cologne Gothaer Rückversicherung AG, Cologne (until 26 July 2004)	*Group companies:* General Reinsurance Australia Limited, Sydney, Australia (until 14 October 2004) GeneralCologne Re Rückversicherungs-AG, Vienna, Austria (Chairman until 15 October 2004) General Re Corporation, Stamford, USA General Reinsurance Corporation, Stamford, USA Cologne Reinsurance Company (Dublin) Ltd., Dublin, Ireland General Re Life Corporation, Stamford, USA GeneralCologne Re Capital GmbH, Cologne *Others:* Deutsche Kernreaktor-Versicherungsgemeinschaft, Cologne (Chairman) Faraday Reinsurance Co., London, Great Britain Faraday Holdings Limited, London, Great Britain
Nordwind Capital, Cologne (Managing Director) DAB bank AG, Munich	Gebrüder Rhodius KG, Burgbrohl (Chairman of the Advisory Board) The Triton Fund, Jersey, USA (Investment Committee Member) Xchanging Ltd., London, Great Britain (Non Executive Director)
–	–
–	–

17.6.1 Related party disclosures

Business with affiliated companies has been transacted subject to normal market conditions. Within the framework of ordinary business, members of the Executive Board and 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 standard terms for employees when taking out insurance policies. They are also granted the standard terms for employees when concluding contracts with MLP Bank AG.

17.6.2 Supervisory Board's and Executive Board's emoluments

The members of the Group's Executive Board are entitled to a fixed and a variable (performance-oriented) remuneration in accordance with the concluded contracts of employment. Basis for assessment of the variable remuneration is the net profit achieved by MLP AG and by the subsidiaries. Decisive is the net profit that would have resulted without deduction of corporate income tax, trade tax and profit-sharing payments. The variable remuneration is calculated on the basis of a fixed percentage of the assessment basis. Should a contract of employment commence or terminate during the course of a financial year, the profit-sharing payment for this financial year is granted pro rata temporis.

In addition to reimbursement of expenses, each member of the Supervisory Board receives a fixed payment which is paid at the end of the financial year. Additional payments are granted for chairman and deputy functions. Functions in committees are subject to separate compensation.

All figures in €'000

Executive Board	Fixed portion of remuneration 2004	Variable portion of remuneration 2004	Total 2004	Convertible debentures in total in €/share
Dr. Uwe Schroeder-Wildberg (Chairman)	412	282	694	12,000
Eugen Bucher	298	202	500	10,000
Gerhard Frieg	298	202	500	10,000
Nils Frowein (since 1 April 2004)	232	152	384	–
Total	**1,240**	**838**	**2,078**	**32,000**

All figures in €'000

Supervisory Board	Fixed portion of remuneration 2004	Variable portion of remuneration 2004	Total 2004	Convertible debentures in total in €/share
Manfred Lautenschläger (Chairman)	26	–	26	–
Gerd Schmitz-Morkramer (Deputy Chairman)	73	–	73	–
Dr. Peter Lütke-Bornefeld	56	–	56	–
Johannes Maret	45	–	45	–
Norbert Kohler	35	–	35	143
Maria Bähr	35	–	35	176
Total	**270**	**–**	**270**	**319**

Members of the Executive Bodies having left the Group received €652 thsd (previous year: €3,569 thsd). On 31 December 2004, pension accruals of €6,050 (previous year: €6,229) were in place for this group.

17.6.3 Shares held by the Executive Board and Supervisory Board on the closing date

Shareholding as at 31 December 2004 was as follows:

	Ordinary shares 2004 No. of shares	Ordinary shares 2003 No. of shares	Percentage of share capital 2004 %	Percentage of share capital 2003 %
Manfred Lautenschläger	17,316,597	17,087,897	15.94	15.73
Other members of the Executive Bodies and remaining shareholders	91,324,089	91,552,789	84.06	84.27
	108,640,686	108,640,686	100.00	100.00

17.6.4 Loans to members of the Executive Bodies

As at the balance sheet date no loans were granted to members of the Executive Bodies.

17.7 Disclosures pursuant to §§ 21 (1), 22 German Securities Trading Act (WpHG)

Pursuant to § 21 (1) WpHG, Bankgesellschaft Berlin GmbH, Alexanderplatz 2, 10178 Berlin, informed us that its share of the voting rights in MLP AG had exceeded the 5 percent threshold on 30 November 2004 and now stands at 5.03495 percent. This corresponds to 5,470,000 votes.

Pursuant to §§ 21 (1), 22 (1) sentence 1 no. 1 WpHG, the German federal state of Berlin informed us that the share of voting rights in MLP AG held by the federal state of Berlin, represented by the Senate Department of Finance, Klosterstraße 59, 10179 Berlin, had exceeded the 5 percent threshold on 30 November 2004 and now stands at 5.03495 percent. This corresponds to 5,470,000 votes. These voting rights are assigned to the federal state of Berlin pursuant to § 22 (1) sentence 1 no. 1 WpHG.

18. List of holdings

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

Name, registered office	Share %
MLP Finanzdienstleistungen Aktiengesellschaft, Heidelberg	100.00
MLP Lebensversicherung Aktiengesellschaft, Heidelberg	99.86 [1)]
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 (99,93% subsidiary of MLP Finanzdienstleistungen AG), Zürich, Schweiz	99.93
MLP BAV GmbH (100% subsidiary of MLP Finanzdienstleistungen AG), Heidelberg	100.00
BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH (51% subsidiary of MLP Finanzdienstleistungen AG), Bremen	51.00
BERAG Versicherungs-Makler GmbH (100% subsidiary of BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH), Bremen	51.00

1) Ordinary shares 100 %; non-voting 99.639 % (5,978,323 shares)

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

Name, Sitz	Share %	Shareholders' equity as at 31 Dec 2004	Profit/loss as at 31 Dec 2004 €
Academic Networks GmbH [1)] (90% subsidiary of MLP Finanzdienstleistungen AG), Wiesloch	90.00	−627,216.88	−28,708.90
MLP Consult GmbH, Heidelberg [1)]	100.00	1,507,885.06	67,880.01
MLP Media GmbH [1)] (100% subsidiary of MLP Finanzdienstleistungen AG), Heidelberg	100.00	25,788.92	–

1) Not included in the scope of consolidation since negligible

19. Events after the balance sheet date

There were no significant events after the balance sheet date with any effect on the net assets, finances or Group results of operations.

20. Release of consolidated financial statements

The Executive Board drew up the consolidated financial statements on 31 March 2005 and will present it to the Supervisory Board for publication on 18 April 2005.

Heidelberg, 31 March 2005

MLP AG

Executive Board

Dr. Uwe Schroeder-Wildberg — Eugen Bucher

Gerhard Frieg — Nils Frowein

Audit opinion

We have issued the following opinion on the consolidated financial statements and the group management 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 MLP AG, Heidelberg, for the fiscal year from 1 January to 31 December, 2004. The preparation and the content of the consolidated financial statements are the responsibility of the company's management board. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with the International Financial Reporting Standards (IFRS) and the supplementary rulings in the articles of association, based on our audit.

We conducted our audit of the consolidated financial statements in accordance with the German auditing requirements and generally accepted standards for the audit of financial statements promulgated by the "Institut der Wirtschaftsprüfer" in Germany (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 misstatement. 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. In the course of the audit the documentation supporting the carrying amounts and disclosures in the consolidated financial statements is examined on a test basis. 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 fiscal year in accordance with IFRS.

Our audit, which also extends to the Group management report prepared by the management board for the fiscal year from 1 January to 31 December, 2004, has not led to any reservations.

In our opinion, on the whole the Group management report together with the other disclosures in the consolidated financial 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 fiscal year from 1 January to 31 December, 2004 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."

Stuttgart, 7 April, 2005

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Pfitzer	Skirk
German Public Auditor	German Public Auditor

Glossary

Amortised cost

• **Amortised cost** is the historical cost less scheduled depreciation and amortisation and impairment losses.

Available-for-sale

• **Available-for-sale** securities are securities that are not to be held to maturity and have not been acquired for sale in the near term. These securities are shown at fair value.

Cash flow statement

• The **cash flow statement** illustrates flows of cash and cash equivalents during a financial year, broken down into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities.

Consolidation

• **Consolidation** involves combining the separate financial statements of companies belonging to the Group so as to prepare a set of consolidated financial statements. Transactions between the individual Group companies are eliminated on consolidation.

Contingent liabilities

• **Contingent liabilities** are liabilities whose occurrence is improbable. Although they are not carried in the balance sheet, they must be disclosed in the notes, e.g. as liabilities on account of sureties.

Corporate governance

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

Deferred acquisition costs

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

Deferred tax assets and liabilities

• **Deferred tax assets and liabilities** are based on limited-time differences in the methods of balancing of accounts according to the International Financial Reporting Standards and the corresponding national tax law (so-called temporary differences). If, in the consolidated financial statements in line with IFRS, assets are stated at a lower (higher) level or liabilities at a higher (lower) level than in the tax balance sheet of the respective Group company, the future tax relief that arises from this must be recorded as deferred tax asset (liability). Deferred tax assets can also be recorded as tax loss carryforwards. Deferred tax assets are value-adjusted if it seems unlikely that the corresponding level of tax receivables will arise.

Derivative financial instruments

- **Derivative financial instruments** are financial instruments whose value depends on the price performance of an underlying asset. Examples of derivative financial instruments include swaps.

Earnings per share

- **Earnings per share** is the ratio of the consolidated profit or loss for the year to the average number of shares issued. For **diluted earnings per share**, the number of shares and the consolidated profit or loss for the year are adjusted by the dilutive effects of any subscription rights that have been or can still be exercised. Subscription rights arise in connection with issues of convertible debentures and share options.

EBT

- **EBT** is earnings before tax.

EBIT

- **EBIT** is earnings before interest and tax.

Fair value

- **Fair value** is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Fair value usually corresponds to the stock market or market value or to a value derived from this. In some cases, the fair value is calculated as the present value.

Financial Accounting Standards

- **Financial Accounting Standards (FAS)** are US accounting standards that govern individual accounting issues in detail. They must be adhered to by companies that prepare their financial statements in accordance with -> **US GAAP (US Generally Accepted Accounting Principles)**.

Goodwill

- **Goodwill** is recognised by the acquirer as an asset from the acquisition date and is initially measured as the excess of the cost of the business combination over the acquirer's share of the net fair values of the acquiree's identifiable assets, liabilities and contingent liabilities. Any goodwill resulting from business combinations after 31 March 2004 is not amortised but is subject to an impairment review. If necessary, an impairment loss is recognised (impairment only approach).

Gross or net

- Insurance items are shown **gross or net**, i.e. before or after deduction of the portion attributable to reinsurance business.

Held-to-maturity securities

- The company holds **held-to-maturity securities** with the intent and ability to hold these securities to maturity.

Insurance provisions

- **Insurance provisions** are calculated using actuarial methods and cover policyholders' future claims.

Interest rate swaps

- **Interest rate swaps** are used to exchange payment obligations that are denominated in the same currency but subject to different interest terms (fixed/variable). In the case of **interest currency swaps**, the payment obligations being exchanged are denominated in different currencies.

IAS and IFRS

- **International Accounting Standards (IAS)** and **International Financial Reporting Standards (IFRS)** are accounting standards promulgated by the International Accounting Standards Board (IASB), which is responsible for issuing IASs/IFRSs. Since 2002, the standards issued by the IASB have been known as "IFRS"; the standards issued previously were called "IAS".

Investments held on account and at risk of life insurance policyholders

- **Investments held on account and at risk of life insurance policyholders** include those shares in investment funds which policyholders are entitled to directly under -> **unit-linked life insurance**.

Premium

- The **premium** is the amount that the insured party pays, on an ongoing basis or as a one-off amount, for the insurance cover provided. **Posted premiums** are the total premium income that became due in the financial year. The premiums that are actually attributable to the financial year are shown as **premiums earned**. Premiums received for future risk periods are accrued in the **unearned revenue liability**.

Provisions for premium refunds

- **Provisions for premium refunds** cover premiums paid in advance that have to be refunded to policyholders under national legal or contractual obligations.
  In accordance with US GAAP, provisions for premium refunds also cover policyholders' potential claims resulting from all valuation differences caused by the switch from HGB to IFRS (**deferred provisions for premium refunds**).
  Provisions for insurance claims not yet settled (claims reserve) are established for losses that occurred before the end of the financial year but have not yet been settled.

Segment reporting

- **Segment reporting** is financial information based on the consolidated financial statements, reported by business segment and region.

Unit-linked life insurance	• The benefits payable under **unit-linked life insurance** depend primarily on the performance of the investments in a mutual fund. The policyholder shares equally in the profits or losses of the underlying investments.
US GAAP	• **US GAAP (US Generally Accepted Accounting Principles)** are US accounting principles that are obligatory and binding for quoted companies in the USA.

Acknowledgements

MLP would like to thank the following people and institutions, who offered valuable support in drawing up this annual report.

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Prof. Dr. Gerhard Neukum, inventor of the Mars camera and planetary researcher
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OUR PROMISE, OUR COMMITMENT

- MLP is the leading financial service provider 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 with regard 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 provisions 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, with a key objective of the company being to increase these returns in a sustainable manner.

- The key to the company's success is its employees, and particular emphasis is placed on a careful selection procedure and intensive training.

- Openness, credibility and fairness, combined with an awareness of our respective mutual responsibilities, 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 employees can benefit from the company's success.

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

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IMPRINT

Publisher
MLP AG
Forum 7, 69126 Heidelberg, Germany
www.mlp.de

Concept, design and production
Signum communication GmbH, Mannheim, Germany

Printing
ColorDruck GmbH, Leimen, Germany

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FINANCIAL CALENDAR 2005

25 May 2005
Report on first quarter 2005 for the MLP Group

21 June 2005
Annual General Meeting of MLP AG in Mannheim

24 August 2005
Report on second quarter 2005 for the MLP Group

23 November 2005
Report on third quarter 2005 for the MLP Group

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