# Statement by MLP AG regarding questions posed by the magazine “Börse Online”

**Heidelberg, 29th July 2002.** MLP is aware that the magazine “Börse-Online” has a copy of the enclosed excerpt from a MLP audit report concerning the year 2001.
MLP has received the following questions regarding this report from “Börse-Online”:

1. How do you account for the unusually high increase in the balance sheet item “other assets” by EUR 42.1 million in the first quarter 2002?

2. How do you account for the unusually high growth in the balance sheet item “accounts payable” by EUR 42.9 million in the first quarter 2002?

3. The company MLP Finanzdienstleistungen (financial services) receives commission payments from MLP Lebensversicherung (life insurance) that are paid out over a period of up to twelve years for arranging company-assembled unit-linked life insurance policies.
The documentation available to us shows that MLP Finanzdienstleistungen has sold the follow-up commission payments from the arrangement of company-assembled life insurance policies from the years 7 through 12, to which the consultants are no longer entitled. Who have you sold the future claims from follow-up commission payments to?

4. Does the income and liquidity effect arising from the procedure described under question 3 exceed EUR 55 million for the financial year 2001 and EUR 40 million for 2000?

5. Under which item in the profit and loss statement was the procedure posted as described under question 3?

6. Why was this new form of corporate financing not specified in the management report for the annual accounts for MLP AG, MLP Finanzdienstleistungen and the MLP Group for the years 2000 and 2001?

MLP responds as follows to questions 1 and 2:

The increase in “accounts payable” can largely be attributed to two facts:

Other insurance companies are involved as part of the co-insurance for the non-life insurance business operations via MLP Versicherung AG, whereby the complete contractual management and as such the premium collection are conducted by MLP Versicherung AG. Contracts specify that settlement for the co-insurers is always conducted at the end of a quarter. Since the premiums for most non-life insurance policies are paid annually on January 1st, the short-term liabilities to co-insurance companies rise considerably as a result.

When MLP Consultants and branch office managers start working they receive a limited advance commission payment until the cumulated commissions earned exceed this amount. This is shown in its full amount on the books as “other assets” so long as the advance payment does not exceed the cumulated commission earned. The commissions earned are shown in their full amounts as “accounts payable” and hence represent commission payments, that are shown in the books under the P&L item “cost of materials”. At the end of the calendar year both accounts are settled up and the resulting balance is shown on the books accordingly.

This is also a main reason for the increase in the item “other assets”.

The matters raised in questions 3 to 6 are explained by MLP as follows:

The acquisition costs for the unit-linked life insurance policies that MLP Finanzdienstleistungen AG arranged in 2000 and 2001 are charged to the insurance contracts spread over a period of 12 years. The MLP Consultants were awarded a relatively low one-off commission payment in comparison with the other insurance business for arranging these policies. The MLP Consultants are also awarded “service” commission over the following 5 years.

Due to the high share of new business for unit-linked life insurance policies MLP Finanzdienstleistungen AG as insurance broker has adjusted the income situation for this form of insurance to the normal income situation that arises for arranging life insurance policies. So MLP Finanzdienstleistungen AG sold future commission earnings from fund policies to which MLP Consultants were not entitled to, to Gerling, to Kölnische Rück and to Frankona. The revenues achieved as a result in 2000 and 2001 amounted to EUR 42.6 million and EUR 57.6 million respectively. These sales bear no relevance to the reinsurance business transactions.

The alternative arrangement of normal market life insurance policies for which a high one-off acquisition commission payment is made would have led to even higher revenues for MLP Finanzdienstleistungen AG in 2000 and 2001. MLP expects considerable additional profits from the new fund policies completed in 2000 and 2001.

The company did not specify this form regarding the asset, financial and revenue situation in the summarised management report for MLP AG because this does not represent a change in corporate financing that is of any major relevance for the annual account addressees.