Shaping change, creating opportunities

Annual Report 2007

MLP

SHAPING CHANGE, CREATING OPPORTUNITIES

"One person waits for times to change, another seizes the moment and acts." This quote from Dante Alighieri also rings true for the financial services sector: The market is currently experiencing far-reaching regulatory changes in the form of the Insurance Mediation Directive, the MiFID and the reformed German Insurance Contract Law. However, while many providers are still struggling to implement the raised standards, MLP is already several steps ahead, as the new principles and regulations embody our philosophy of giving high-quality and comprehensive financial advice.

The commitment to quality cannot be high enough. Because quality is the basis of our success. Legislation is demanding more consumer protection regarding products and greater transparency in consulting – and is thus enshrining the MLP model in law. We welcome this regulatory change – as it results in more competition and more quality. And because we have long recognised it as an opportunity to continue pursuing our strategy for success with our clients and shareholders in mind and have turned it to our advantage.

How we are doing this is shown in this Annual Report.

THE MLP GROUP

All figures in € million	2007	2006[1]	2005[2]	2004[3]	2003
CONTINUING OPERATIONS					
Total income	**637.1**	588.5	563.9	622.8	536.2
Income from brokerage business	**476.3**	474.9	467.9	543.7	317.4
Income from insurance business	**–**	–	–	–	160.9
Income from banking business	**79.9**	70.0	54.3	48.5	44.3
Income from wealth management	**39.2**	9.3	–	–	–
Other income	**41.8**	34.4	41.7	30.6	13.5
Earnings before interest and tax (EBIT)	**110.3**	95.1	71.8	88.3	79.4
EBIT margin	**17.3%**	16.2%	12.7%	14.2%	14.8%
Earnings from continuing operations	**76.0**	76.5	42.5	43.0	39.3
MLP GROUP					
Net profit (total)	**62.1**	71.8	199.7	50.3	39.3
Earnings per share in €	**0.62**	0.69	1.84	0.46	0.36
Dividend per share in €	**0.50**[4]	0.40	0.30[5]	0.22	0.15
Capital expenditure	**16.2**	20.0	16.7	25.3	37.0
Shareholders' equity	**339.7**	324.9	455.2	289.6	253.8[6]
Equity ratio	**23.9%**	25.6%	38.5%	9.4%	10.5%
Balance sheet total	**1,424.2**	1,270.2	1,182.0	3,086.2	2,427.6
Clients[7]	**721,000**	685,000	651,000	615,000	558,000
Consultants[7]	**2,613**	2,571	2,435	2,519	2,738
Branch offices[7]	**262**	255	267	294	341
Employees[7]	**1,871**	1,604	1,447	1,408	1,432
BROKERED NEW BUSINESS					
Old-age provision (premium sum in € billion)	**6.9**	7.1	6.7	11.2	7.4
Health insurance (annual premium)	**50.1**	71.4	56.4	60.4	64.0
Loans	**1,173**	1,217	1,016	806	1,064
Funds under management in € billion	**11.4**[8]	10.8[8]	8.3[8]	2.6	3.5

[1] Previous year adjusted (see note 3).
[2] The values for 2005 were adjusted compared to the values disclosed in the previous year, due to the sale of the subsidiary MLP Private Finance AG, Switzerland.
[3] Adjusted in 2005 due to the sale of the subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG.
[4] Subject to approval by the Annual General Meeting on May 16, 2006.
[5] Plus an extra dividend of €0.30 per share.
[6] Excluding minority interests.
[7] Continuing operations.
[8] MLP and Feri.

PROFILE

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

OUR MISSION

Whether health and old-age provision, insurance cover, financial investments or loans and mortgages – MLP stands for the highest quality consulting across all segments and in every stage of its clients' lives. Clients trust in the expertise and independence which MLP guarantees in all aspects of integrated financial solutions.

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LETTER TO OUR SHAREHOLDERS

Dear shareholders,

The last financial year was greatly influenced by profound changes which affected MLP and the whole of the financial services sector in Germany. The regulatory environment and the legal framework became even tighter, the legislator has set the course for our business and for market competition.

These changes create new opportunities, since as a consequence of the radically reformed German Insurance Contract Law, the reforms undertaken as part of the EU Insurance Mediation Directive and the financial markets directive MiFID independence and quality now count more than ever. The new rules mean tougher requirements for all financial services providers with regard to their consulting activities. Contracts must be formulated in a more transparent manner and clients must be given even more detailed information. MLP is not only in a perfect position to meet these changes, the company has rather been an advocate and supporter of such changes.

Information, documentation and accountability are now accorded, by law, a new and even higher significance. Small financial services providers can scarcely still meet these specifications. Keeping constant track of the multitude of providers and products, selecting the best ones according to specialist and scientifically sound criteria and developing combined offers to the advantage of the client requires a coherent overall concept and a correspondingly tried and tested network.

Quality and professionalism are the basic prerequisites for success in the field of comprehensive financial consulting. Success for our clients, who profit from our independent advice. And success for our shareholders, who are investing with us in one of the fastest growing markets in Europe.

Everything is continuing to point clearly towards growth for MLP – we can look back upon a successful financial year, which was characterised again by a dynamic spurt at the year-end, particularly in our most important segment, old-age provision. Here the trend for the occupational pension provision sector, which now represents a proportion of 7 % of the new pension provision business, was particularly pleasing.

Our profits also showed a clear improvement for 2007. Earnings before tax and interest rose by 16 % to € 110.3 million – by achieving this, we fulfilled our forecast and placed ourselves in a good position despite the difficult market environment. This is also evidenced by the outstanding level of income per consultant as well as achieving the highest cross selling ratio across Europe. We take the fact that every MLP client has, on average, concluded 6.9 policies with us as a sign of their absolute confidence and as proof that the MLP concept translates into sustainable and holistic consultancy services.

We are extremely pleased that we were able to aquire 7 % more clients in the past financial year. Our client base has now increased to a total of 721,000. Last year also saw a consistently positive trend in the number of financial consultants employed by the company. Following a phase of consolidation, we were able to open a total of seven new MLP branch offices in 2007.

One of our pillars for continuous growth will be to focus on our core competences also in the future. We withdrew from the markets in Great Britain and Spain in summer 2007, because we would like to focus on Germany for our main business activities.

The merger of MLP Finanzdienstleistungen Aktiengesellschaft and MLP Bank AG was a decisive step towards a more transparent and efficient business structure for us. As the only major independent financial and wealth management adviser in German-speaking countries, the new institute – MLP Finanzdienstleistungen AG – has a full banking licence and provides advice at the same time as acting as a broker for issues relating to finance, pension and health provision and wealth management. Further benefits of the merger are the targeted control of the operating business, optimisation of internal processes and an increased transparency in the capital market.

As part of the consistent expansion of the wealth management sector, in October 2007 MLP exercised its option to acquire the remaining 43.4 % of Feri Finance AG which concluded the complete takeover of the prestigious wealth management company based in Bad Homburg v.d. Höhe, Germany. It is predominantly our clients who will benefit from this strategic step, for they will obtain access to modern and innovative investment concepts, which up to now have only been available in upmarket private wealth management. Our new wealth management service offers investment concepts in modular form or structured to the individual. The investment philosophy follows the multi-asset and multi-manager approach, according to which the money flows into many different investment categories, also including alternative investments. Feri chooses the best manager for each market segment. We are convinced that, with this concept, we will establish the wealth management sector over the long term as the second strong pillar of our business alongside old-age provision.

As one of the few independent brokers active throughout Germany, MLP also sets standards within the sector for vocational and further training. A prerequisite for high-quality consultancy services is that the consultants are aware of legal changes and product innovations on the market at all times, understand the resulting consequences for the client and actively integrate them into their client support services.

Our corporate university sets training standards that far exceed the current legal requirements. In the last financial year our corporate university received the seal of approval from the European Foundation for Management Development (EFMD). The institution now belongs to the elite group of accredited corporate training facilities in Germany. The CLIP (Corporate Learning Improvement Process) accreditation confirms the high quality of training on offer and ensures corresponding recognition internationally.

In order to improve the quality of our consultancy services on a permanent basis, we have also made extensive investments, predominantly in IT and interface management. Our new and constantly updated software tools for product selection and market analysis are unique.

Thanks to our networked system, consultants were not only able to implement the requirements imposed by the new legal framework conditions quickly but also to make use of the advantages for the benefit of their clients at an early stage. Our aim is that consultants should not be burdened any more than necessary by administrative tasks so that they can gain additional time for personal and individual client care.

In our consultancy documentation we have turned a necessity imposed by the new legislation into a virtue – the new "MLP Financial Management File" gives our clients an up-to-date, clear and transparent overview of their personal financial situation, existing policies and individual targets achieved regarding their pension provision and investment concepts.

Clients and shareholders alike should benefit from our corporate success. Last year we raised the dividend for the financial year 2006 by a third to € 0.40 (€ 0.30) per share. In view of the positive earnings trend, the Executive Board and Supervisory Board are proposing to increase the dividend by 25 % to € 0.50 this year, too.

However, we cannot be content with the performance of our share price. The subprime crisis on the American mortgage market led to huge instability on the capital markets and within the whole financial services sector worldwide. Having said this, market trends in Germany and the continually increasing demand for high-quality financial products give us grounds for optimism: the independent brokers will rank among the biggest winners as a consequence of the new legal provisions. The market will consolidate and providers will become increasingly specialised. This means that MLP is in a marvellous position as the largest independent consulting company offering old-age provision, health insurance, wealth management and financing all under one roof. Our strength has always been and still is the provision of a comprehensive and long-term consultancy service for our clients. In future that will also stand our share price in good stead.

We were very pleased that MLP won fourth place last year in the competition for the best annual report in the MDAX companies' category. This involves an assessment of the content, the presentation and the language of annual reports by a selection committee appointed by Manager Magazine. We improved by nine places compared to the previous year – we have a huge incentive to continue this rise!

Our Annual Report should also give you a comprehensive and enlightening illustration of MLP for this year. It is very important to us that our shareholders and clients know how the decision-making processes in the departments within our firm are formulated and how each individual employee contributes towards our success. On the following pages we would like to give you an insight into the processes which particularly occupied our company and the whole sector during the previous year. You will read how the changes in the framework legislation defined the work of the consultants, the branch managers, the IT managers, the training supervisors and the Executive Board.

I would like to give my sincere thanks at this point to all those – whether clients, consultants, employees or shareholders – who supported MLP during the last financial year.

Yours sincerely,

Dr Uwe Schroeder-Wildberg

REPORT BY THE SUPERVISORY BOARD

In the financial year 2007, the Supervisory Board invested much time and effort in dealing with the development of the company and performed its duties of supervision in their entirety. It regularly advised and monitored the Executive Board in its management of the company.

Furthermore, during the course of the last financial year the Supervisory Board paid a great deal of attention to the economic development, financial situation and prospects of the company.

The Supervisory and Executive Boards met on numerous occasions to discuss business development, strategy and key events within the company. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. The Executive Board provided the Supervisory Board with timely and comprehensive reports, both written and oral, on a regular basis and on all relevant issues related to corporate planning, strategic development, the business situation and the position and development of the Group as a whole, including the risk situation and risk management.

In 2007, MLP Finanzdienstleistungen Aktiengesellschaft and MLP Bank AG merged and have since been trading under the name MLP Finanzdienstleistungen AG. The new structure enables more focused management of the operational business and improved internal and bank supervisory processes.

Following the successful strategic move of acquiring 56.6 % of the shares in Feri Finance AG in October 2006, the focus in 2007 was on further strengthening of the wealth management business segment. MLP AG consequently exercised its preemptive rights to acquire the remaining 43.4 % in Feri Finance AG as planned in October 2007.

In the financial year 2007, the Supervisory Board held six regular and four extraordinary meetings, which were, with the exception of two meetings, always attended by all members, either in person or via conference call. The Supervisory Board was informed of particularly important or urgent projects outside of the regular meetings. When necessary, the resolutions were made via telephone conference or by connecting to Supervisory Board members who were unable to attend the meetings in person via telephone.

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

Supervisory Board meetings and important resolutions

Following preparations by meetings of the Audit Committee, the meeting of the Supervisory Board on March 26, 2007 focused on the audit and approval of the financial statements and the consolidated financial statements as at December 31, 2006. The auditors participated in the meeting and gave detailed reports on the course and outcome of their audit of the financial statements and the consolidated financial statements. Following in-depth discussion, the Supervisory Board approved the financial statements and the consolidated financial statements of December 31, 2006. Other significant issues that figured on the agenda of this meeting were the Supervisory Board's proposals for resolutions to the regular Annual General Meeting of MLP AG on May 31, 2007.

The regular meeting of the Supervisory Board on May 8, 2007 was used to discuss the results and business development of the first quarter of 2007. Also on the agenda was the final resolution on the approval of the merger of MLP Finanzdienstleistungen Aktiengesellschaft and MLP Bank AG, which had been prepared in the extraordinary meetings of the Supervisory Board on April 18, 2007 and April 24, 2007, which were conducted as telephone conferences. During the entire process, the Supervisory Board was kept informed of the status of the preparations for the merger and the consultations with the Federal Financial Supervisory Authority.

The extraordinary meeting of the Supervisory Board on July 10, 2007 focused on the termination of MLP's business activities in Great Britain and Spain.

The results of the second quarter and the business development in the first half of the year were on the agenda at the regular Supervisory Board meeting on August 7, 2007.

In an extraordinary meeting of the Supervisory Board on September 4, 2007 the Board Member for Sales and Marketing, Dr Wulf Böttger, was discharged with immediate effect. Mr Muhyddin Suleiman was appointed with immediate effect to the MLP AG Executive Board with responsibility for Sales and Marketing.

At a meeting on October 23, 2007, consultations focused on the future strategic direction of the MLP Group. Most importantly, the Supervisory Board approved the exercising of preemptive rights to acquire the remaining 43.4 % in Feri Finance AG.

The November meeting focused on the results of the third quarter.

At the meeting on December 11, 2007 discussion focused on the resolution on the declaration of compliance in line with § 161 of the German Stock Corporation Act (AktG), adherence to the regulations of the German Corporate

Governance Code and ensuring compliance within the MLP Group. Budget planning for 2008 was also discussed.

Supervisory Board committees

The Supervisory Board was regularly informed of the work carried out by its committees in 2007.

The Personnel Committee convened four times in the reporting period. The meetings focused on examining remuneration of the Board and pension promises, preparing to extend the Executive Board appointments of Dr Schroeder-Wildberg and Mr Frieg until 2012 and preparing for the new appointments in the Sales and Finance departments.

The Audit Committee held two regular meetings in the financial year 2007. Representatives of the auditor were also present at its meetings. In the presence of the auditors, the Chairman of the Executive Board and the Chief Financial Officer, the Audit Committee discussed the financial statements of MLP AG and the Group as well as the proposed appropriation of earnings. There were detailed consultations on relations with the auditor, proposals for electing an auditor, remuneration, audit assignment and monitoring independence. The Audit Committee received regular reports on the work of the internal audit and on legal and regulatory risks and risks to reputation.

At the meeting on December 11, 2007, the Supervisory Board passed a resolution on forming a Nomination Committee in line with the German Corporate Governance Code directives of June 14, 2007. Such a committee would consist exclusively of shareholder representatives and propose to the Supervisory Board suitable candidates for its proposals of Supervisory Board members for election at the Annual General Meeting.

Corporate Governance

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

Last year, the Supervisory Board dedicated its meeting on December 11, 2007 to detailed discussions of the amendments of the German Corporate Governance Code ratified on June 14, 2007.

At the meeting on December 11, 2007, the Supervisory Board examined the efficiency of its activities based on an evaluation questionnaire made available to the Supervisory Board members in good time before the meeting. The Supervisory Board also discussed procedures in the Supervisory Board, the information flow between the committees and the Supervisory Board, and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board on this occasion. Measures aimed at increasing efficiency were analysed.

At the meeting on December 11, 2007, the Supervisory Board also satisfied itself that MLP AG had met the recommendations of the German Corporate Governance Code in line with its declaration of compliance pursuant to § 161 of the German Stock Corporation Act (AktG) in the last financial year and will continue to strictly comply with the recommendations of the government commission on the German Corporate Governance Code (version June 14, 2007). In December 2007 the Supervisory Board and Executive Board issued a declaration of compliance pursuant to § 161 of the German Stock Corporation Act (AktG) for the financial year 2007 and made it permanently available to the shareholders via its website.

No conflicts of interest arose in the reporting period.

A summary of Corporate Governance at MLP, including the text of the declaration of compliance of December 2007, can be found in the Corporate Governance report by the Executive and Supervisory Boards in this annual report. All relevant information is also available on our homepage at www.mlp.de.

Audit of the annual financial statements and consolidated financial statements for 2007

The MLP AG annual financial statements as at December 31, 2007 and the management report of MLP AG were prepared by the Executive Board in line with the principles of the German Commercial Code (HGB). The consolidated financial statements and Group management report were prepared pursuant to § 315a of the German Commercial Code (HGB) in accordance with IFRS as adopted by the EU. Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, Germany, has audited the financial statements and the management report of MLP AG as at December 31, 2007 and the consolidated financial statements and Group management report according to the principles of the German Commercial Code (HGB) and issued an unqualified auditor's opinion. The auditor has conducted the audit in accordance with generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW).

The financial statements, the auditors' reports and the Executive Board's proposal for use of the unappropriated profit were made available to all Supervisory Board members in good time.

The Audit Committee of the Supervisory Board examined these documents very thoroughly. The Supervisory Board also checked and discussed the documentation and reports in detail. The audit reports from Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, Germany, were made available to all members of the Supervisory Board and were dealt with in full at the Supervisory Board meeting on March 26, 2008 in the presence of the auditor, who reported on the most important results of his audit. At this meeting, the Executive Board explained the financial statements of MLP AG and of the Group, the risk management system and gave detailed reports on the scope, focuses and costs of the audit.

The Supervisory Board concurred with the outcome of the auditors' audit and, on the basis of the final outcome of the Audit Committee's audit and its own audit, found no grounds for raising an objection. Accordingly, at its meeting of March 26, 2008, the Supervisory Board approved the annual financial statements and the MLP AG management report, as well as the consolidated financial statements and the consolidated management report prepared by the Executive Board in accordance with IFRS. The annual financial statements are therefore adopted.

The Supervisory Board agreed with the Executive Board's proposal to pay out a dividend of € 0.50 per share for the financial year 2007.

As of the Annual General Meeting on May 16, 2008 the term of office of Gerd Schmitz-Morkramer comes to an end, who no longer wishes to stand for election to the Supervisory Board due to age. Mr Schmitz-Morkramer has been a member of the MLP AG Supervisory Board since its inception in 1984. The members of the body would like to thank him for his many years of work as a trusted member of the board.

The Supervisory Board would like to thank the Executive Board, the management of the respective Group companies and all employees and MLP consultants of the MLP Group for their commitment and achievements in the financial year 2007.

Wiesloch, March 2008
The Supervisory Board

Manfred Lautenschläger
Chairman

Members of the Supervisory Board and committees

SUPERVISORY BOARD

- Manfred Lautenschläger (Chairman)
- Gerd Schmitz-Morkramer (Deputy Chairman)
- Dr Peter Lütke-Bornefeld
- Johannes Maret
- Maria Bähr (Employees' Representative)
- Norbert Kohler (Employees' Representative)

PERSONNEL COMMITTEE

- Manfred Lautenschläger (Chairman)
- Gerd Schmitz-Morkramer (Deputy Chairman)
- Dr Peter Lütke-Bornefeld
- Johannes Maret

AUDIT COMMITTEE

- Manfred Lautenschläger (Chairman)
- Gerd Schmitz-Morkramer (Deputy Chairman)
- Dr Peter Lütke-Bornefeld
- Johannes Maret

NOMINATION COMMITTEE

- Manfred Lautenschläger
- Gerd Schmitz-Morkramer
- Dr Peter Lütke-Bornefeld
- Johannes Maret

DR UWE SCHROEDER-WILDBERG
*Chairman and CEO MLP AG,
planning and strategy, human resources,
communication, legal affairs, audit and IT,
controlling, accounting, tax, treasury and
general administration,
appointed until December 31, 2012*

GERHARD FRIEG
*member of the Executive Board MLP AG,
product management and purchasing,
appointed until May 18, 2012*

"Practices followed by MLP for a long time are now becoming law."

MUHYDDIN SULEIMAN
member of the Executive Board MLP AG, sales and marketing, appointed until September 3, 2012

The financial services market in Germany is undergoing a phase of profound change. Never before has the sector faced this amount of regulatory amendments within such a short space of time. MLP has been regarded as the pioneer for quality, transparency and consumer protection for years and is thoroughly well prepared for the new regulatory framework. In the following interview the members of the Executive Board, Dr Uwe Schroeder-Wildberg, Gerhard Frieg and Muhyddin Suleiman, describe why the market will consolidate and become more professional as part of the reforms – and how MLP is taking advantage of the opportunities presented by these changes.

The amendments to the German Insurance Contract Law (VVG), which took effect on January 1, 2008, the financial markets directive MiFID and the EU Insurance Mediation Directive are setting the course for a restructuring of the financial services sector. What is the significance of the regulatory changes for providers and clients?
SCHROEDER-WILDBERG: As far as I'm concerned, there are two main effects. One of these is that the statutory changes increase the requirements with regard to the quality of consultancy services and create more transparency for the client, both resulting in improved consumer protection. The second one is that MiFID, the Insurance Mediation Directive and the reformed Insurance Act are leading to the biggest change that there has ever been in this industry, especially for insurers and agents. New regulations for vocational and further training, changed procedures relating to consultancy services and increased transparency in costs are compelling many companies to completely transform their structures, procedures and technology. Consequently 2008 will be defined as a year of reorganisation even more so than 2005, which saw the introduction of the Retirement Income Law.

In contrast to many other companies, MLP acts as a broker and, as such, is subject to the most stringent requirements of the sector. Does this mean you have the greatest outlay when paying for this reorganisation?
SULEIMAN: Fortunately, the EU Insurance Mediation Directive clearly defined for the first time on whose behalf a financial consultant is acting. In contrast to all the other agents, the broker is not acting on behalf of one or more insurance companies, but represents the interests of his client alone, for whom he selects the most suitable product from the multitude of offers available on the market. The financial costs and organisational endeavours triggered by the regulatory changes have been absorbed by MLP, as we have always set pioneering quality standards. This is exactly what the legislator is now demanding. In other words, practices followed by MLP for a long time are now becoming law.
FRIEG: MLP even goes beyond the legislator's requirements. For example, detailed documentation has only been prescribed for insurance broking. We document all areas of the consultancy advice we give. That's why the reforms do not present any major readjustments for our business procedures.
SCHROEDER-WILDBERG: We have always clearly communicated to our clients how we have arrived at our recommendations and decisions. As independent brokers, we can provide evidence of a flawless selection process, which meets both quantitative and qualitative criteria.

> "As independent brokers, we can provide evidence of a flawless selection process, which meets both quantitative and qualitative criteria."
>
> DR UWE SCHROEDER-WILDBERG

How will clients benefit from the new transparency and obligation to provide documentation?
FRIEG: The increased transparency for acquisition costs will lead to consumers noting that products from a provider cost the same everywhere – irrespective of whether the advice received by the client is good, bad or perhaps even non-existent. Of course, this will mean that in the future consumers will pay a lot more attention to the quality of the consultancy advice. This will result in a better overall image of the sector and consequently greater trust from the consumer.

Will the client now have to read even more small print than before when signing an insurance policy?
SCHROEDER-WILDBERG: In principle the following applies: the conclusion of a policy for old-age provision or medical insurance has very long-term implications and is, for that reason, often more significant than, for example, the purchase of a new car. It is therefore right and proper that the consumer has been informed of all the necessary details prior to signing the policy. However, it is also correct that the reform of the Insurance Act causes huge bureaucratic com- ▶

plexity, which benefits neither the client nor the provider. Clients seek advice for the very reason that they want to avoid having to spend hours wading through a hundred or more pages in order to conclude a beneficial old-age provision policy.
SULEIMAN: Our clients have the right to simplicity, so MLP consultants take over this aspect of the work today more than ever before. Their consulting activities include going through the most important parts of the policy with the client. Afterwards all the important documents are stored electronically in the client's Finance Pilot, the MLP online archive. The reformed Insurance Act has meant that other providers have to stock out their branches with many tons of paper documents. Fortunately, we can save ourselves and our clients this trouble.

Does this mean that technology costs are greater for MLP than for other financial services providers?
SCHROEDER-WILDBERG: In overall terms, yes. We are convinced that an excellent IT structure is a basic prerequisite enabling consultants to obtain an analysis of the best products and to offer the client the highest degree of transparency and clarity in a very complex market.
FRIEG: I'm absolutely convinced that, thanks to modern IT solutions, the amount of time and effort needed for our consultants will fall in the long run. Many

"In the future consumers will pay a lot more attention to the quality of the consultancy advice." GERHARD FRIEG

EVERYTHING UNDER CONTROL

MLP consultant Stefan Greth specialises in advising young medical professionals like Dr Sebastian Pietzka. They can well appreciate the new transparency obligations for financial services providers, because their profession is subject to similar duties.

"See, we've already made this much progress achieving your goals", says Stefan Greth and adjusts the monitor on his desk so Dr Sebastian Pietzka has a better view of the green and red bar chart. The junior doctor can then see at a glance from his "MLP Financial Management" programme which of his personal financial and wealth management objectives he has already achieved and where action is still required. To his delight the monitor shows a large percentage of green bars. The red bars indicate that there is room for some improvement. "You're well on course with your risk control. And as far as old-age provision is concerned, we have made a very good start." That is the satisfactory conclusion drawn by the 31 year-old MLP consultant.

Despite the seriousness of the matter, Stefan Greth's office on this Friday afternoon is an animated scene with lots of affectionate banter. Sebastian Pietzka has known his MLP consultant since his student days. In the meantime Pietzka has become a junior doctor for mouth, jaw and facial surgery with the Bundeswehr in Koblenz – and is also studying dentistry.

Stefan Greth joined MLP as a consultant in 2003. A graduate in organisational psychology, Stefan has his office in the heart of the inner city of Mainz in a listed building looking out over the Carnival Fountain. From this base he looks after some 350 clients, mainly young professionals from the medical sector.

At regular intervals, Pietzka and Greth decide briefly whether anything on the financial front needs to be tweaked. Sebastian Pietzka appreciates this intensive client care. Having had a sceptical attitude initially, he now has full confidence in Stefan's services. "When I needed some advice on my life assurance a few years ago, I made enquiries with various brokers and didn't trust them at all. Stefan Greth was the only person who didn't attempt to take everything apart and sign up to new products all at once, but just took a good look to begin with and then came up with a complete concept. I found that very convincing." But the consultant has to work to earn that trust. "I asked endless questions and made him explain to me time and time again why he recommended this or that product," reflects the 27 year-old doctor. "I must have been a real nuisance, but he got me all the information that was important for me, meticulously and enthusiastically."

Sebastian Pietzka welcomes the new statutory provisions concerning consulting and documentation: "It's like duty of doctors to inform patients. Although we don't have the financial

„It's like duty of doctors to inform patients. Although we don't have the financial expertise, it makes us responsible and discerning clients."

DR SEBASTIAN PIETZKA, MLP CLIENT

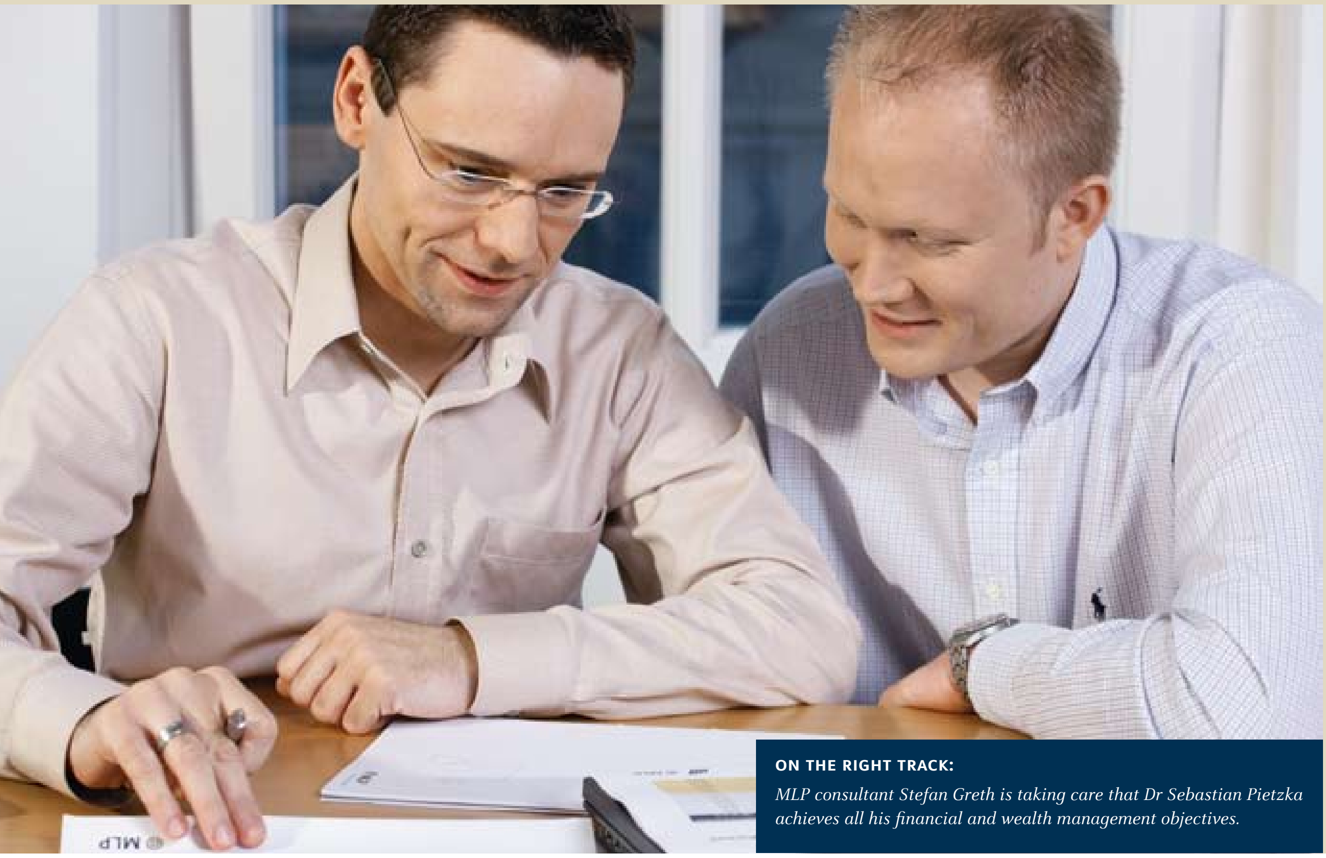
COOPERATION BASED ON TRUST

MLP consultant Stefan Greth (left) has known and advised his client Dr Sebastian Pietzka since their university days.

expertise, it makes us responsible and discerning clients." But he really hasn't heard a lot about the new regulations in practice. Because in fact Greth didn't have to make many changes in the actual consulting process. He has always worked out the hopes and aspirations for their ongoing financial plans with his clients, always weighed up the pros and cons of different financial products, discussed costs, made recommendations and recorded the whole thing in writing. "The time involved, specially after a discussion, has certainly increased though", says Greth. "But that's a good thing for the client. In the past I used to prepare brief summaries purely for information; today these records required by law also give them legal certainty." And another advantage: the client can verify at any time what he was advised to do in the past. But MLP's internal standard provides a much more precise record than the EU Mediation Directive requires. Under the Directive you only had to show why you had opted for a certain type of provision, for example a company or private old-age insurance provision. The MLP software asks for a more detailed explanation, i.e. why a specific product was selected at the time. So even years later both client and consultant know exactly what they had in mind.

So the client isn't confronted at the end of a consultation with mountains of paper – a consultation on old-age provision or health insurance would involve giving him by law 120 to 160 pages of information and small print – Stefan Greth and his clients use the MLP Finance Pilot. "From our data record, the product selection and a general overview of the client's personal financial situation I produce successive documents and file them in our virtual archive. Preparing this general overview, in other words the MLP financial management plan for the client, sometimes requires several meetings. So the whole plan is gradually developed step by step."

Every client can use their password to access their records online from anywhere in the world. A service that Sebastian Pietzka is delighted with. "I'm going to and fro between two homes at the moment and don't always want to take all my files each time. The online solution means I've always got all my data and documentation at hand." And that can mount up over the years. From risk control and old-age provision to account management, Greth and Pietzka have worked step by step through the latter's needs and objectives. "And although I haggle with him over every five euros saved", admits the young doctor with a wink, "I know it's worth it." – At any rate it's worth it the next time when Pietzka's financial management programme shows a few red bits on the bar chart have changed to green.



ON THE RIGHT TRACK:
MLP consultant Stefan Greth is taking care that Dr Sebastian Pietzka achieves all his financial and wealth management objectives.

“We have always had very demanding clients.”

MUHYDDIN SULEIMAN

► documents, which had to be completed laboriously by hand in the past, are now carried out fully automated. We are already working on solutions, for example, with which clients' policies can be signed without having to take the time to print them out. The signature is then recorded electronically, similarly to courier services, and the consultant can transmit the policy online to the company. Such industrialisation processes lead to a clear increase in productivity. A further benefit is that MLP consultants spend more time with the client and less time on administration.

Small providers cannot generally afford these industrialisation processes. Is this a decisive competitive advantage for MLP?

SCHROEDER-WILDBERG: Sure it is. Consultancies like MLP will need to be big enough and have a sufficiently sophisticated structure, in order to offer the client an intelligent selection of products and high-quality consulting services while at the same time being able to comply with all the regulatory requirements.

FRIEG: Many brokers work in small units and are therefore not in a position to undertake a comprehensive analysis of the market. So they generally rely on external ratings. However, it takes a lot more than a good rating to make a product suitable for the client. The key advantage of our size is that MLP can analyse the market itself and develop products with its partners, which are tailored especially to the needs of the clients.

SULEIMAN: What's more, only a small number of brokers actually advise the client thoroughly in all segments. When providing financial services, getting to grips with the overall situation of the client is more ►

“Clients have grown up. The Internet, which makes it possible to compare the price and performance of almost all products available today, has made a significant contribution towards that. Yet it cannot replace sound consultancy advice.” DR UWE SCHROEDER-WILDBERG

► important than placing one individual product. But that can only work when everything is done under one roof – from old-age provision through property financing to structured investment.

SCHROEDER-WILDBERG: It is similar to building a house – just one single architect is instructed, who then coordinates and monitors all the different activities. It’s just not possible to provide comprehensive, independent financial consulting services in a part-time capacity – as many are still trying to do at the moment. Consultants need to have extensive training, a properly functioning and equipped back office with interfaces to providers and professional sales processes. MLP has been a pioneer in all these areas for a long time.

Does improved comparability of offers lead to clients becoming more critical and cost-conscious?

SULEIMAN: We have always had very demanding clients. Our target group comprises academics who are not only well informed but also much sought after.

SCHROEDER-WILDBERG: Our clients’ knowledge has already been constantly increasing for many years – ►

MUCH MORE THAN MERE KNOWLEDGE TRANSFER

All the MLP consultants go through systematic training programmes in the in-house "Corporate University"

TEACHING AND LEARNING:
MLP consultant Jasmin Cyrnik values the MLP Corporate University – both as a consultant and as a trainer for future consultants.

"Right! I'd best be off then..." Jasmin Cyrnik pushes her chair back energetically, grabs her laptop case and places her empty cup of tea on the canteen conveyer belt. It's all go on the campus of the in-house "MLP Corporate University (CU)". "After getting a rough overview of the new regulations and their effects on the consultancy in the plenary session a little while ago, now it's time for the workshops. In small groups of 10 to 15 participants, we talk through the details once more, step by step", explains the 35-year-old, whilst climbing the flight of stairs to the seminar rooms along with a large troop of other consultants. "And then afterwards, once we feel secure with this, we train in groups of three with the video camera. One person is the consultant and one person the client. The third person gives feedback. After all, we do have to make sure that our clients are able to follow us through the complex subject." At the moment this mainly concerns the changes arising from the reforms due to the MiFID, the German Insurance Contract Law (VVG) and withholding capital gains tax, which affect both clients as well as consultants. "We also need to be able to explain everything in our own words, so that we ourselves can get to the heart of the matter," says Cyrnik.

Over a total of five days – three in the first stage and two again in the next month – Jasmin Cyrnik and all the other 2,600 MLP consultants will be trained up in the new legal framework conditions, how to best integrate them when consulting and how to use the new computer programmes. The CU organises around 50,000 training days a year. Due to the large number of legal changes, this year there will even be 10,000 additional days of training. This brings each consultant up to an average of 15 to 20 internal training days a year. This is a large logistical task for Bernhard Küppers, the Executive Board member responsible for the MLP Corporate University (CU), and his team. "In tackling this task, there are always several immensely important aspects for us to consider. All of the information must be conveyed to all of the consultants in full and at a consistently high level of quality. The information has to transfer directly into everyday life and this has to happen in as short a time as possible." The world of finance is changing at a pace matched by hardly any other industry and so consultants must be constantly up-to-date with the products on offer as well as with the legal framework conditions. "After all, we can't say to our clients, 'Come back in a few months and we'll be up to speed then'", says Küppers.

Further training has therefore always been a priority at MLP. This is why the company has founded the MLP Corporate University, complete with its own campus, a 250 capacity lecture theatre and over 30 seminar rooms at its headquarters in Wiesloch. Its comprehensive infrastructure measures up to the high standard of learning which the consultants themselves enjoy, consisting almost exclusively of academics and trained bank and insurance experts. There is always something happening here, from the two-year basic training for new advisers, seminars on specialist or management-based topics, up to the in-house MBA, from which Jasmin Cyrnik is currently graduating. This takes place with Reutlingen University in cooperation with the HEC business school in Paris and the business school in St Gallen. Over 500 internal and external trainers

SEAL OF APPROVAL FOR FURTHER TRAINING:
Bernhard Küppers is responsible for the MLP Corporate University – which is more than just a logistical challenge.

ensure the high standards of training which are set by MLP and "which are also necessary to bring our business up to the expected level of quality," adds Küppers, Head of the Corporate University. Many of the internal trainers are themselves MLP consultants – Jasmin Cyrnik herself has already given several seminars. The "CLIP" accreditation of the European Foundation for Management Development (EFMD) proves that the requirements are not just dull theories. MLP is one of only twelve company universities in Europe to be awarded this seal of approval for its excellent corporate training programme – an accolade which was granted to the corporate university last year.

> "Our MLP Corporate University sets the standard for training and development in the German financial services sector."
>
> BERNHARD KÜPPERS

Jasmin Cyrnik holds these quality standards very highly in her day-to-day consulting life. For ten years now, she has been supporting employed and freelance academics with an economic or technical background, tax advisers and legal practitioners in the Bamberg branch office. She accompanies them through their professional and financial careers, finances new or expanding businesses or provides expertise for careers abroad. "I need to be ready with a wide range of up-to-date, exhaustive information for my clients. For this it is vital that I am able to rely on our training offer." According to Cyrnik, it is here that MLP offers much more than the mere transfer of knowledge: "Not only am I informed of all changes, I also instantaneously receive the technical solution for implementing the new requirements." Alongside quality, it is the abundance of learning possibilities at the corporate university that Cyrnik values. "Of course we don't just have seminars and workshops on the campus, there are also a lot of E-Learning tools which you can work with at home." These range from training material for the seminar entry tests, self-testing the standard of your own knowledge through to a large knowledge database, "with which I can go into a meeting with a client completely self-assured," says Cyrnik. "If there ever happens to be a detail that I can't remember, I can be sure that I'll find it there." This said, she slips through the gap in the door into the seminar room, in which a dozen other consultants are sitting, joking together, waiting for the next training session to begin.

► and it will increase further. I still remember once at the beginning of my career, when clients came into the bank with newspaper articles and comparisons of terms and conditions for mortgages. Then it was still seen as an insult – today it is taken for granted. Clients have grown up. The Internet, which makes it possible to compare the price and performance of almost all products available today, has made a significant contribution towards that. Yet it cannot replace sound consultancy advice.

How does MLP guarantee that all consultants are constantly up to date with regard to legal changes or product innovations?

SULEIMAN: We train all our consultants very intensively and promptly following any changes. At the beginning of 2008, for example, we gave all our consultants several days of training within a matter of weeks as a result of the legal changes that had taken effect. Professional trainers and our corporate university, which is proven to be one of the best in Europe, enable MLP to accomplish such impressive achievements. We have always reacted rapidly and flexibly to regulatory changes in this way. When the Retirement Income Law was introduced in 2005, for example, we had already long since arranged policies for our clients, while many sales departments were still busy getting to grips with new products such as the basic pension. So we were ahead of our competitors by a long way.

SCHROEDER-WILDBERG: Our flexibility also proves its worth on occasions when we consciously decide not ►

“The key advantage of our size is that MLP can analyse the market itself and develop products with its partners, which are tailored especially to the needs of our clients.”

GERHARD FRIEG

to participate in sector trends, just because they happen to be fashionable at that time or offer short term gains. MLP has never, for example, arranged Bauherrenmodelle (tax-beneficial constructions of residential properties) or only rarely offered its clients zillmerised mutual fund savings plans. Such decisions can only be taken by those who do not have their own products, but are able to decide freely what will be offered to the client.

Which long-term consequences will arise from the new standards for the financial services sector in Germany?
SCHROEDER-WILDBERG: The market will become more professional and more consolidated. As it has in Great Britain, where similar regulatory changes to those that are now happening in Germany took place in the 1980s. The clear winners were the independent financial advisers (IFAs), who run their businesses as independent brokers. The total number of agents fell from 300,000 to 50,000 during the period of the reforms. On the other hand, IFAs expanded their market share from less than 40 % to over 70 % and are regarded today as the gold standard in excellent financial consultancy services.
FRIEG: I anticipate similar developments in Germany, only much quicker. The number of agents active on the market will reduce, because many are no longer in a position to comply with the new requirement criteria.

So you do not perceive the state intervention in your business to be damaging?
SCHROEDER-WILDBERG: No, for the whole sequence follows a clear logic. The state is increasingly withdrawing from old-age provision schemes and is handing over responsibility bit by bit to the citizen. It is creating incentives for private provision and, of course, it must now ensure that individuals receive proper professional advice and support, by passing appropriate legislation. There are even areas in which, in our opinion, the German regulations do not yet extend far enough. One example of this is the brokerage legislation, which does not regulate who is responsible for the consultancy documentation or who trains the consultant. This makes the requirements of banks and tied agent organisations far less stringent. This cannot be for the benefit of the consumer. I also feel that the different provisions for cost statements for insurance and investment products are not leading to the desired results. Insurances show their costs in euros, providers of investment products in percentages. This does not exactly ensure transparency.

EXPERIENCE SHARED THROUGHOUT THE TEAM

Jens Saul has brought his experience of the strictly regulated English financial services market to his management duties as branch office manager

"When I returned from London three years ago, initially everyone was astonished when I recounted my daily routine as a consultant there", remembers Jens Saul. An MLP consultant since 2002, he spent some time working in the British capital and experienced at first hand just how strictly Britain legally regulates the financial and investment consulting sector – even tougher than the plans for Germany through the German Insurance Contract Law, MiFID and the EU Insurance Mediation Directive. When Saul, a graduate in business administration, then took over the management of MLP's Dortmund III branch office in 2006, he incorporated his British experiences into his consulting routine in Germany. "On the one hand I knew the challenges the incoming guidelines would present. So I wanted us to be prepared." On the other hand he was delighted by the significant improvement in the quality of consulting. "When I first came into the industry thirteen years ago, important details such as financial goals and personal risk appetite tended to be neglected. Back then no great emphasis was placed on analysing the market and the needs of clients as is the case nowadays." The 37 year-old branch office manager thus finds it logical that MLP's own standards have always been considerably higher than those practised on the market in general. The in-depth financial expertise of consultants,

FORERUNNER IN ORGANISATION

Together with his team, Branch Office Manager Jens Saul (middle) was early in implementing the new legal requirements in day-to-day consulting. His model: the financial services market in England.

ongoing training, a wide range of products and a well-functioning IT and organisational structure – "not everyone can offer such a combination. This reassures the clients".

> "Not everyone can offer such a range of services. This reassures the clients."
>
> JENS SAUL

Initially Saul, whose branch mainly looks after economists, engineering scientists and information scientists, had some convincing to do in his role as a pioneer. "An in-depth analysis of the current situation, the gathering of data associated with this and the voluminous documentation of the consultation provided, does of course create more work." However, the added value created for their 1,600 clients convinced the eleven consultants. Since 2006 the branch has been conducting training on the relevant MLP computer programmes, which had long offered a wide range of possibilities without being used to their full potential by all the consultants. They have been trained to use the software correctly in workshops, through simulated consultations. "After all, you have to be able to convey your specialist knowledge to the clients in a coherent way."

As a consultant, Jens Saul still personally looks after around 100 clients. In his role as branch office manager he is the responsible interface to the MLP head office in Wiesloch and fulfils all the demands of leading a 14-man business, including organising the office, assigning staff on-site and implementing common objectives.

Saul takes his leadership role very seriously. The training in Dortmund has long since become an office tradition. Every Monday morning, the team members meet for training. Each time there is a specialist topic on the agenda, such as the MiFID, an organisational topic and a legal or product-related update. And every six months a different colleague is nominated as the specialist for a topic, who then keeps the other team members up to date on it. Jens Saul: "This focus on constant training sets us further apart from the competition."

MANAGING THE DATA OVERLOAD
Whether there are legal changes, new and innovative product analysis tools or link-ups with partner companies – as Chief Operating Officer, Ralf Schmid ensures that the IT systems at MLP are perfectly in tune with each other.

IT CUTS DOWN PAPERWORK

Chief Operating Officer Ralf Schmid and his team are translating legal reforms into new IT processes.

Ralf Schmid, the MLP Executive Board member responsible for operating business, and his 180 employees have had little time to catch their breath in the last two years. Rarely have there been comparable challenges for MLP's IT department – only really for the conversion to euros and the problems relating to the millennium. Ralf Schmid was charged with the task of adapting MLP's in-house processes to numerous far-reaching changes at the same time. The link-up with Feri, the wealth management company which was acquired by MLP, the increased governance

► **What does this mean for product management and MLP's long-term strategic orientation?**
FRIEG: For long-term success in this sector, a company needs the right culture and knowledge and expertise under its own roof – only then can consultants assess complex situations, be continually aware of new products, understand these and offer them accordingly as a solution for client requirements. A business like this cannot be built up overnight; it depends on experience – and that's exactly what we have.
SCHROEDER-WILDBERG: The market has become more complex overall, not just as a result of the new regulatory measures. There are more innovations in product segments. Offers are now often available globally, in

demands following the attainment of the banking license for MLP Finanzdienstleistungen Aktiengesellschaft and the new regulations for consulting documentation and client information which have come about through the financial market directive MiFID, the reformed German Insurance Contract Law (VVG) and the EU Insurance Mediation Directive. "Because MLP has been continuously developing ever more comprehensive consulting and documentation tools for many years, we were already in a good position", he emphasises.

The new, user-friendly product selection software, which has been used by consultants since last year, was created with the EU Insurance Mediation Directive in mind – a considerable enhancement to the tried and tested MLP programme range. After analysing the goals, desires and needs of the clients, this programme helps compare possible product solutions, which are rated by a separate, independent comparison programme. "This gives the clients peace of mind that the consultant will find the most fitting solution from the enormous galaxy of MLP products", states Schmid. "Without a technical solution like this, an independent consultancy would no longer be able to meet the legal requirements."

When a product has been decided on, the programme also draws up the application form. The outcome and its effect on the client's financial status are directly and fully documented. "This doesn't just allow us to go beyond the legal requirements. At the same time, the tool is an additional and integral element of our holistic consulting approach, which always emanates from our clients' needs", asserts Schmid, proudly referring to the new customer relationship management (CRM) system which is currently being introduced. MLP's strategic approach to customer relationship management has been established for years. What has been missing until now is all-encompassing IT support. The new CRM database consolidates all the information necessary for tailor-made client care and provides the consultant with a comprehensive database for communicating with clients. One part of this is the electronic client file, which eases day-to-day consulting enormously. The information is always up-to-date and complete and is always available. "This enables us to avoid consuming excessive amounts of paper, which, for example, arises through the requirements of the German Insurance Contract Law", says the IT expert. 50 documents may be necessary when signing the contract for a simple liability insurance scheme. "These no longer have to be printed out, but instead are saved as an environmentally friendly and long-lasting electronic file." The client can access his or her records at any time via the Finance Pilot, the personal MLP Internet platform: "This simplifies the process for everyone when dealing with the new documentation requirements", adds Ralf Schmid. 2008 will also be a busy year for him and his team, because these reforms are likely to be only the tip of the iceberg.

> "Because MLP has been continuously developing ever more comprehensive consulting and documentation tools for many years, we were already in a good position."
>
> RALF SCHMID

this respect our product purchasing requirements are also constantly increasing. This involves bringing together the many different providers via smooth interface management, so that, during client interviews, consultants can work with simple tools and identify results quickly. There will be further market growth, as the need for high-quality consultancy services and reliable products for old-age provision, for investment and for financing is increasing further. In this respect, we are equipped in the best possible way to seize the resulting chances for our clients and for our company.

Survival of the fittest

Why the financial advisor is increasingly taking on a role as a missionary for personal responsibility in these times when new statutory framework conditions are taking effect.

by Detlef Kaulbach

The market environment for financial and old-age provision products in Germany has changed drastically and at a rapid pace. The legislators have redefined the statutory framework conditions – affecting clients, brokers and providers in equal measure. Products are becoming more transparent and the quality standards higher. However, one thing has not changed! It is becoming ever more important for citizens to consider their own provision and what the market has to offer.

In recent years, the public have become painfully aware of the limits of the state pension system. This is mainly due to the essentially pleasing fact that the average life expectancy is getting longer. Because of this, we receive our pensions for a much longer period of time than previous generations did. In addition, the low birth rate is resulting in a long-term population decline in Germany. Under the pay-as-you-go system of old-age provision, this means that an ever-declining number of active employees are having to finance an ever-growing number of pensions and pensioners and thus are having to pay an increasing proportion of their income.

In theory, there are only three ways in which this can be changed:

- reducing the pension payments,
- reducing the length of pension provision and
- increasing contributions from employees.

The last possibility has been utterly exhausted in previous years and was not considered on this occasion. The remaining options were to reduce pension payments or introduce pensions from the age of 67. The idea of the government was to counterbalance the reductions in pensions with products for old-age provision supported by tax benefits, such as Riester or Rürup pensions. Furthermore, life insurance will also continue to be tax-priviledged, although not to the previous extent.

The demographic changes point towards personal provision. In this respect society and the developments within it are compelling the government to make the corresponding changes in the law. Therefore, one can assume that the retreat of statutory pensions will continue. People in all stages of life now have to consider and decide how to organise their risk provisioning and wealth management in the best possible way.

Unfortunately, the human psyche often stands in the way of this: it compels us to sweep topics such as illness, adversity and death under the carpet. The financial adviser is charged with the task of breaking through this barrier and spurring us to action with regard to these unpleasant facts. He is a kind of missionary for personal responsibility. The qualitative basis for his consultancy service has now also been laid down in law on the basis of the European Insurance Mediation Directive and the reformed German Insurance Contract Law. You could almost say that MLP's business model has become law. The legislator had one main goal when revising the more than 100-year-old German Insurance Contract Law: better client service. And this is logical: If the state withdraws more and more old-age provision, as has been the case, it must at least reassure the public that the private providers fulfil high qualitative demands. This is as valid for the products themselves as it is for the consulting.

For the financial sector, the regulatory changes mean increased competition. And this is known to be healthy. It is now essential to seize the resulting opportunities. The potential of the market, the steadily growing demand from clients and the flexibility enjoyed by vendors despite the strengthened regulation, all contribute to this. We also have an exacting financial supervision in place so that this potential can unfold in a positive way. It mainly monitors the solidity of business whose main characteristics are a sound capital adequacy and secure, but also profitable, investments. In the process, the supervisory bodies tend to concentrate less on the tangible individual case and more on the successful functioning of the market as a whole. They can be roughly compared to a snow fence on a country road in winter. It does not guarantee that the road will be snow-free or even that it will always be drivable, but it still has a generally positive effect.

The client is safe in the knowledge that the legislator is working hand in hand with the regulatory authorities for more transparency and security on the market. The competitive situation that has been aroused eventually boils down to the old words of wisdom: Survival of the fittest! And whoever can turn the legal changes to their clients' advantage will stand among the survivors.

DETLEF KAULBACH *was Vice President of the German Federal Supervisory Office for the Insurance Industry and Head of Consumer Protection and Law at the German Federal Financial Supervisory Authority. Amongst other roles, the graduate lawyer worked as an expert for the insurance and credit services sector in the German Federal Ministry of Finance. He is the co-author of the Fahr/Kaulbach/Bähr commentary on the German Insurance Supervision Act and the act establishing the Federal Financial Supervisory Authority (FinDAG). Since stepping down in 2007 Detlef Kaulbach has been working as a lawyer in Bonn.*

REVIEW OF 2007

CORPORATE STRATEGY

MLP has full banking licence

“This merger strengthens the position of MLP as an independent and holistic financial services provider.”

MLP CHIEF EXECUTIVE OFFICER
DR UWE SCHROEDER-WILDBERG

MLP has a clear business objective! That is the perfection of holistic financial advice. MLP Finanzdienstleistungen AG merged with the MLP Bank AG in May 2007. With this step, the new MLP Finanzdienstleistungen AG is the only large, independent financial and investment adviser to possess a full banking licence while at the same time advising its clients as a broker in questions relating to finance, old-age provision and wealth management. This offers many advantages: MLP can run its business operations in a more targeted way, optimise its internal processes and increase its transparency vis-à-vis the capital market.

MLP and Interhyp create joint venture to provide mortgages services

By strengthening its position in the mortgages sector, MLP has taken the next step towards further optimising its consulting service. Together with the mortgage broker Interhyp, MLP founded MLP Hyp GmbH in July 2007. MLP will conduct its mortgage business through this new company – in which Interhyp holds 50.2 % of the shares and MLP 49.8 %. This gives MLP consultants access to a wider range of products and an effective system landscape. Clients profit from an independent selection of a variety of products, whose interest rates are significantly lower than those on offer from traditional branch banks.

MLP concludes acquisition of Feri Finance AG

Within the scope of its steady expansion in wealth management, MLP exercised its option to acquire the remaining 43.4 % of Feri Finance AG in October 2007. After MLP had already acquired 56.6 % of shares in September 2006, this transaction successfully completed the positioning of the Feri Finance AG within the MLP Group. The co-operation provides MLP with long-term access to Feri’s modern and innovative investment concepts.

“With the new MLP Wealth Management Concepts, we are setting clear standards in the market.”

HORST SCHNEIDER, HEAD OF MLP WEALTH MANAGEMENT

COMMUNICATION

Client magazine FORUM gains striking new look

The multiple award-winning MLP client magazine FORUM gets an overhaul in appearance and content for the first time in the November 2007 edition. There is now a greater emphasis on consumer topics, and at the same time the bond between reader and magazine has been significantly strengthened through new interactive elements. The editorial staff attach particular importance to portraying the close bond between MLP clients and consultants.

“With its new design and contents, we have further strengthened the FORUM magazine as an essential instrument for client retention.”

CHRISTIAN MAERTIN,
HEAD OF COMMUNICATIONS, MLP AG

CONSULTING

MLP expands its wealth management segment

The chief beneficiaries of the strategic acquisition of Feri Finance AG are the clients, as this move opens up a new world of highly attractive investment opportunities. Feri acts within the MLP Group as an independent adviser, which together with MLP defines strategies for new concepts. This has facilitated the development of an innovative wealth management, which is available to MLP clients in modular form or structured to the individual. The basic concept behind this forward-looking investment philosophy is the multi asset and multi manager approach. Here MLP clients invest in a variety of asset classes within the same concept including alternative investments such as private equity or hedge funds. Feri independently chooses the best managers in each market segment.

Seal of approval for MLP Corporate University

The high quality of MLP consultants is not least a result of the steady flow of further education and training opportunities provided by the corporate university in Wiesloch: In March 2007 the MLP Corporate University received the seal of approval from the European Foundation for Management Development (EFMD)," because it successfully co-ordinates knowledge and learning management with business practice," says Gordon Shenton, Chairman of the CLIP Steering Committee.

MLP brokers student loans from the KfW bank

Following a successful pilot phase, MLP has been brokering student loans from the KfW bank nationwide since the beginning of 2007. Students can finance a monthly amount of between € 100 and € 650 at a variable interest rate via the KfW bank, regardless of their financial situation.

MLP Health Report: Germans believe health care standards are falling

Low health insurance premiums are also desirable in the health system. However, in November 2007 – around half a year after the German health system reform came into effect – more than half of all citizens surveyed considered health care standards to have fallen over the last three years. At the same time scepticism regarding future developments in the health care system has grown, particularly about increases in premiums and the prospect of a two-tier health system, feared by over three quarters of respondents. These are the key findings of the second MLP Health Report, a representative survey of around 1,900 citizens conducted by MLP in co-operation with the Institut für Demoskopie Allensbach (Institute for opinion research in Allensbach).

New consulting software

To optimise the wealth management of MLP clients still further, MLP has launched a new consulting software enabling MLP consultants to give more individual and comprehensive consultation in investments than ever before. This enables us to provide our clients with in-depth advice, particularly against a background of complex legal requirements.

New online portal for car insurance policies

MLP clients can save money with the help of a new online portal for car insurance policies. Since October 2007, interested parties have been able to compare the numerous tariffs of various insurers and finalise contracts directly at www.mlp-kraftfahrzeugversicherung.de. "We have selected tariffs that combine low premiums with comprehensive benefits from the wide range of products on the market," says Gerhard Frieg, member of the Executive Board of MLP AG.

LEGAL FRAMEWORK CONDITIONS

"What has long been the case at MLP is now becoming law."

GERHARD FRIEG, MEMBER OF THE EXECUTIVE BOARD

New legal requirements such as the EU Insurance Mediation Directive, the consequences of the MiFID and the reform of the German Insurance Contract Law mean fundamental changes in the framework conditions for the financial services sector. This is what each law involves:

The German Insurance Contract Law (VVG), which dated back over 100 years, has now been reformed.

EU Insurance Mediation Directive: Tougher requirements on disclosing information

The Insurance Mediation Directive, which has been in place since May 22, 2007, aims primarily at strengthening consumer rights. It classifies the profession of an insurance broker as a trade that may only be practised with the authorisation of the Chamber of Commerce and Industry. In addition, minimum training criteria have been laid down. Brokers must take detailed minutes of the consultations, which should include the reason for the meeting, the current needs of the client as well as precise justification for the recommendations made – nothing new for MLP! Consultants have always provided their clients with in-depth and valuable information. The individual consulting documentation contains all information on the personal financial status and exceeds the statutory requirements by a long way.

MiFID: More consumer protection

The MiFID (Markets in Financial Instruments Directive) will harmonise the financial markets of the European Single Market, improving protection of consumers and investors and strengthening competition. The credit and finance sector in Germany had to implement the MiFID by November 1, 2007. The MiFID commits financial advisors to trading honestly, fairly and professionally in the best interests of the client. It also states that the costs of the financial services and particularly the extent of commission payments must be disclosed. In addition, it imposes extensive information requirements and duties to warn with the aim of providing the best possible consultation for the client – a demand which has always been a matter of course at MLP.

The German Insurance Contract Law: Greater transparency

The German Insurance Contract Law (VVG), which dated back over 100 years, was reformed, taking effect on January 1, 2008. The reformed law demands extensive requirements on disclosing information from insurance companies vis-à-vis clients, such as sales and acquisition costs for products. Moreover, the cancellation conditions and with-profit terms for life insurance policies have been redefined. According to this, consumers can terminate a contract up to 30 days after its conclusion without any reason. For all other types of insurance a notice period of 14 days applies. If a client terminates his/her life insurance prematurely, the savings balance is valued at a higher rate than previously. MLP backs these new regulations, as they guarantee a higher market quality.

INVESTOR RELATIONS

MLP shareholders authorise dividend increase and share buyback programme

MLP enables its shareholders to participate in the company's success. Shareholders voted to increase the regular dividend payment by a third to € 0.40 (€ 0.30) per share at the ordinary Annual General Meeting on May 31, 2007. A majority of 98.81 % also voted to empower the Executive Board to buy back shares totalling a maximum of 10 % of share capital up to November 29, 2008.

Award for annual report

The annual report of MLP reached fourth place in the "MDAX Companies" category of Manager Magazin's "Best Annual Report" competition. This is an improvement of nine places compared with the previous year. The annual reports were judged on content, design and language.

PERSONNEL MATTERS

Uwe Schroeder-Wildberg's contract extended

The MLP Supervisory Board voted unanimously to extend the current service contract of Dr Uwe Schroeder-Wildberg as Chairman & CEO by five years, up to the end of 2012. The contract was due to finish on December 31, 2007. Schroeder-Wildberg who completed his doctorate in business administration, began his professional career in 1995 at the Treasury Division of Südzucker AG in Mannheim. In 1999 he moved to Consors in Nuremberg, where he was Chief Financial Officer from 2001. Following the acquisition of Consors by the French bank Paribas, he became Chief Financial Officer of Cortalconsors in Paris. Schroeder-Wildberg was appointed Chief Financial Officer of MLP at the beginning of 2003 and has been Chairman and Chief Executive Officer since 2004.

Gerhard Frieg reappointed to the Board for another five years

Gerhard Frieg has been unanimously reappointed to the Board of MLP AG for a further five-year term, until May 18, 2012. He is responsible for the product management and purchasing division. The fully qualified lawyer began his career as an MLP consultant in 1987 in Münster. He then worked as an MLP consultant in Aachen. Between 1990 and 1992, Frieg managed the MLP branch office in Düsseldorf. In 1993 he moved to the MLP head office as a Head of Sales. Since 1995 Gerhard Frieg has acted as an Executive Board member at different MLP subsidiaries and since 1999 he has also been a member of the Executive Board of MLP AG.

Muhyddin Suleiman appointed as Executive Board member for Sales and Marketing

In September 2007 Muhyddin Suleiman was appointed to the MLP AG Executive Board. After finishing his course in business administration he qualified as a Certified European Financial Analyst at the Deutsche Vereinigung für Finanzanalyse und Asset Management. Following a period as a financial consultant at Merrill Lynch, he joined MLP as a consultant in 1993. From 1996 until 2000 he headed one of the branch offices in Karlsruhe. Since 2000, Suleiman has been a member of the Executive Board of MLP Finanzdienstleistungen AG as well as of the former MLP Vermögensverwaltung AG. Between 2005 and 2007 he was responsible for MLP's Sales in the western region of Germany.

MANAGEMENT REPORT

OVERALL ECONOMIC SITUATION

Framework conditions

Business development not dependent on the economy

MLP generates over 97 % of its income in the German market. This means we can draw strong conclusions regarding the future business development of MLP based on Germany's economic strength. The significant economic figures here are economic development, the number of employees in the target group of academics and other discerning clients, purchasing power and the savings rate. However, in the past we have seen that, in fact, because of the above average income and savings rate of MLP clients, the economic development in Germany only had a limited influence on MLP's development.

National economic climate

Positive development of global economy

In 2007, the global economies showed an overall positive trend in their development. According to the International Monetary Fund (IMF), global growth in 2007 was 4.7 %. The looming mortgage crisis in the second half of the year in the USA unsettled the financial markets, but in the financial year 2007 it did not lead to any sustained slow-down in the non-financial markets. The slower growth in the USA (GDP: +1.9 %) and in the Eurozone (GDP: +2.5 %) was compensated for by more dynamic growth in the emerging markets. China and India are now the driving forces of global growth and have stabilised the resilience of the global economy as a whole.

Economic growth in 2007 in markets with a relevance to MLP (in %)

Sources: Council of Experts, European Union, European Committee Eurostat (as at third quarter 2007)

Upturn in Germany

The German economy embraced a solid upturn in 2007. The gross domestic product grew by 2.5 %. Sustained strong export figures, an attractive consumer demand from domestic private households, an increase in companies' investing activities and high tax revenues boosted the labour market. The number of those in employment who were subject to social insurance contribution showed a marked increase in the course of the year, while unemployment decreased. The rate of unemployment was 9 % last year. 3,776,000 people were registered unemployed at the Federal Employment Agency. Once again the chances of finding a job correlated very clearly with the level of education of those seeking work in the course of the year. Academics and other qualified professional groups, in other words MLP's target group, were once again able to benefit the most from the upturn in the labour market in 2007. In previous years, the unemployment rate amongst academics fluctuated within an annual average of between just 3 % and 4 %. This is less than half the unemployment rate of the whole population.

Savings rate increase

Disposable income increased by 2.7 % in Germany in 2007. However, the consumer prices for energy and some foodstuffs went up considerably. This meant some positive income-generating effects of the economic upturn were again relativised by negative counter movements in the domestic budget. Nevertheless, there was an increase in the number of people prepared to save. The savings rate last year reached 10.8 %, signifying an increase of 0.3 percentage points compared to last year. This may be an indication of increased awareness on the part of the Germans that they also have to make a contribution to their personal old-age provision. A growing realisation of the necessity of individual efforts to save for one's own old-age provision and possible illness is conducive to MLP's business success.

National economic influencing factors on MLP's business development

	Influence on the business development of MLP in 2007
Better economic situation	+
Lower rate of unemployment	+
Savings rate increase	+

INDUSTRY SITUATION AND COMPETITIVE ENVIRONMENT

MLP operates as an independent financial adviser for academics and other discerning clients in all areas of health and old-age provision, insurance cover, wealth management and loans and mortgages. As these markets develop, changes in the domestic competitive environment for banks, insurance companies and financial brokers – such as new legal regulations for financial services companies or new competitors in the market – may impact MLP's future prospects.

Old-age provision

Pay-as-you-go pension system reaches its limits

The German pension system has recently experienced the greatest changes in its history. Demographic development and increasing life expectancy due to medical advances have exposed the limits of the pay-as-you-go inter-generation contract. Legislators recognised the need for action in 2005 and introduced the Retirement Income Law (AltEinkG), a new three-layer old-age pension system in Germany:

- Layer 1: basic provision (statutory pension and tax-privileged Rürup pension)
- Layer 2: private supplementary provision (occupational pension provision, Riester pension)
- Layer 3: other old-age provision products (e.g. private pension or endowment life insurance policies)

Over 10 million Riester pensions

The products named after Riester have so far been the most successful on the market. Some 10 million Germans are saving for their old age with products that are eligible for the state Riester subsidy.

New Riester pension agreements 2006–2007 (in units)

Source: German Federal Ministry of Labour and Social Affairs

The basic or Rürup pension introduced in 2005 has so far been considerably less popular. By the end of December 2007, 310,000 Germans had a basic pension. However, we assume that once the demand for Riester contracts has been met, this type of tax-privileged private old-age provision will become increasingly popular in the medium to long term.

Investors are increasingly taking an interest in other old-age provision products, such as private pension insurance or life insurance, which come under layer three of the new world of pension provision. As well as offering good returns, investors appreciate the flexibility of the layer three pension products and the option of transfer in the event of death. Last year there was a strong increase in demand for dynamic hybrid products in particular. Such products offer the investor good performance while safeguarding lifelong payments through life insurance cover. In general the financial industry is moving away from traditional approaches in its product development and more towards new types of provision of funds. The trend is towards purchasing guarantees in the equity market.

Old-age provision products from layer three gain in popularity

Occupational pension provision is becoming more firmly entrenched within the old-age provision pyramid. This business segment received a boost in 2007 following the German grand coalition's decision to extend immunity from social security system contributions beyond the end of 2008 when deferring compensation within occupational pension provision.

New incentives for occupational pension schemes

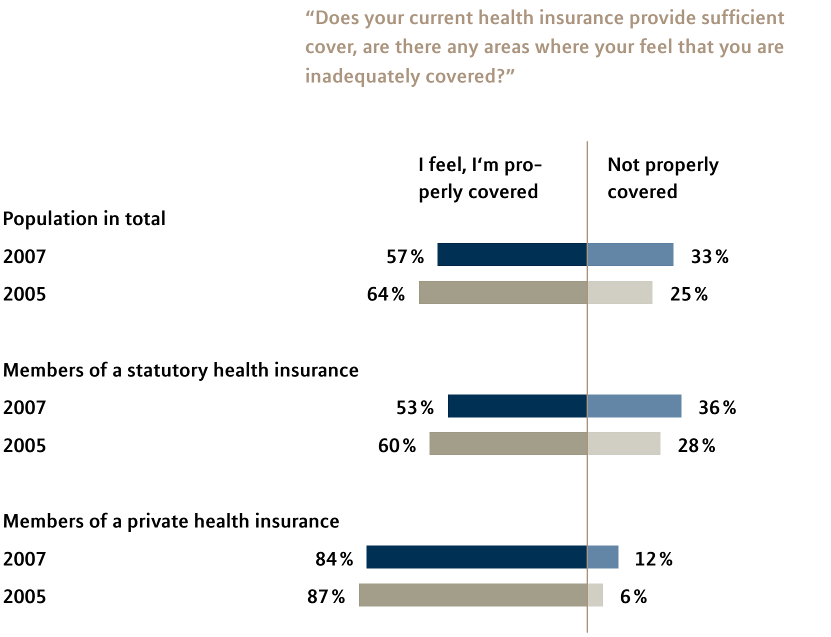
However, the life insurance sector, the biggest supplier of old-age pension products in Germany, was unable to benefit from the overall attractive framework conditions for the financial services industry in 2007. The premium income was slightly below the level of the previous year. There is still a trend for long-term provision contracts. Some 54 % of provision contracts with pension-based pay-out plans accounted for the largest proportion of new business.

Health provision

Health reform was not such a prominent public issue in 2007 compared to the previous year. Once the reform had come into force on April 1, 2007, the media reported considerably less on this topic. Changing to a different health insurance provider was still an important issue for many when planning for the future. Only 100,000 people took up the option of going back into a statutory health insurance scheme having previously no longer been eligible for this. This option was linked with the health reform. People are increasingly realising that the German health system with its statutory health insurance schemes has reached its limits. They are concerned that they will not be sufficiently covered by statutory health insurance if they are ill.

Health reform came into force on April 1, 2007

Growing doubts regarding personal health insurance cover



Basis: Federal Republic of Germany, 16-plus population
Source: MLP Health Report 2007, IfD surveys 7083, 10012

The private health insurance schemes had premium incomes of some € 29 billion in 2007. Some € 27 billion (+2.6 %) was attributable to the health insurance industry and € 2 billion (+0.5 %) to long-term care insurance.

The market for option contracts expanded considerably across the industry due to the continued interest in private health insurance coverage. Option contracts safeguard the option for those policyholders – on the basis of their current state of health – who may wish to switch at a later date to private insurance without having to worry about an increase in their contributions should their state of health decline.

Changing statutory health insurer

MLP offered in-depth advice to clients who are compulsorily insured in a statutory health insurance scheme with regard to changing to a less expensive statutory health insurance scheme. In terms of offering an integrated consulting approach, there are links with follow-on business from changing to a less expensive statutory health insurance scheme. For example, the money saved by switching health insurance schemes may be put towards old-age provision.

Wealth management

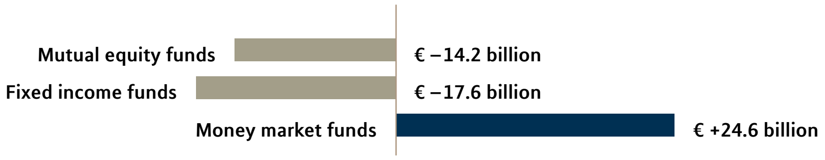
Savings rate increase

The savings rate in Germany rose to 10.8 % last year (2006: 10.5 %). Despite the fact that people are experiencing increased cost of living, such as the huge increases in energy costs, they have put aside money for the future. By the end of the year some € 166 billion had been saved. Based on economists' estimates, German households had gross financial assets of € 4.76 trillion in 2007 (€ 4.53 trillion in 2006) making them better off than ever before. These assets are mainly deposited in banks in the form of sight, time or savings deposits (33 %). Insurers hold some 25 % of these assets and investment funds around 12 %. Some 10 % of these assets is invested in fixed income securities.

Security of investment is most important to Germans

The Germans' main consideration when investing money is security. According to the results of the "Wealth barometer 2007" market research study conducted by the German Savings Bank and Clearing Bank Association (Deutscher Sparkassen- und Giroverband) the Germans are primarily interested in security when investing and secondarily in the availability of their savings.

Inflow in/outflow from different types of mutual funds in Germany in 2007



Source: Bundesverband Investment und Asset Management e.V.

The market for those referred to as high net-worth individuals, in which MLP is represented by its subsidiary Feri, continues to be a promising market segment. In Germany alone the number of millionaires increased to 798,000 in 2006 (2005: 767,000).There is, however, particularly strong competition in the private banking market in Germany. The growth prospects along with the income obtainable in this business segment are enticing a growing number of competitors onto the scene. Experts believe that when competing for clients, the crucial aspects in the future will be quality of services, competence of advisers and the institutes' reputation.

Financing

Erosion of margins and strong competition in the construction financing market

There was also strong demand in 2007 for German real estate on the part of foreign investors. Meanwhile, development was cautious in the traditional construction financing business for private clients, as in the previous year. Despite the low interest rate, demand was sluggish. The number of building licenses decreased by 35 % in 2007. Industry experts attribute this still to the termination of the home owner allowance at the end of 2005 and the increase in value added tax at the beginning of 2007. The financial services industry noted again the erosion of margins and strong competition in the market.

Competition

MLP is a broker with a full banking licence

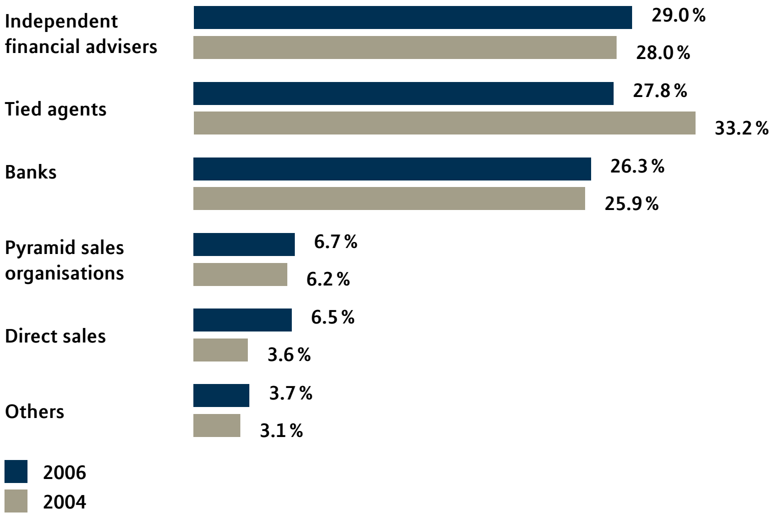
MLP stands out from the competition with its independent and comprehensive consulting approach. In contrast to many banks, savings banks, insurers or other finance brokers, MLP's choice of products is independent of the interests of the various product suppliers and depends entirely on the quality of the products and product suppliers and clients' particular requirements. In the past few years MLP has broken away from the Group subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG, so it can convincingly represent this approach. Instead it has invested in growth areas such as wealth management. By collaborating with Feri Finance AG, Germany's largest adviser for private and institutional wealth, which is independent, MLP has opened up new markets and opportunities for growth. MLP is the only finance broker represented throughout Germany which holds a full banking licence and can offer its clients the entire product range from the financial services market.

Increase in market share for independent finance brokers

Due to the heterogeneous nature of the German financial services market and the unique positioning of MLP within this market, it is not possible to ascertain the exact market share of individual competitors. However, there is clear evidence of one trend: The market share of independent finance brokers has increased considerably over the last few years. A study by the management consultancy Tillinghast reveals that the market share of independent brokers selling life insurance products in the German market increased from 23 % in 1999 to 29 % in 2006. We believe that MLP is the largest independent financial adviser in the German market.

In the course of the year additional new financial service providers entered the market, and a foreign insurance group took over one finance broker to strengthen its sales potential in Germany. This demonstrates the attractiveness of this market.

Market shares of the different sales channels for life insurance products in Germany



Source: Tillinghast Sales Channel Survey 2006

Changes in the statutory framework conditions

The greatest changes in the financial services industry result from the regulatory environment of the industry. In 2007 and the beginning of 2008 a series of directives and laws came into force containing new regulations for selling financial services:

- the EU Insurance Mediation Directive (VVR; since May 2007)
- the Markets in Financial Instruments Directive, (MiFID; since November 2007)
- the change to the German Insurance Contract Law (VVG; since January 2008)

In addition, on January 1, 2009 the new final withholding tax on capital gains will be introduced.

Competition and transparency offer improved protection for investors

The legislation with its new guidelines aims to better protect investors by increasing market transparency and strengthening competition. The effects of these far-reaching regulations on the entire financial services industry in Germany will only become clear in the next few years (see forecast).

Industry-specific influencing factors on MLP's business development

	Influence on business development in the industry in 2007	Influence on MLP's business development in 2007
Legal framework conditions for old-age provision	+	+
Legal framework conditions for health insurance	–	–
Trend towards provision saving	+	+
Increased competitiveness in the area of financing	+ –	+
Increase in competitiveness among the sales channels for financial services	+ –	+
Changes in the statutory framework conditions (VVR, MiFID, VVG)	–	+ –

BUSINESS MODEL AND STRATEGY

Business model: Independent, holistic consulting

Long-term customer support

Independent, holistic consulting with a clear target group focus on academics and other discerning clients is the central element of our business model. Our clients appreciate the comprehensive, long-term support, the careful product range tailored to their interests according to the best-in-class principle and the closeness to their consultants. MLP clients know they have a highly qualified financial adviser on hand to assist with all of life's circumstances. MLP acquires most of its new clients by targeting graduates at universities. Our aim is to provide decades of support to our clients as they move along their career and life paths. This leads to high customer loyalty and a wide range of opportunities for cross-selling.

On December 31, 2007 the company had 721,000 clients (previous year 685,000). Seven new branch offices were opened over the course of the year; the total number of branch offices is now 262. In the period under review, client support was provided by 2,613 mainly self-employed MLP consultants who work exclusively for MLP. In addition to its core German market, MLP also operates in Austria and the Netherlands.

Number of MLP clients 2005–2007

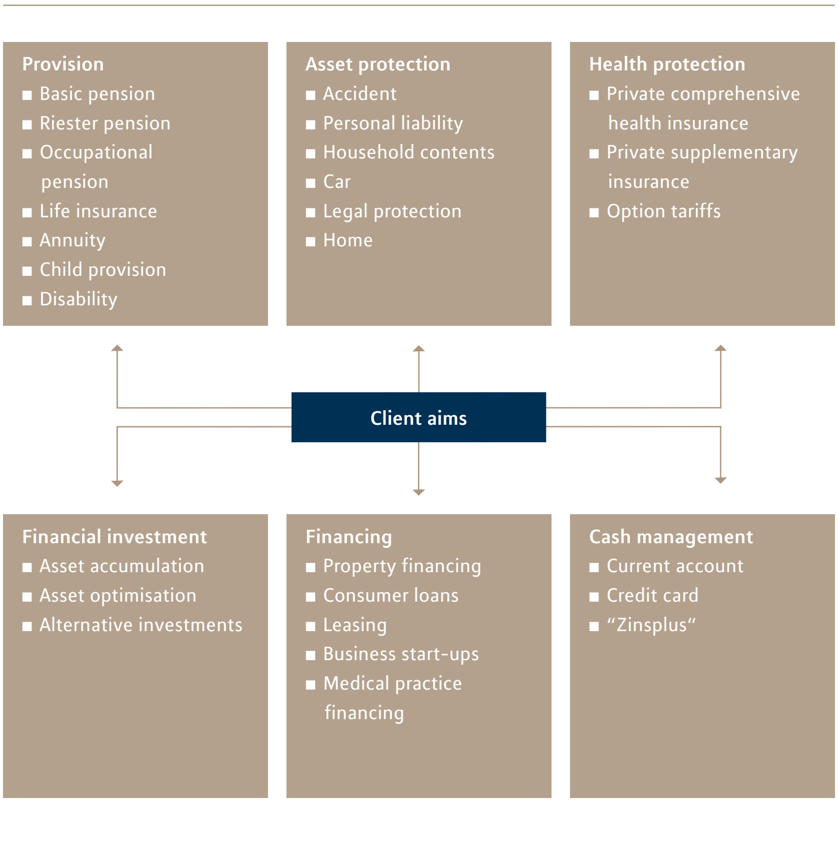
The decentralised sales model with its holistic consulting philosophy is convincing people in the industry as well as clients. MLP is the benchmark for the industry in terms of consultant productivity and cross-selling. The average income per consultant in 2007 was € 190,000. This is a top result for the industry.

Strategy

Good market positioning

Independence in the consultancy process and in product selection has become a key selling argument in the competition among financial service providers in Germany. MLP has been following this approach since it was founded and this has helped it become a premium brand among the financial services providers operating in Germany. Today the company has a proven top reputation and an excellent position on the market.

Integrated consultancy services



The company's strategic development over the past three years, particularly the expansion of wealth management as another core competence alongside old-age and health provision, is intended to contribute to a long-term increase in company value.

Successes in wealth management

After having acquired a 56.6 % majority holding in Feri Finance AG in October 2006, MLP exercised its option to purchase the remaining 43.4 % of the shares in October 2007. Feri's position within the MLP Group has seen positive developments. Early successes can be observed in new, customised concepts for MLP clients and personal collaboration on a number of levels.

MLP's acquisition of Feri Finance AG opens up a new dimension in wealth management for MLP clients. Feri Finance AG has until now been largely active in the area of investment advice for institutional and wealthy private investors. The collaboration with MLP means that Feri's expertise now benefits MLP clients as well and there is additional market potential, particularly in the MLP client base, to be tapped.

Within MLP's wealth management segment, Feri Finance AG is, with its excellent rating competence and internationally recognised research, an important intermediary for developing concepts for discerning investment strategies. Feri's comprehensive industry knowledge objectifies the investment world for MLP clients. Its high-quality rating and research work enables clients to take investment decisions based on a solid basis of information. Each year Feri conducts more than a thousand expert discussions with portfolio managers, monitors their success and continually compares the results of the various investment categories. Under Feri's independent and critical gaze, the world of financial investment is laid bare. The aim is to achieve maximum decision-making transparency for clients. Feri's findings are used in MLP's wealth management concepts. Clients select concepts based on objective information in line with their return expectations and risk propensity.

MLP clients benefit from Feri know-how

37 % of MLP clients already fall within the classic private banking segment. This group of clients will become even more important because well-placed academics and discerning clients are increasingly interested in integrated wealth management concepts over the course of their lives. MLP recognised this challenge in good time and has systematically invested in expanding the relevant consultancy services.

Client demand for consultancy in the area of wealth management

Feri Finance AG will continue with its wealth management on behalf of major wealthy clients, with the development of innovative investment concepts and with its rating and research work almost exactly as before.

Occupational pension provision

The strategic decision taken in 2004 to enter the occupational pensions market has proved successful. This market's contribution to new business in the area of pensions was already around 7 % in the past financial year.

This business segment is making an increasing contribution within MLP's value chain in terms of income, acquisition of new clients and cross-selling. The transaction volume for the industry as a whole is registering annual growth rates of 10 to 11 %, and experts believe that these growth rates will continue in future. The German government's decision at the end of 2007 not to stop support for deferred compensation in the area of occupational pensions at the end of 2008 as planned, but to leave the exemption from social security system contributions in place for an unlimited period, has once again considerably improved future business prospects in the area of occupational pensions.

Occupational pensions become increasingly important

In collaboration with its subsidiary BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH, MLP focuses on consultancy for small and medium-sized companies, freelancers and public-law institutes and associations.

High penetration rate

The vast majority of MLP consultants have already informed their clients about occupational pension instruments in the period under review. The high level of acceptance can be seen in the good penetration rates (proportion of a company's employees that take up the occupational pension offer) achieved by our consultants.

Our consultants acquire the necessary specialist knowledge in the area of occupational pensions in the company's own corporate university. In their day-to-day work they also have the support of an IT-based consultancy programme.

Business abroad

MLP pulls out of UK and Spain

At the balance sheet date of December 31, 2007, MLP had a subsidiary in Austria and a branch office in the Netherlands. MLP pulled out of the loss-making UK and Spanish markets in the third quarter of 2007 and is now concentrating on its core German market and its activities in Austria and the Netherlands. The key reason for pulling out of the UK and Spain was the competition on those markets. Overall however, foreign business plays a limited role in MLP's business success. Last year less than 3 % of income was generated abroad.

Legal corporate structure

Merging of sales and banking activities

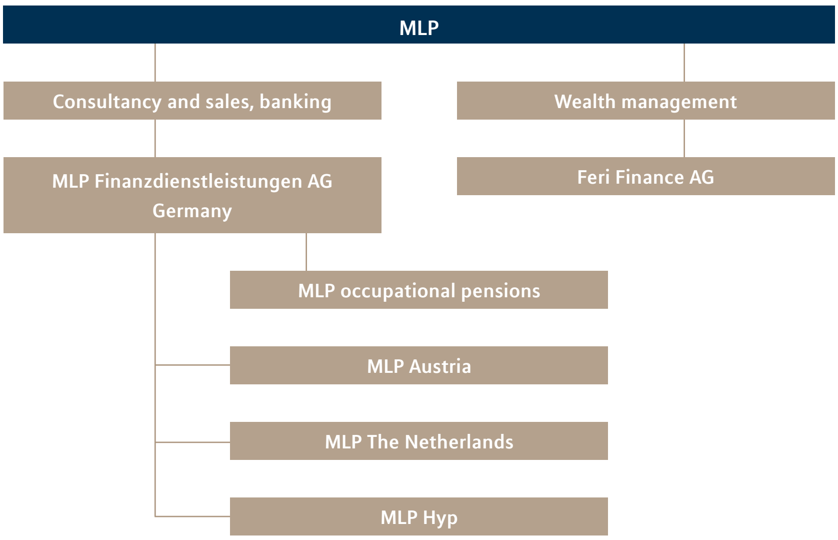
The MLP Group is structured as a holding. On the balance sheet date at December 31, 2007 the holding company, MLP AG, had two subsidiaries – MLP Finanzdienstleistungen AG and Feri Finance AG. In the first six months of 2007 MLP successfully merged MLP Finanzdienstleistungen Aktiengesellschaft into MLP Bank AG. The merged institute operates under the name MLP Finanzdienstleistungen AG. This subsidiary makes MLP the only major independent financial service provider with a full bank licence and it advises clients independently as a broker on all financial, pensions and property issues.

Feri Finance AG in Bad Homburg v.d. Höhe focuses on developing investment concepts, on providing support to wealthy private and institutional investors and on rating and research. After acquiring a holding of 56.6 % in Feri Finance AG in the fourth quarter of 2006 as part of the continuation of the MLP Group's strategic realignment, we exercised the option to acquire the remaining 43.4 % in the company at the end of October 2007 as planned. The actual execution of the share transfer will take place with effect from April 15, 2011 at the earliest.

New property-financing platform

MLP Hyp GmbH, Schwetzingen, Germany, a company set up in 2007 in conjunction with the mortgage broker Interhyp AG, forms the platform for MLP and Interhyp's joint property-financing business. MLP holds a 49.8 % stake in this company. As well as benefits in terms of margins, the new company brings the possibility of negotiating better credit terms for MLP clients. In addition, the MLP sales team now has optimum access to an effective product and system platform for property financing and will have even better, focused support with detailed questions. The improved in-house service means that consultants can schedule even more time for advising their clients.

MLP business segments and regions at a glance



Organisation and management

MLP AG is based in southern Germany. It is a joint-stock company (Aktiengesellschaft) under German law and its registered office is in Wiesloch in the thriving region of Baden-Württemberg. The Executive Board consists of three members. The flat organisational structure promotes timely and flexible management. As required by German law, the Executive Board is supervised by the Supervisory Board.

MLP is present throughout Germany

The company is present in Germany, Austria and the Netherlands, with 262 offices and subsidiaries. Thanks to its decentralised sales model with commercially independent consultants, MLP is present throughout Germany on all university sites and in all conurbations. Customer support and consultancy services are provided by independent agents who work exclusively for MLP. They are paid on commission.

Disclosures pursuant to §§ 120 (3) of the German Stock Corporation Act (AktG) in connection with 289 (4), 315 (4) of the German Commercial Code (HGB)

As at December 31, 2007 the share capital of the company is € 108,812,289 and is divided into 108,812,289 ordinary bearer shares with a nominal value of € 1 per share.

Acquisition of treasury stock

As a result of the approvals granted by the Annual General Meetings of June 21, 2005 and May 31, 2006, MLP AG purchased a total of 9,648,609 own shares (this corresponds to 8.87 % of the share capital as at December 31, 2007) in the period from December 1, 2005 to December 22, 2006 and in the period from November 9, 2007 to the balance sheet date of December 31, 2007. As per § 71b of the German Stock Corporation Act (AktG), these shares grant no rights and, more specifically, have no voting rights and dividends.

MLP AG was notified of two shareholders which exceeded 10 % of the voting rights on December 31, 2007:

	Number of shares	Shareholding
Manfred Lautenschläger[1]	12,991,597	11.94 %
Angelika Lautenschläger Beteiligungen Verwaltungs GmbH	11,857,781	10.91 %

[1] In accordance with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG), 10,404,995 of the shares (= 9.56 % of the share capital) held by Lautenschläger Beteiligung GmbH are attributable to Manfred Lautenschläger.

Executive Board

The company's articles of association specify that the Executive Board must consist of at least two people. The members of the Executive Board are appointed for a maximum of five years. A further appointment or extension of the time in office, each for a maximum of five years, is permitted. The Supervisory Board can withdraw the appointment to a member of the Board before the time in office expires with good cause. Such cause would be gross breach of duty, inability to manage properly or a vote of no confidence by the Annual General Meeting. The Supervisory Board decides on the number of Board members, their appointment and the withdrawal of their appointment as well as the conclusion, alteration and termination of the employment contracts with Board members. The Supervisory Board can appoint one Chairman and one or more Vice Chairmen.

Regulations regarding the amendment of the articles of association

In accordance with § 179 (1) of the German Stock Corporation Act (AktG), each amendment to the articles of association requires a resolution by the Annual General Meeting. In deviation from § 179 (2) sentence 1 of the German Stock Corporation Act (AktG), § 17 (4) of the company's articles of association stipulates that resolutions on amendments to the articles of association by the Annual General Meeting can be passed with a simple majority of the share capital votes entitled to vote on the resolution, unless a greater majority is required according to binding legal requirements.

Authorised capital

A resolution passed by the Annual General Meeting on May 31, 2006 authorised the Executive Board, with the Supervisory Board's approval, to increase the company's share capital by up to € 21,000,000 in total by May 30, 2011 by issuing on one or more occasions new ordinary bearer shares in exchange for cash or non-cash contributions and, with the Supervisory Board's approval, to exclude the shareholders' subscription rights for the issuance of shares in exchange for non-cash contributions. If the share capital is increased in exchange for cash contributions, the shareholders shall be granted a subscription right. However, the Executive Board has been authorised, with the approval of the Supervisory Board, to exclude the subscription right of the shareholders if the issue price does not fall significantly short of the stock market price of company shares with the same structure. However, this authorisation is subject to the condition that shares issued in exclusion of subscription rights in accordance with § 186 (3) sentence 4 of the German Stock Corporation Act (AktG) do not exceed 10 % of the share capital, either at the time of coming into effect or at the time it is implemented (authorised capital).

A resolution passed at the Annual General Meeting of May 31, 2007 also authorised the company, as per § 71 (1) no. 8 of the German Stock Corporation Act (AktG), to purchase up to 10 % of the share capital during the authorisation period by November 29, 2008; on the basis of this authorisation, the company purchased 785,500 shares in the period from November 9, 2007 to the balance sheet data of December 31, 2007.

Call option for acquiring the remaining Feri shares exercised

In connection with the acquisition of the majority holding in Feri Finance AG, MLP AG exercised its call option in 2007, which will lead to the acquisition of the remaining shares in 2011. In the event that a third party purchases at least 51 % of the entire share capital of MLP AG by December 31, 2010 and exercises the voting rights from these shares in the Annual General Meeting following the acquisition or in a later Annual General Meeting, the vendors of the options are entitled to a minimum purchase price, if the acquisition of shares results in the business model agreed between MLP and Feri becoming inoperable.

The contracts of employment between the company and the Chairman of the Board, Dr Uwe Schroeder-Wildberg, Gerhard Frieg and Muhyddin Suleiman contain a clause stating that they are entitled to terminate their contracts with a notice period of one month in the event that a third party who had a share in MLP of less than 10 % at the time at which the contracts were concluded purchases a share of at least 50 % of the voting rights. Should they exercise this right to termination, MLP is obliged to pay them the fourfold annual fixed remuneration which would have been payable, had the contract not been terminated by them as a result of the change of control and provided that the termination of contract is more than two years before its scheduled termination. The contract of employment of Dr Schroeder-Wildberg has a term until December 31, 2012, of Mr Frieg until May 18, 2012 and of Mr Suleiman until September 3, 2012. In the case of a termination of contract within the two years of the scheduled termination the severance payment shall be paid pro rata temporis.

COMPANY OBJECTIVES AND CORPORATE MANAGEMENT

Company objectives

The goal: profitable growth

The MLP Group directs its business activities at the objective of sustainably increasing the company value and profitable growth. We are aiming for growth in total income with a proportionately higher growth of earnings. We want to achieve this aim by implementing a consistent growth strategy, which includes objectives that are not only financial in nature (see also section "Strategy"). We also have the objective of clearly setting ourselves apart from the competition through the quality of our services and brokered products. Since our branch offices are the core units of service provision, they also represent the most important variable in the company's success. As small, company-managed units, our branch offices are responsible for the implementation of our independent, comprehensive and quality-orientated approach to consulting.

Our position as quality leader in client consulting and support

Our claim to being quality leader in client consulting and support on the German financial services market is underlined by our non-financial objectives: We aim to have the clients who enjoy the best possible support, as well as the best consultants' jobs and the best managers to lead our branch offices. We measure the extent to which we have achieved these goals using various key performance indicators: Whereas the cross-selling ratio (number of products per client) tells us how integrated the consulting is and thus how good the client support is, the productivity ratio of the consultants (income per consultant), shows how far we have been successful in relieving the consultants of administrative tasks, enabling them to devote themselves more fully to client consulting.

Corporate controlling

Sales are central to corporate controlling

To control the MLP Group, we use finely calibrated instruments which cover all the stages in the wealth creation chain. In the year under review, around 90 % of the total income was generated through MLP Finanzdienstleistungen AG. MLP Finanzdienstleistungen AG streamlines the Group's sales activities and therefore generally stands at the centre of corporate controlling.

In consequence of the merging of MLP Finanzdienstleistungen Aktiengesellschaft into MLP Bank AG, in the second half of 2007, the accounts and controlling departments of the two companies were combined. At the same time, Feri Finance AG, in which we acquired the majority holding in September 2006, was integrated as a new subsidiary into the Group's controlling system. Insofar as was possible, all the relevant projects were completed in 2007.

Strategic controlling

Strategic controlling combines strategy with objectives

In controlling the company, we differentiate between a strategic and an operational approach.

Through planning with a horizon of three to five years, strategic controlling focuses on the combining of the corporate strategy with concrete objectives.

The focus is on the sustainable development of client value and the appropriate valuation and control of business segments, products, projects and investments. Optimum resource allocation, which fulfils both internal preferences and the requirements of the capital market, forms the basis for medium- to long-term corporate development.

Controlling of operational business

Sales controlling

In a sales organisation like MLP, sales controlling is the core area of operational controlling. In the first process stage, it records the new contracts that have been concluded in the branch offices, collects the data relating to them in weekly and monthly reports and thus gives the management a prompt and clear indicator for business development.

Cost controlling

Cost controlling inspects the development of expenditures each month. The prompt preparation of the data that is collected gives the person responsible for costs the opportunity to react quickly to deviations from the original planning. All departments are assigned cost responsibility areas. Each department plans its tasks and objectives on its own authority, coordinates planning with the competent Executive Board members, and develops its investment and financial planning on this basis. Every quarter, a new forecast is prepared for the coming 15 months. Should deviations from the original planning occur, the budget is adjusted in coordination with the responsible members of the Executive Board.

Key performance indicators and early indicators used by corporate controlling

Corporate controlling uses a series of KPIs which are derived from the most important value drivers in the company. The growth and profitability of the business is monitored using the core figures of total income (sales revenue) and EBIT (earnings before interest and tax).

Controlling the value drivers

In this regard, the development of total income depends on a whole series of key sales figures: With respect to our consultants, we monitor the development of the total number of consultants, fluctuations and productivity (income per consultant). Another value driver in our business model is the number of clients and the level of penetration of the client base, measured as revenue per family client.

New business generated serves as an early indicator for business development

As an early indicator for the development of business over a given financial year, we mostly use the parameter of production in the various segments, and here in particular in our important segments, old-age provision and wealth management. For the purposes of this analysis, we take production to mean the brokered new business in the segment in question. The commission that we receive when we act as intermediaries in the sale of such products is fundamentally calculated as a percentage of the new business that has been brokered. For MLP, the commission sums constitute the income from the brokerage business. Thus, production serves as an early indicator for the development of business, since it is possible to derive estimates of income from them.

Selected key controlling figures: Fulfilment of objectives in 2007 and medium-term target figures

	2006	Target for 2007	Actual figure achieved in 2007	Profitable growth	Medium-term target figure
Total income (in € million)	588.5	Profitable growth	637.1	8.3 %	Profitable growth
EBIT (continuing operations, in € million)	95.1	Profitable growth	110.3	16.0 %	Profitable growth
Number of consultants	2,571	2,750	2,613	2 %	Further increase
Fluctuation in consultants	11.8 %	Stability	11.0 %	–	Stability
Productivity (income per consultant in €)	192,000	No explicit objective set	190,000	–	Increase
Number of clients	685,000	No explicit objective set	721,000	5.3 %	Further increase
Cross-selling ratio	6	No explicit objective set	7	–	No explicit objective set
Brokered new business – old-age provision (in € billion)	7.1	Further increase	6.9	–	Further increase

Comparison of the actual and forecast development of business

EBIT target of € 110 million reached

We have reached our main target for the financial year 2007. Having achieved an EBIT of € 110.3 million in continuing operations, we are within the range of our forecast of approximately € 110 million. Therefore, as expected, the EBIT margin has also shown a marked improvement, going from 16.2 % to 17.3 %.

Profitable growth achieved

Due to the uncertainty that existed in early 2007 regarding further development in the health insurance segment, it has not been possible to make an exact forecast for the total income for 2007. Thanks to the definite increase in the EBIT and the 8 % rise in total income that has been achieved, in 2007 we nevertheless reached our medium- to long-term target of achieving profitable growth.

Our qualitative forecast for old-age provision has not been entirely fulfilled as we expected further growth impulses in the past financial year. In this segment our business fluctuated around the previous year's level. Indeed we continue to assume that because of demographic development and ever diminishing statutory retirement pension provision, the requirement for private and occupational pension provision will continue to be on a high level in Germany. Nevertheless, in 2007, this requirement was only reflected to a limited extent in the demand by clients. Long-term provision products will also remain sales-intensive in the future, since clients will have to be convinced that they should invest funds in these products to the detriment of their current disposable income.

Old-age provision business: high level of requirement but sluggish demand

On the other hand, we made progress as had been forecast in wealth management. Here, in particular, we were able to record dynamic development as a consequence of our new subsidiary, Feri Finance AG, which we acquired in 2006.

As a result of the health reform, which came into force later than planned, i.e. on April 1, 2007, the negative development we had predicted for our health insurance segment was delayed. Whereas the first quarter, before the reform came into effect, continued to enjoy pleasing progress, business development proved to be sluggish in the three subsequent quarters, as expected. In particular, a negative effect was exerted on our business by the fact that the reform in actual fact impedes a change from a statutory to a private health insurance.

Health insurance: reform has a negative effect on business development

Over the last financial year, expenditures were according to plan. The expenses for the brokerage business are essentially attributable to the performance-related commission payments to our consultants.

No significant deviations from the forecast expenditure

As forecast, there was an acquisition-related marked rise in personnel expenses. The slight increase in other operating expenses also conformed to our forecast.

REMUNERATION REPORT

The total remuneration of the Executive Board is made up of the following elements: a fixed and variable remuneration, long-term incentive and old-age provision components.

In addition to reimbursement of expenses, members of the Supervisory Board receive a fixed payment. Further details and the individualised payments are disclosed in the remuneration report in the "Corporate Governance" section of this annual report. This remuneration report is part of the management report.

RESULTS OF OPERATIONS

Summary of results

Marked increase in earnings

We have achieved a marked increase in earnings in the past financial year. Earnings from continuing operations (earnings before interest and tax – EBIT) grew by 16 % to € 110.3 million, which means we also increased our EBIT margin from 16.2 % to 17.3 %.

Old-age provision unchanged

Business in our most important segment of old-age provision stagnated in the past financial year. Earnings in this segment were down slightly at € 366.5 million from €370.8 million in 2006. The 2006 value includes earnings from the so-called Riester step of some € 25 million. We are aware of an increasing consciousness among the population of Germany that private provision for old-age and the necessity to ensure a level of care in the event of ill health is vital. Nevertheless, many people are reluctant to start actively planning for their old-age insurance early, underestimating how long it takes to build up sufficient provision.

Statutory changes unfavourable to private comprehensive health insurance

With the coming into force of the health reform in April 1, 2007, general conditions for healthcare provision – our second most important segment – have become more difficult for MLP. The decline in our health insurance segment forecast for the current financial year has set in, albeit slightly later than expected. The business trend in the first quarter of 2007 was satisfactory to start with; due to the uncertainty associated with the pending health reform legislation, policies sold in the fourth quarter of 2006 contained a break option for customers and the income from these contracts was only recognized in the income statement in the first quarter 2007. However, after the health reform came into force on April 1, 2007 the demand for private comprehensive health insurance slackened as expected.

Growth in the wealth management segment

Our wealth management business developed very satisfactorily. With the help of the Feri Group acquired in October 2006, in the past year we developed new wealth management concepts tailored to our own client group and created the conditions enabling us to convert them into sales. Also the Feri Group's business in the fields of wealth management for wealthy clients and the development of innovative investment concepts, plus its rating and research activities, all showed significant growth.

New regulatory framework

The past financial year brought considerable regulatory changes for the whole financial services sector. The Insurance Mediation Directive (IMD), the Markets in Financial Instruments Directive (MiFID) and the new German Insurance Contract Law (VVG) that came into force on January 1, 2008 will result in major changes for the sector. These changes had no serious impact on our results in 2007. But we expect to see them affecting business in various ways in future (see "Forecast").

EBIT from continuing operations (in € million)

Overall statement on business development and the economic situation of the company

General statement on business trend

All in all we were satisfied with the course of business in 2007. Despite a difficult market environment we succeeded in increasing total income and operating earnings as planned, thus achieving our aim of profitable growth in 2007. We also succeeded in adapting our organisational structure to meet the tougher requirements for financial services providers brought about by changes in legislation and integrating them into the regular consulting activities of our consultants. This will help to improve what in our view is already an outstanding position in the market for financial services providers. With a consulting approach wholly oriented to clients' needs, we shall be able without difficulty to meet the higher standards of transparency and quality in customer care introduced by the government. As the only financial services provider represented throughout Germany, MLP achieves the independent broker status demanded by the latest legislation. This is an excellent starting point from which to win new market share.

Opportunities to win new market share

The new statutory provisions have raised the barriers to market entry. The increased transparency and quality standards also change the competitive situation in the market. Small and medium-sized financial services providers in particular will find it increasingly difficult to meet these standards. We therefore expect a consolidation of the market. This provides an opportunity for MLP to further increase its market share.

Positive assessment of the Group's financial position

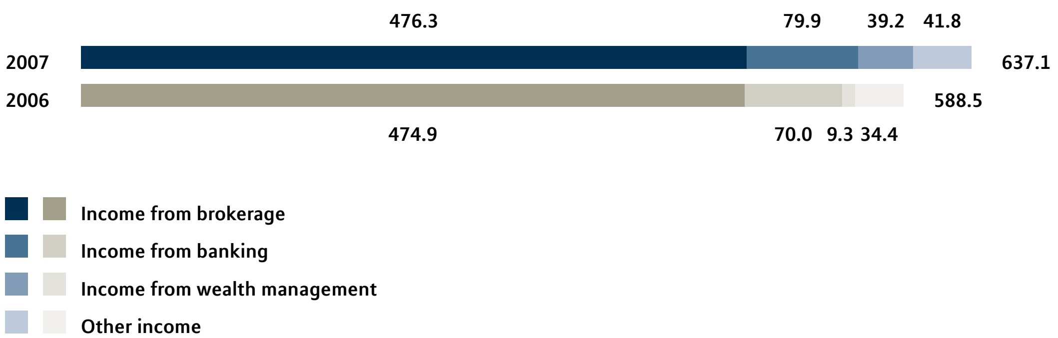
The Group's financial position both at the end of the reporting period and at the time of preparing the Group management report may be regarded as positive. The increase in total income and operating earnings achieved in the past year have given a further boost to the Group's financial strength. In the medium and long term we expect to see a further marked improvement in our results of operations, assets and financial position.

Analysis of the results of operations (continuing operations)

Total income well up

Total income of the Group in the past financial year rose by 8 % to € 637.1 million. At € 476.3 million, income from the brokerage business for the same period was slightly up on 2006 (€ 474.9 million). The 2006 figure includes gains from the so-called "Riester step" of some € 25 million. Income from banking business showed a marked rise of 14 % over previous year to € 79.9 million due to the higher volume of business transacted and the increase in securities custody services. The wealth management segment posted earnings in the reporting period amounting to € 39.2 million (€ 9.3 million). As this segment was newly created in the course of acquiring the Feri Group in the fourth quarter of 2006, income from 2006 only includes the business for the fourth quarter.

Total income from continuing operations (in € million)



Other income rose considerably in the past year from € 34.4 million to € 41.8 million. This included an additional profit component from the sale of MLP Lebensversicherung AG in 2005 amounting to € 11.3 million (€ 8.6 million). The item also includes gains not relating to the period of € 1.1 million from 2006. An additional profit component of a similar amount to the last financial year will be paid for the last time in 2008. Other income also includes gains from the sale of the database business of Feri Fund Market Information Ltd., which contributed € 4.0 million.

Brokerage expenses the largest expense item

Expenses for the brokerage business represent the largest individual item of expenses. The item covers the performance-related commission payments to our sales staff, which were down only slightly in 2007 from € 224.2 million to € 217.0 million. The distribution rate thus continues to vary between 45 % and 46 %.

Expenses for the banking business increased more or less in proportion to income from it, from € 18.2 million to € 21.4 million. The wealth management business incurred expenses of € 2.2 million (€ 0.9 million). The comparable figure for 2006 only includes expenses from the fourth quarter, as the Feri Group subsidiary was only consolidated from October 2006, the date at which it was acquired.

Personnel expenses up due to new acquisition

Personnel costs increased sharply in the reporting period from € 81.6 million to € 107.4 million. Several factors are responsible for this change. The chief one was integrating the employees of the Feri Group, which in 2007 for the first time was included in the MLP Group scope of consolidation for all four quarters. General salary increases and one-off compensation payments also contributed to the rise.

Also due to the first-time consolidation of the Feri Group was the increase in depreciation/amortisation in the past financial year, which rose from € 17.0 million to € 19.5 million.

Operating expenses rose in 2007 by 5 % from € 151.4 million to € 159.3 million, with the first-time consolidation of the Feri Group contributing some € 9 million. Without this factor expenses would have been some € 1 million less than the previous year, which testifies to our systematic cost management.

Disproportionately low increase in total expenses

Total expenses for the Group rose in the past financial year by only 7 % to € 526.7 million, a disproportionately low figure compared with overall income.

Losses from companies accounted for using the equity method include the negative contribution from the start-up phase of MLP Hyp GmbH. This company commenced operating activities in the fourth quarter 2007. In future the company, in which MLP has a 49.8 % holding, will handle the mortgage business operated jointly with Interhyp AG.

Breakdown of expenses

in € million	2007	in % of total expenses	2006	in % of total expenses	Change as %
Expenses for brokerage business	217.0	41.2 %	224.2	45.5 %	–3.2 %
Expenses for banking business	21.4	4.1 %	18.2	3.7 %	17.6
Expenses for wealth management	2.2	0.4 %	0.9	0.2 %	> 100 %
Personnel costs	107.4	20.4 %	81.6	16.5 %	31.6
Scheduled depreciation/amortisation and impairment	19.5	3.7 %	17.0	3.4 %	14.7 %
Operating expenses	159.3	30.2 %	151.4	30.7 %	5.2
TOTAL	526.7	100.0 %	493.3	100.0 %	6.8 %

EBIT up by 16 %

Total earnings before interest and tax (EBIT) in the past financial year amounted to € 110.3 million (€ 95.1 million).

At € –2.2 million, finance cost was well down on the previous year's figure (€ 5.0 million). This was due to the reduction in the average amount of funds available for investment and the interest cost incurred through interest charges on the residual purchase price for Feri Finance AG.

Earnings before tax (EBT) rose by 8 % to € 108.2 million.

Income tax rose in the reporting period from € 23.6 million to € 32.1 million, corresponding to a tax rate of 29.7 % (23.6 %). The previous year's figure included capitalisation of a corporation tax credit in line with statutory provisions and tax refunds in connection with a tax field audit for the years 1997 to 2001.

Earnings from continuing operations amounted in the past financial year to € 76.0 million (€ 76.5 million). Diluted earnings per share improved by 3 % from € 0.73 to € 0.75.

Change in earnings from continuing operations

in € million	2007	2006	Change
EBIT	**110.3**	95.1	16.0 %
EBIT margin	**17.3 %**	16.2 %	–
Finance cost	**–2.2**	5.0	> 100 %
EBT	**108.2**	100.1	8.1 %
EBT margin	**17.0 %**	16.2 %	–
Income tax	**–32.1**	–23.6	36.0 %
Net profit	**76.0**	76.5	–0.7 %
Net margin	**11.9 %**	13.0 %	–

Discontinued operations

Concentration on growth markets

Discontinued operations include MLP Lebensversicherung AG and MLP Versicherung AG sold in 2005, the business activities of MLP Private Finance AG, Zurich, discontinued in 2006, and the business operations of our subsidiaries in the UK and Spain, also discontinued in the third quarter of 2007 in the course of further concentration on growth markets.

Losses from discontinued operations in the past financial year came to € –13.9 million (€ –4.7 million). Operating losses of our subsidiaries in the UK and Spain and the restructuring expenses required to wind up operations in these countries accounted for a total of € –5.1 million (€ –7.2 million). We also had to reduce the purchase price of MLP Lebensversicherung AG in 2006, which impacted results adversely in the reporting year.

Group

Total Group profit for the year was € 62.1 million (€ 71.8 million).

Earnings per share

Basic earnings per share thus slipped from € 0.69 to € 0.62. Diluted earnings per share slipped from € 0.69 to € 0.61.

Net profit

in € million	2007	2006	Change
Continuing operations	76.0	76.5	–0.7 %
Discontinued operations	–13.9	–4.7	> 100 %
NET PROFIT (TOTAL)	62.1	71.8	–13.5 %
Earnings per share in €	0.62	0.69	–10.1 %
Diluted earnings per share in €	0.61	0.69	–11.6 %
No. of shares in million (basic)	101.0	104.9	–3.7 %

Appropriation of profits

High dividend payout and share buybacks

In the past financial year MLP paid out a total of some € 48 million to its shareholders in the form of regular dividends for 2006 and of share buybacks. The regular dividend for 2006 was € 0.40 per share (with a total dividend distribution of some € 40 million). Cash repayments were also made to our shareholders under a share buyback programme. In the period between November 12, 2007 and December 28, 2007 785,500 shares were bought at an average price of € 9.49 per share. The total volume of the share buyback programme in the reporting year was some € 7.5 million.

The buyback programme, which commenced on November 12, 2007 was brought to a close on schedule in January 2008. Altogether we bought back 1,957,656 shares under the programme at an average price of € 9.66. This corresponds to a volume of € 18.9 million or 1.8 % of the share capital. We have therefore returned some € 59 million to our shareholders through dividend payments and buying back our own shares. This corresponds to some 77 % of the earnings from continuing operations for the financial year 2006.

Increased dividend

In view of the pleasing results from continuing operations, the Executive Board and Supervisory Board recommend to the Annual General Meeting on May 16, 2008 that the dividend increases by 25 % from € 0.40 to € 0.50 per share. This corresponds to a total dividend distribution of some € 49 million, and a distribution rate of 64 % of net profit from continuing operations.

Pursuant to § 71b of the German Stock Corporation Act (AktG), own shares held by the company are not entitled to dividends.

FINANCIAL POSITION

Aims of financial management

The financial management of the MLP Group is performed by the central Corporate Treasury division. Our primary aim here is to increase the Group's financial power. Within the framework of our financial management, we ensure the liquidity of the Group at all times, control the risks involved with the various financial instruments and optimise Group-wide cash management. For this purpose we implement rolling liquidity planning with a time horizon of 15 months.

No significant liabilities or receivables in foreign currencies

In the reporting period there were no significant liabilities or receivables in foreign currencies, as we generate almost 100 % of the total income in the Eurozone. Thus it is not necessary for us to hedge net items in foreign currencies by means of hedging instruments.

Financing analysis

MLP is a pure service provider. Thus our business model is less capital intensive and generates high cash flows. This also impacts the investments and financing of our Group.

Optimisation of the capital structure

We made further optimisations to the capital structure of the MLP Group during the course of the financial year 2007. Through the continuation of the share buyback programme as of November 2007 we were able to further reduce the equity ratio from 25.6 % to 23.9 %. With shareholders' equity standing at € 339.7 million (€ 324.9 million), the Group's equity capital backing is very good. The increase in shareholders' equity can primarily be attributed to the net profit of € 62.1 million generated in the last financial year. The dividends for the financial year 2006 (€ 40.0 million) and the purchase of our own shares (€ 7.5 million) had an offsetting effect.

Group largely financed by shareholders' capital

At present we do not use borrowed funds to finance the Group long-term. Changes to the general interest rate or future credit terms therefore have no material effect on the financing of the Group. The liabilities due to banking business mainly concern client deposits, which have no financing function for the Group. These liabilities are offset by receivables from banking business of approximately the same amount.

As provisions only account for some 3 % of net assets, they have no significant financing function for the MLP Group.

The other liabilities amounting to € 278.5 million consist mainly of short-term liabilities from operating activities. The exception is a liability to the shareholders of Feri Finance AG of € 91.8 million for the purchase price of the company, which was acquired in 2006. This liability is due on April 15, 2011 at the earliest. Short-term liabilities are offset on the asset side of the balance sheet by cash and cash equivalents of € 134.6 million and short-term receivables and others assets of some € 142 million.

Further disclosures on the structure of our liabilities and provisions can be found in the notes.

Rental and leasing

As at the balance sheet date, financial commitments from rental and leasing agreements were in place which amount to € 53.7 million for the financial year 2008. This mainly consists of liabilities from renting our offices, the outsourcing of IT technology and the leasing of IT equipment. This will result in total liabilities to the tune of € 224.3 million up to 2012.

Capital expenditures

Capital expenditures unchanged

MLP generally finances capital expenditures from current cash flow. The total capital expenditures volume in the last financial year was slightly lower than the previous year at € 16.2 million (€ 20.0 million). The lion's share of our capital expenditures in the reporting year went into IT projects, which were aimed at continuously improving the quality of our consulting and our client service (see also section "Client support"). As well as recognised capital expenditures we use other resources for these projects, which are included as expenses in the income statement. We have already invested or spent some € 29 million in these projects in 2006 and 2007. Additional investment and expenses will follow in the current financial year.

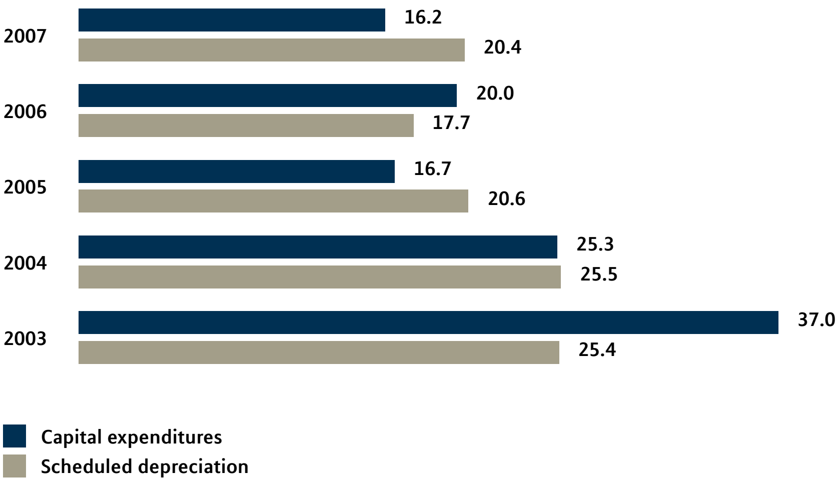
Capital expenditures

in € million	2007	2006	2005	2004	2003
INTANGIBLE ASSETS	11.5	17.5	12.0	13.6	17.4
Goodwill	–	–	–	0	0
Software (developed internally)	0.5	0.1	–	–	0.3
Software (purchased)	2.0	0.5	1.2	0.8	11.7
Other intangible assets	0.1	0.1	–	–	–
Advance payments and assets under construction	8.9	16.8	10.8	12.8	5.4
PROPERTY, PLANT AND EQUIPMENT	4.7	2.5	4.7	11.7	19.6
Land, leasehold rights and buildings	0.8	0.6	0.5	1.2	0.8
Investment property	0.3	0.2	0.0	–	–
Other fixtures, fittings and office equipment	2.6	1.6	2.5	2.6	1.8
Advance payments and assets under construction	1.0	0.1	1.7	7.9	17.0
TOTAL CAPITAL EXPENDITURES	16.2	20.0	16.7	25.3	37.0

Capital expenditure level with depreciation

The comparison of capital expenditure and depreciation makes it evident that our business model has become much less capital intensive since the sale of the Group subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG in 2005. The capital expenditure level in the Group shows a sustained decline compared to the years 2003 and 2004. In the last three financial years it has remained relatively stable. We make targeted capital expenditures in improving the quality of client care and consulting.

Capital expenditures and scheduled depreciation in € million



Liquidity analysis

Cash flow from operating activities in continuous operations reached € 82.4 million (€ 93.4 million), corresponding to 13 % of total income.

Cash flow from investing activities on continuous operations improved greatly from € –87.8 million to € –18.5 million. In the previous period cash flow was impacted by the payment made to purchase the majority interest in Feri Finance AG amounting to € 57.8 million.

Share buyback and dividend payments impact cash flow from financing activities

The main factors affecting cash flow from financing of continuous operations are dividend payments and payments associated with share buyback programmes. As an extraordinary dividend was paid in 2006 and the share buyback programme was much more extensive, cash flow from financing activities was up from € –204.0 million to € –47.3 million.

Simplified cash flow statement for continuing operations

in € million	2007	2006	Change
Cash and cash equivalents at beginning of period	120.5	330.0	–63.5 %
Cash flow from operating activities	82.4	93.4	–11.8 %
Cash flow from investing activities	–18.5	–87.8	–78.9 %
Cash flow from financing activities	–47.3	–204.0	–76.8 %
CASH AND CASH EQUIVALENTS AT END OF PERIOD WITHOUT GAIN ON SALE OF DISCONTINUED OPERATIONS	137.1	131.6	4.1 %
Payments for disposals (net of cash)	–2.7	–11.1	–75.9 %
CASH AND CASH EQUIVALENTS AT END OF PERIOD	134.4	120.5	11.6 %

Excellent liquidity

As at the balance sheet date of December 31, 2007, the MLP Group owned € 134.4 million in cash holdings (€ 120.5 million). The liquid funds available are therefore still very good. Thus there are sufficient cash reserves available to the MLP Group. In addition to the cash holdings we have free lines of credit amounting to around € 125 million over the short and medium term (one and three years). No liquidity squeeze occurred in the reporting period, nor is any such shortfall expected. There are no limitations which restrict the availability of funds.

NET ASSETS

Analysis of asset structure

Total assets up

Total assets of the MLP Group had risen as at December 31, 2007 from € 1,270.2 million to € 1,424.2 million. Intangible assets and property, plant and equipment were down due to changes in the scope of consolidation and scheduled depreciation/amortisation from € 187.1 million to € 184.7 and from € 89.1 million to € 83.9 million respectively.

The “Shares in companies accounted for using the equity method” item relates to MLP Hyp GmbH. This company is operated by MLP jointly with Interhyp AG to provide real estate finance. MLP Hyp GmbH commenced operating activities in the fourth quarter of 2007. MLP has a 49.8 % holding in the company.

Revaluation of deferred taxes

The changes in net deferred tax assets and liabilities are associated with their revaluation that became necessary in the course of the corporation tax reform of 2008. Deferred tax assets have declined in the reporting period from € 4.0 million to € 1.6 million. Deferred tax liabilities are down from € 13.7 million to € 9.9 million.

The sharp increase in receivables from banking business from € 606.4 million to € 771.8 million at the balance sheet date of December 31, 2007 is offset on the liabilities side by a similar increase in liabilities due to banking business from € 599.7 million to € 752.3 million. The reason for this change is the rise in the volume of business transacted in our banking operations.

The significant fall in tax refund claims from € 21.1 million to € 9.7 million is accounted for by payment receipts associated with these receivables.

The reduction in the "Receivables and other assets" item from € 177.1 million to € 157.3 million is mainly due to the fact that commissions payable by insurance companies for the sale of insurance products were down compared to the previous period.

Increased liquidity

The value of cash and cash equivalents increased due to lower cash outflows than the previous year in dividend payments and share buybacks from € 120.5 million to € 134.6 million. In 2006 we also acquired a majority holding in Feri Finance AG with cash funds.

The "Non-current assets held for sale and disposal groups" item includes holdings in investment funds destined for resale to our clients. These are holdings in investment funds created as part of our new wealth management concepts.

Assets

in € million	2007	2006	Change
Intangible assets	184.7	187.1	–1.3 %
Property, plant and equipment	83.9	89.1	–5.8 %
Investment property	14.6	15.1	–3.3 %
Shares in companies accounted for using the equity method	1.6	–	–
Deferred tax assets	1.6	4.0	–60.0 %
Receivables from banking business	771.8	606.4	27.3 %
Financial investments	52.4	49.9	5.0 %
Tax refund claims	9.7	21.1	–54.0 %
Receivables and other assets	157.3	177.1	–11.2 %
Cash and cash equivalents	134.6	120.5	11.7 %
Non-current assets held for sale and disposal groups	12.2	–	–
TOTAL ASSETS	1,424.2	1,270.2	12.1 %

We have continued to improve the capital structure of the MLP Group in the course of the financial year 2007. The net profit for 2007 of € 62.1 million contributed to the increase in shareholders' equity. This was offset by the dividend payment for 2007 amounting to € 40.0 million and the buyback of our own shares costing € 7.5 million. The equity ratio slipped from 25.6 % to 23.9 %. With shareholders' equity amounting to € 339.7 million (€ 324.9 million), the Group's equity capital backing continues to be extremely healthy. At 22 %, return on equity from continuing operations is at a high level.

Further improvement to capital structure

As a result of settling our tax liabilities, this item has fallen from € 7.6 million to € 0.1 million.

Provisions have risen by just 3 % to € 43.8 million. Other liabilities have likewise fallen just slightly by 1 %.

We used no off-balance sheet financial instruments in the reporting period.

Liabilities

in € million	2007	2006	Change
Shareholders' equity	339.7	324.9	4.6 %
Provisions	43.8	42.4	3.3 %
Deferred tax liabilities	9.9	13.7	–27.7 %
Liabilities from banking business	752.3	599.7	25.4 %
Tax liabilities	0.1	7.6	–98.7 %
Other liabilities	278.5	281.9	–1.2 %
TOTAL LIABILITIES	1,424.2	1,270.2	12.1 %

SEGMENT REPORT

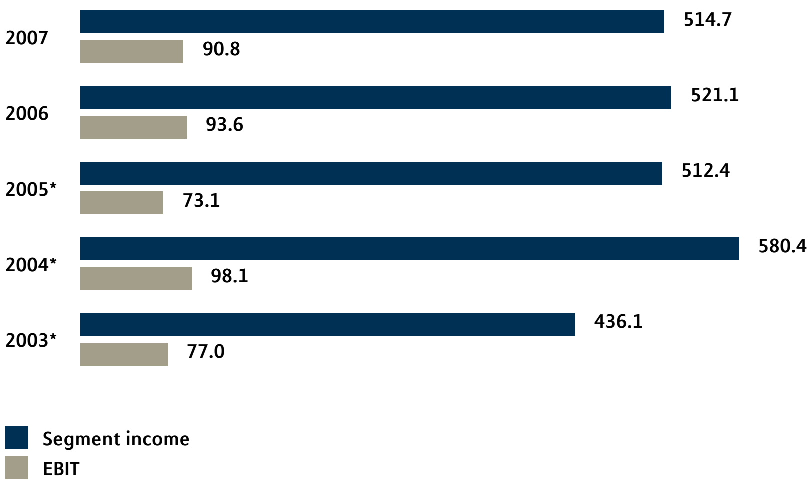
Consulting and sales segment

At € 496.3 million (€ 494.4 million), the income from the brokerage business in the consulting and sales segment in the last financial year stood slightly above the level of the previous year. The income from the brokerage of old-age provision products almost reached the same figure as in the previous year. This figure contained income from the "Riester step" of around € 25 million. Income from the brokerage of health insurance policies stood higher than the figure for the previous year. The income from the brokerage of non-life insurance policies and loans and mortgages displayed an equally positive trend. Income generated from financial investment fell, but here it should be noted that part of the income from this area accrued to the banking segment during the year under review.

Income from brokerage business slightly above previous year's level

Other income decreased mainly due to the personnel, data processing centre and IT services rendered for the non-group companies Heidelberger Lebensversicherung AG and Janitos Versicherung AG, clearly falling during the period under review from € 26.7 million to € 18.4 million.

Segment income and EBIT for consulting and sales (in € million)



* including the discontinued operations in Great Britain and Spain

The largely variable expenses for the brokerage business contribute significantly to the expenses in this segment. During the reporting period they amounted to € 217.0 million and consequently stood at around 3 % below the figure for the previous year. During the last financial year, personnel expenses rose by 8 % from € 63.8 million to € 68.7 million. In 2007, scheduled depreciation/amortisation and impairment expenses exceeded the prior-year figure of € 12.3 million only slightly and came to € 13.0 million. Operating expenses fell during the reporting period and came to a total of € 125.1 million (€ 127.2 million).

EBIT stands at € 90.8 million

This meant we achieved earnings before interest and tax (EBIT) of € 90.8 million (€ 93.6 million) in the consulting and sales segment. At € 1.2 million, the finance cost stood slightly above the figure for the previous year of € 0.7 million. This meant that segment earnings before tax (EBT) reached € 92.0 million (€ 94.3 million).

At € 6.9 billion (€ 7.1 billion) as at December 31, 2007, development of new business in the old-age provision segment stood almost at the same level as the previous year which had been decisively influenced by the increase in tax-privileged contributions to the Riester pension. As regards private health insurance, the brokered annual premiums in the last financial year fell, as expected, from € 71.4 million to € 50.1 million due to the effects of the health reform, which came into force on April 1, 2007. The volume of loans and mortgages stood at € 1,173 million (€ 1,217 million). Funds under management held jointly with Feri Finance AG rose compared to the previous year from € 10.8 billion to € 11.4 billion.

New business

	2007	2006	2005	2004	2003
Old-age provisions (premiums in € billion)	**6.9**	7.1	6.7	11.2	7.4
Health insurance (annual premiums in € million)	**50.1**	71.4	56.4	60.4	64.0
Loans and mortgages (volume in € million)	**1,173**	1,217	1,016	806	1,064
Funds under management in € billion	**11.4***	10.8*	8.3*	2.6	3.5

* MLP and Feri

Banking segment

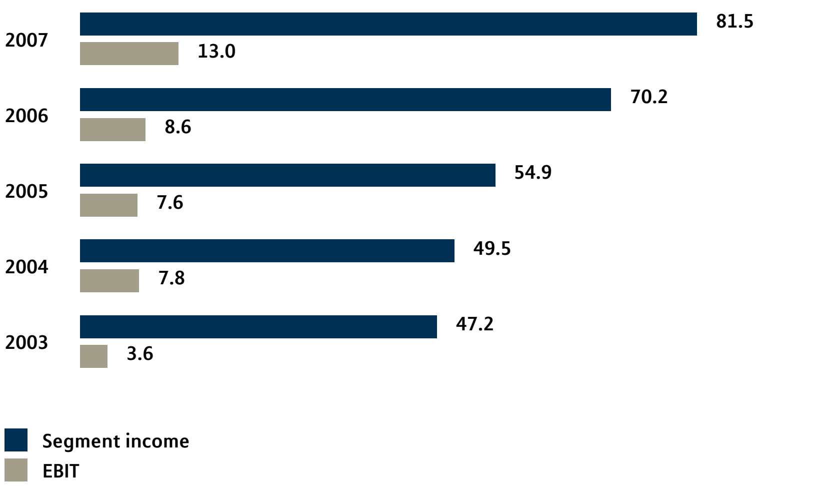
In the past financial year the banking segment continued its positive trend. Segment income rose by 16 % to € 81.5 million compared to the previous year. The commission earnings for the reporting period rose by 6 % to € 26.1 million compared to the previous year due to growth in the deposit business and in portfolio management. The increase in net interest to € 15.0 million (€ 11.6 million) can be traced back to both the higher balance sheet total and the increased interest level.

Degressive cost trends

Total expenses in this segment showed a degressive trend compared to segment income, and came to an amount of € 68.6 million (€ 61.6 million). While the expenses for the banking business and personnel expenses increased almost in the same ratio as the segment income, operating expenses remained almost at the same level as the previous year.

Earnings before interest and tax (EBIT) totalling to € 13.0 million (€ 8.6 million) was achieved by the segment. With a virtually unchanged finance cost figure of € –0.1 million, earnings before tax (EBT) came to € 12.9 million (€ 8.5 million).

Segment income and EBIT for the banking segment (in € million)



Wealth management segment

Wealth management segment reflects the growth of Feri Finance AG

MLP acquired the majority holding in Feri Finance AG in October 2006. Since the fourth quarter of 2006, the business development of this group of companies has been represented in the wealth management segment. The comparative figures for the previous year relate to the fourth quarter of 2006 only and are consequently only comparable to a limited extent.

We generated income from wealth management of € 39.4 million (€ 9.3 million) in this segment during the last financial year. In addition to this we also attained other income of € 11.2 million (€ 1.5 million). This amount includes the proceeds from the sale of the database business of Feri Fund Market Information Ltd. in the past financial year.

Earnings before interest and tax (EBIT) came to € 11.3 million (€ 2.1 million) during the reporting period.

Internal services and administration segment

Segment result clearly improved

This segment comprises the essential internal and external services and activities of the MLP Group. During the past financial year, other income of € 26.0 million (+19 %) was attained. This contains a subsequent profit component from the sale of the former subsidiary MLP Lebensversicherung AG of € 11.3 million (€ 8.6 million).

As a result of this, with virtually unchanged total expenses, the segment profit from operations (EBIT) improved from € –9.3 million to € –5.1 million.

The finance cost has clearly declined from € 6.9 million to € 2.1 million. This development can be essentially traced back to the increase in other interest and similar expenses, which includes interest costs in connection with the acquisition of the Feri Group. The earnings before tax (EBT) has consequently changed from € –2.3 Million to € –3.0 million.

CLIENT SUPPORT

Independent financial planning

Support for the target group of academics and other discerning clients is provided by MLP consultants in the context of a holistic, independent consulting philosophy. On the basis of long-term financial planning, that is discerning in terms of quality, our consultants are able to provide each of our clients with optimal solutions in the fields of old-age provision, insurance cover, wealth management and financing. Products are selected with consistent independence. Each of the products we choose for our clients is the best that is available on the market in that particular class of product.

The concept of independence is a very attractive one. At the end of the year under review 721,000 clients were receiving support from 2,613 consultants and 262 branch offices. Despite the intensive competition surrounding the client group of academics and other discerning clients in Germany, MLP was once again able to increase the number of its clients, i.e. by 5 %.

Number of MLP consultants

Training

Corporate university ensures the quality of the training provided

The innovation cycles experienced in the financial services sector are becoming shorter not least because of the regulatory environment. Commensurately, the demands being placed on the qualification level of financial advisers are constantly increasing. In MLP's corporate culture, particular importance has always been placed on both initial training and in-service training – and it is of strategic significance today. MLP's own corporate university is the guarantor of the quality of the training, provides ongoing further training for consultants and, since 2007, has also devised the development programme for personnel and management staff within the company.

Corporate university accredited

The institute draws up training standards that exceed current regulatory requirements by far. This has helped to position the corporate university uniquely amongst personnel development programmes organised by companies themselves. In 2007 the MLP Corporate University was awarded the seal of approval from the European Foundation for Management Development (EFMD). The institute is therefore one of the very few internal company training establishments in Germany that have been accredited. CLIP (Corporate Learning Improvement Process) accreditation confirms the way in which training provision retains its value and ensures ongoing acceptance in the international arena.

Tests go hand in hand with training

MLP's training concept is based on the systematic dovetailing of theory and practice and the principle of lifelong learning. Students take the new professional examination that was introduced in 2007 by § 34d of the Trade, Commerce and Industry Regulation Act as soon as they have completed a three-month basic training course. This is followed after six months by the final examination enabling successful participants to receive the title of "MLP Financial Consultant"; after two years they can become Senior Financial Consultants. The title of "Senior Financial Consultant" is held by consultants who have completed further target-group specific seminars and training courses.

Over the last year around 600 consultants completed their training at the MLP Corporate University in Wiesloch. More than 3,000 lectures, seminars and workshops were provided by over 500 lecturers and trainers during that period of time. 14 consultants completed their Master of Business Administration (MBA). The MLP Corporate University offers this further training in cooperation with the following partner universities: HEC, Paris and IMEA (International Management Courses for Insurance Top Executives), St. Gallen.

IT support

IT guarantees compliance with legal standards

For our IT department, 2007 was marked by many challenges. In this regard the various new regulatory prescriptions must be highlighted, such as the Insurance Mediation Directive, the Markets in Financial Instruments Directive Implementation Act (FRUG) and the German Insurance Contract Law (VVG), which came into effect on January 1, 2008. Documentation and transparency requirements aimed at improving consumer protection, as well as new tariffs and the volume of data, which has increased markedly, render considerable adjustments necessary.

The gradual diminution of vertical integration in the financial services sector is making it possible for certain software products and services to be increasingly linked into in-house application landscapes. For example, the task of migrating the broker platform programme to standard CRM tools is nearly complete. This initiative will contribute to far greater professionalisation of the activity management process used by MLP consultants.

The many projects we are engaged in have one objective: We aim to improve client relationship management. We achieve this by generating causes for client appointments and vastly improving data quality, and by new product selection tools and creating the documentation relating to consulting meetings entirely in electronic form. Thanks to technical support it is now possible for clients' requirements to be ascertained with greater precision.

Improvement in client relationship management

Clients and their consultants derive direct benefits from the IT investments in the branch offices. The information base in the branch offices has never been better than it is today. For example, in our contract inventories we are able to update 20,000 pieces of product information on an ongoing basis.

MLP's new, up-to-the-minute data world, which is virtually standardised across the Group, with its user-friendly system structure and rapid data access, enhances the effectiveness of the sales department and, at the same time, meets all the relevant legal and financial requirements.

Sales controlling

Optimisation of sales controlling

Sales controlling acts as a link between the Executive Board Member for Sales and the consultants, and is intended to ensure that the sales strategy and sales plan are implemented. The object is to further increase our sales performance by conducting our client relationships with greater consistency. In addition, all the structures, information channels and processes within the company are being aligned more closely than hitherto to the requirements of sales. In 2007 the management of conferences, information and knowledge management, campaign coordination and sales monitoring became the direct responsibility of the Executive Board member for Sales. Because processes and communications are becoming ever more coordinated, in future, the sales department will be able to concentrate more on implementing the sales plan and thus on client acquisition and support.

MLP marketing stands for brand building and sales support

Over the past year MLP marketing has also been geared towards sales support and brand reinforcement. Various campaigns have raised awareness of the company's competency in provision and financial investments and marketing has contributed to the acquisition of new staff and consultants.

MLP's TV presence

In order to consolidate MLP's reputation as a competent partner in wealth management and old-age provision, various subjects have been tackled via the media in cooperation with the broadcaster, N24. Printed adverts and an online campaign completed the initiatives undertaken.

With the sales support campaigns of 2007, MLP was able to increase its presence significantly in the media that have contact with the target groups and enjoy a wide reach. An integrated approach was adopted when these initiatives were devised. As far as content was concerned, most of these initiatives were developed and realised within the company. The company also showed itself to be especially creative in personnel marketing, launching a unique and highly esteemed Internet campaign to acquire new consultants, the "500jobs@mlp" campaign.

Sponsoring increased

In sponsoring, a new partnership was established with the trade magazine, "Golf Journal". MLP will now be the main sponsor of the Bang & Olufsen Golf Journal Trophy, for which the tournaments are held at more than 60 venues and which is well received in the media. Of course, we also supported the well-known MLP Mannheim Rhein-Neckar Marathon and the German University Championships.

Fundamentally, the aim of all marketing measures is to combine brand enhancement and sales support coherently.

We also continued to run the popular "MLP Forum" series of lectures, involving well known experts from the world of commerce and academia, over the last year. At various branch office venues, more than 5,000 clients and potential prospects had the opportunity to meet and have a discussion with renowned speakers such as Prof. Matthias Horx and Prof. Dr Bert Rürup.

Partner management

Independent selection of partners

In addition, our company's partner management, which is geared towards a continuous increase in quality, has a very great impact on the quality of the support that clients receive. As a financial broker who acts entirely independently, we see ourselves as an intermediary between our clients and the product providers. Therefore, when we are choosing companies that could potentially become our partners, we are already making decisions with quality at the forefront of our thinking. For contractual relationships that will last for several decades – such as those established in connection with old-age provision – in addition to certain other important factors, the financial stability of partner companies is a decisive consideration for us. This is why MLP applies an objective rating process to every potential new partner company, involving benchmark analyses and possibly even in-depth and strategy analyses by independent experts. Only companies that have passed through this stringent selection process with positive results will be accepted as partners. For example, we have 37 product partners in the old-age provision segment at present.

MLP makes a contribution to product development

If a particular company is accepted as a partner, its product and service quality will continue to be monitored throughout the business relationship. With the best-performing providers we develop new financial products, tailored to the preferences of our clients. Our thorough knowledge of the preferences and requirements of academics and other discerning clients forms a beneficial basis for our partners' product development process. This kind of collaboration facilitates the creation of financial solutions at the highest level of quality.

HUMAN RESOURCES AND SOCIAL AFFAIRS

The strategic development of the MLP Group, in particular the expansion of the new core competence of wealth management once again resulted in numerous new career opportunities and challenges for MLP employees in 2007. The average number of employees in the period under review was 1,902 – an increase of 235 over the previous year. The number of staff at head office remained generally stable. The growth in numbers is due largely to the consolidation of Feri Finance AG. The majority of employees (1,813) work in Germany.

Acquisition leads to growth in number of employees

Average number of employees

	2007	2006	2005	2004	2003
CONTINUING OPERATIONS					
Consultancy and sales	1,491	1,422	1,307	1,231	1,244
Banking	125	132	126	138	152
Wealth management	246	40	–	–	–
Internal services and administration	9	10	14	39	36
	1,871	1,604	1,447	1,408	1,432
of which in Germany	1,813	1,552	1,423	1,345	1,319
DISCONTINUED OPERATIONS					
MLP Private Finance plc., Great Britain	22	37	20	27	25
MLP Private Finance S.A., Spain	9	16	37	3	3
MLP Private Finance AG, Switzerland	–	10	13	40	45
	31	63	70	70	73
TOTAL	1,902	1,667	1,517	1,478	1,505

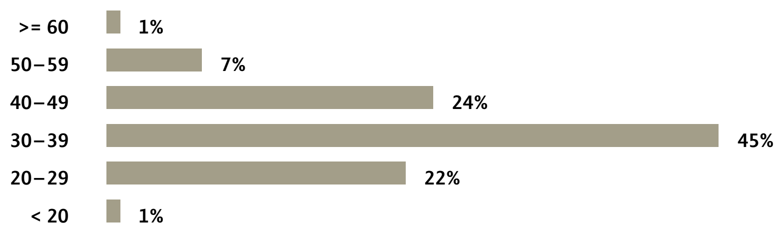
Staff satisfaction with MLP as an employer is generally high. For years staff turnover in the company has been low for the industry. Last year, this high level of satisfaction was also reflected in the media, with the “Top Employer 2007” award from market research company CRI and the careers journal “Karriere”.

Consultant turnover rate around 11 %

Among the employees, staff turnover is largely a result of people taking parental leave because of the relatively young age of the workforce. Staff turnover among consultants in the core German market was around 11 % in 2007.

The average age of MLP employees is 36. The age structure shows that the majority of employees are aged between 30 and 40.

Age structure of MLP staff 2007



Around 400 new client consultants began careers with MLP in 2007. The age on entry varies depending on their prospective role. Those intending to work as graduate consultants have a starting age of between 25 and 30. Consultants who are expected to advise existing clients are usually older. MLP makes a point of selecting new consultants with a recognisable potential for success. This objective is backed up by a sophisticated selection process.

New remuneration systems

A new, very attractive remuneration system was introduced for new consultants last year. In the first four months after joining the company, the trainee consultants receive a monthly training allowance of € 2,000. This sum is intended to provide basic financial security for the young consultants and to make it easier for them to go freelance. In the first few months of their training the new consultants spend most of their time at the corporate university and are not yet in a position to conclude any business transactions of their own. From the fifth month of training, the new consultants receive a fixed commission of € 1,000 per month for a period of eight months. Experience has shown that the consultants start making commission earnings during this stage of their training, for which they receive advance payments.

As well as introducing a new remuneration system for new consultants, the Group also fundamentally revised its client support remuneration system in 2007 and successfully put the new system into practice at the start of 2008. The enhanced remuneration system follows the aim of continuing to promote customer orientation within the branch offices, and extends support for the requirements of an all-round, independent consultancy philosophy to the area of pay.

Employer-financed MLP pension introduced

In the 2007 pay negotiation round, an MLP pension was introduced within the company. The entirely employer-financed pension is to be systematically expanded over the coming years and should help increase the attractiveness of MLP as an employer still further. The branch office managers also receive a pension commitment through the company – a unique model within the industry.

Family and career

The average age of MLP employees (36) meant that in 2007 the issue of combining family and career was once again a high priority in the work of the human resources department. Following an employee questionnaire in 2005, which clearly showed the areas which pose the greatest problems for combining family and career, i.e. childcare for children under three and childcare for schoolchildren after school and in the school holidays, relevant support services have been developed and put into practice:

- Since June 2007, employees have been receiving the support of a well-known family service firm, if they require specialist advice and practical assistance with childcare. The service ranges from finding childcare places to emergency childcare and consultancy services for mothers planning on returning to work.
- In the summer of 2007, MLP paid for 40 children of employees to stay for a week at a summer holiday camp run by the “Sprungbrett” project, a popular holiday camp in the Heidelberg area.
- In 2007 MLP was also involved at municipal level in working towards expanding the number of day nursery places in the area of Baden-Württemberg where the company has its head office. The HR department is in talks with the towns of Wiesloch and Walldorf and is confident of being able to achieve tangible results in the near future.

Another important topic in 2007 was the transition to more flexible working hours and working conditions. Numerous working time agreements tailored to the individual requirements of staff were concluded and the opportunities for home office working, teleworking and job-sharing were developed further. As a young company, MLP supports a transition to flexible working hours in head office and in its branch offices.

Great importance placed on training and personnel development

In 2007, more than 60 young people started their vocational training at the MLP headquarters or in one of our branch offices. All in all, an average of 110 trainees worked for MLP in 2007. One of the trainees from the MLP branch office in Bayreuth achieved the best result in his year-group in the final examination. The IHK (Chamber of Commerce and Industry) named him "Best Insurance Management Assistant of 2007". As a premium provider of financial services, we rely on training standards that are way above the level required by law.

For MLP, personnel development is a strategic success factor and it is a major characteristic of the culture of the company. An appreciable expansion occurred in this regard in 2007 and, in organisational terms, all personnel and managers' development activities were brought together at the MLP Corporate University. It has been proven by various publications, such as the Global Private Banking Survey 2007, a study conducted by the PricewaterhouseCoopers AG management consultancy company, that talent management will be the one crucial factor in the success of financial services companies in the future. Only excellently trained financial consultants can gain a full understanding of their clients' increasing requirements, meet such requirements appropriately and, with their offering prevail over the competition in winning over discerning clients. Therefore, focussed personnel and management development activities must form an essential component of the business model of a premium financial services provider like MLP.

Personnel marketing intensified

MLP's healthy business performance is closely linked with its continued success in winning committed consultants. Potential new consultants are approached directly by the branch offices and also through personnel marketing activities conducted by headquarters. Over the last year initiatives like the 500jobs@mlp campaign, the "Frankfurter Bänkertag" (Frankfurt bankers' day) and the company's presence at graduate fairs such as "Talents 2007" in Munich and the Cologne Graduate Fair have helped consolidate the company's position as an excellent, modern employer and enabled it to seek out new talent.

Thanks to our employees and consultants

The employees and consultants are the heart and the driving force of MLP. Our company owes its success to the commitment they demonstrate in their daily contact with clients and in their dealings with internal clients within it. The Executive Board therefore places great importance on expressing its thanks to all the employees and consultants for their work and the loyalty and reliability shown once again in 2007. At the same time, the Executive Board asks that all staff continue to channel all their efforts, creativity and team spirit into developing our company still further in the year to come, and into making the most of the opportunities tomorrow brings.

RISK REPORT

Group-wide risk management

Entrepreneurial activity invariably involves taking risks. For MLP, "risk" means the danger of possible losses or lost profits. This danger can be attributable to internal or external factors. Since it will not be possible to eliminate all risks, the objective must be a risk that is commensurate with the expected return. The aim is to identify risks as early as possible in order to react to them quickly and appropriately. MLP's Group-wide early risk detection and monitoring system is used for the qualified and prompt identification of all major risks, which it then quantifies, aggregates and assesses to form the basis for Group-wide proactive risk management and controlling. This system ensures appropriate identification, assessment, controlling, monitoring and communication of the major risks. Risk management is embedded in the Group's value-oriented management and planning system. Moreover, the Group's risk culture, which is reflected in the corporate mission statement, must be continuously consolidated and efforts made to communicate information relevant to risk across the business segments.

Principles of risk management and controlling

Our risk management and risk controlling system, as an integral part of the internal monitoring system, follows clearly defined principles the implementation of which is mandatory throughout the entire Group. We continuously check that these principles are observed. On this basis we can take appropriate measures with a view to detecting undesirable developments early on and promptly introducing the right countermeasures.

The ability to bear risks as a strategic controlling parameter

The Group risk coverage fund is a strategic controlling parameter for the risks taken in the Group and a measure of its ability to bear risks, and from it are derived limits for each type of risk. The risk capital requirement is determined by appropriate methods for the major types of risk. Continuously comparing the allocated risk limit and the risk as it is assessed ensures that the Group's risk-bearing ability is consistently monitored in relation to individual risks and the aggregation of risks.

Readiness to take risks

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

Observance of supervisory requirements

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

An early start has been made with the implementation of the minimum requirements for risk management ("MaRisk") that were published in 2005 and updated on October 31, 2007. This has ensured that the supervisory requirements for risk management are continuously adjusted. In particular, in view of the merging of MLP Finanzdienstleistungen Aktiengesellschaft into MLP Bank AG the implemented risk management processes are currently being revised.

Group-wide risk organisation structures

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

The organisation of our risk management, the methods used and the risk processes that are implemented are documented in a comprehensive manual and are available to staff in electronic form.

In coordination with the Group Risk Managers and the Group Risk Committee, the Group Risk Officer is responsible for further development of methods, models and processes and their implementation in the Group companies. Tried and tested qualitative and quantitative methods are used to evaluate and analyse risks.

The suitability of the organisational structures and the methods and processes is checked at regular intervals and adapted to internal and external developments.

Observance of functional separation

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

Prompt and consistent monitoring of risks

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

The processes that are laid down in writing guarantee that the same risks are treated consistently at all times.

Reporting of risks

A substantial risk reporting scheme within the Group forms the basis of appropriate controlling. To this end, we have instituted a comprehensive internal reporting system, which ensures that the decision-makers are promptly informed of the current risk situation. Risk reports are generated at defined intervals or, if necessary, on an ad-hoc basis.

Multi-level risk management/constituents

Early risk detection system

A central component of our early risk detection system is the Group-wide risk inventory, which is carried out at regular intervals, and with which the risks present in the Group are established according to risk class for each company. Risks are assessed using risk-related key figures which are then benchmarked against segment- and function-related thresholds. The assessed risks of the subsidiaries are aggregated into risk key figures at Group level.

Group risk coverage fund

In our risk management process, the risk coverage fund is continuously compared with the risk potential associated with our business activities. Stress scenarios also form a constituent of our analyses. Risks that could either individually or cumulatively cause the loss of half the equity of the Group and the Group companies in question, or which could considerably impede short-term solvency, are classified as posing a significant danger to business operations.

Planning, simulation and controlling tools

Planning, simulation and controlling tools show possible positive and negative developments on the most important value and controlling parameters of the business model and their effect on the net assets, financial position and results of operations.

Furthermore, our planning, simulation and controlling tools ensure that the company's development is continually monitored based on actual values and with regard to defined target values which are summarised in a periodic report.

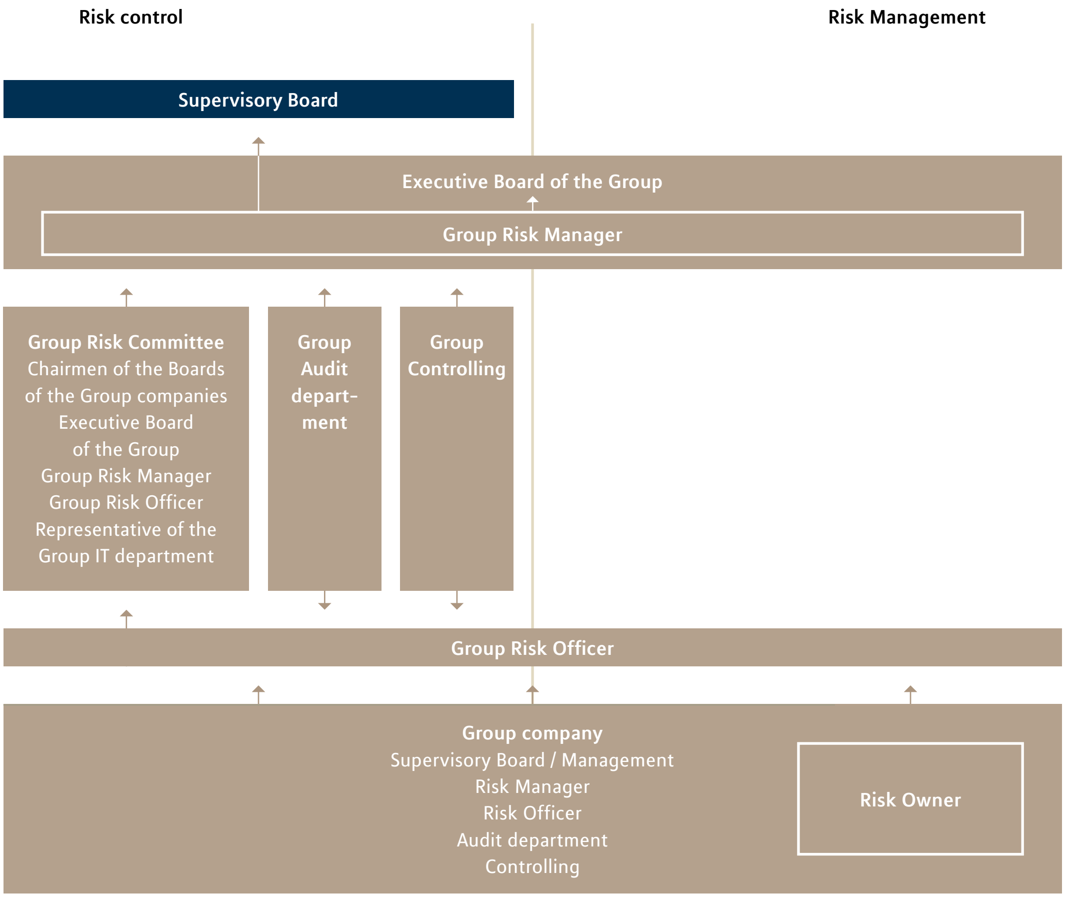
Business Continuity Management (BCM)

Our BCM identifies possible critical business processes which could have a major effect on the business of the Group in the event of malfunction or failure. Suitable measures are defined for this in order to safeguard regular business operations within set standards. This also includes a written emergency plan which reduces losses to a minimum in the event of severe disruptions to operations and safeguards the ongoing business. The critical processes and the effectiveness of the defined measures are subject to constant monitoring and development. An up-to-date BCM manual is available for the business segments and employees.

Multi-level risk management/organisation

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

Risk reporting



Head of Finance acts as Group Risk Manager

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

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

The function of Risk Manager in the Group companies is assumed by the Chairman of the Executive Board/Head of Finance or Chief Executive Officer of the respective Group company. He is responsible for risk controlling activities at company level and regularly reports to the other members of his management as well as the respective Supervisory Boards. In addition, he reports directly to the Group Risk Manager and Group Risk Officer.

The Risk Officers of the Group companies are responsible for the uniform implementation of the risk policies. Moreover, they keep the Risk Manager constantly informed of the current risk situation of the company.

At the level of the Group companies, a risk owner is appointed for each risk that is identified. This person monitors and assesses the risks and initiates possible measures for minimising the risk value in coordination with the Risk Officer.

Group controlling monitors results risks

Group controlling is divided into an operational and a strategic controlling department. Operational Group controlling is responsible for continuously monitoring the short term profit risks. This involves comparing key profit figures with the corresponding planned figures and deriving controlling measure proposals for the Group Executive Board.

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

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

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

Internal audit department performs process and system checks

The internal auditing department operates on behalf of the Group Executive Board in an independent capacity. The internal auditing department is also independent in its reporting and valuation of audit results.

Under the audit programmes, the internal audit department regularly performs process and systems checks in all domestic and foreign segments of the Group and monitors the implementation of the audit outcomes. This also includes a security check of the IT systems.

It monitors the observance of legal requirements and evaluates risk management and the controlling, management and monitoring systems, thereby helping to improve them consistently.

Statement of risks/strategic risks

Overall economic risk

Changes in economic and political factors can affect the business model and the development of MLP. We therefore constantly monitor national and international developments in the political, economic and regulatory arenas as well as business developments and requirements on the financial services market.

Against the backcloth of its strategic alignment, the development of MLP's business is influenced primarily by the economic situation in Germany. The resulting risk is considered to be relatively small since, according to experts, the growth of the domestic economy is set to slow down, but also to continue overall. In addition, a further drop in the unemployment rate is anticipated, which should have a positive effect on our Group's well qualified clientele. Quite aside from economic developments, private and occupational provision will continue to gain significance.

Business environment and sector-related risks

The market for financial services providers is undergoing deep-seated changes at the present time. In particular, the EU Insurance Mediation Directive, the "Markets in Financial Instruments Directive" (MiFID) and the reform of the German Insurance Contract Law (VVG) are of crucial importance in this regard.

The transposition of the EU Insurance Mediation Directive into national law has placed strict demands on the training level to be attained by advisers, the quality of consulting and consulting documentation.

The "Markets in Financial Instruments Directive" (MiFID) that was transposed by the German legislator on November 1, 2007 is also increasing transparency in investments in financial products, and has established European standards for the quality of consulting.

The reform of the German Insurance Contract Law (VVG) has given rise to another set of important regulations. Essentially, the duty to keep clients informed has been extended, transparency concerning costs in life and health insurance has been increased and acquisitions costs are now distributed over five years. The new regulations will come into force on January 1, 2008.

Together with the Insurance Mediation Directive which was transposed in May 2007 and the MiFID which was transposed in November 2007, the German Insurance Contract Law reform will cause very great changes in the market over the next few years. We expect this to lead to a consolidation and further strengthening of independent brokers in the highly fragmented market. Parts of today's market participants will not be able to keep up with the new requirements for transparency and qualification in the long term.

In the light of the requirements for transparency in consulting that are becoming more onerous overall, in future, it will be even more crucial than ever before to give our clients high-class and continuous advice and convince them of the quality and scope of the services provided. On account of the extensive documentation regulations, an increase in administrative cost can be expected. Thus, only companies with sufficient financial power, an adequate infrastructure and high-performance IT systems will be able to meet the relevant requirements.

In this connection, financial services providers feel they are facing some very serious challenges. However, we do not anticipate any appreciable increase in risk since we have made intensive preparations with a view to the implementation of the new regulations. Rather, MLP will have the opportunity to set itself further apart from competition as high-quality consulting will become ever more important.

In addition, what is of critical significance for MLP is risks associated with developments in the markets for old-age provision, health provision, financial investments and loans and mortgages. Here, the legal framework conditions play an important role in old-age and health provision.

In the area of private old-age provision, we are also expecting continuing growth in demand in the medium term. In the light of the present environment, following the passing of the Retirement Income Law in 2005, we do not anticipate that any far-reaching structural reforms will take place in old-age provision in the medium term.

In the year under review, the health reform triggered uncertainty in the area of private health insurance. It remains to be seen to what extent the structural framework conditions of health provision will be altered still further. Overall, however, in the medium term we do not envisage any long-term negative effects on the development of MLP due to the growing demand for individual consulting and the need for personal provision, especially in the light of the current demographic trend.

Corporate strategy risk

Corporate strategy risks largely consist in the erroneous assessment of market trends and, in consequence, the erroneous alignment of business activities. Strategic risks also emanate from unexpected changes in market and environmental conditions with negative effects on the results of operations.

With the concentration on broker business and, in particular, on the core competencies of old-age provision, health insurance and wealth management for academics and other discerning clients, MLP is well positioned on the market. The Group must now continue to expand wealth management successfully and to establish it through its marketing endeavours.

Corporate strategy control is primarily the responsibility of the MLP Executive Board. On the basis of continual observation of the competitive climate, changes and developments on the national and international markets and the business environment are analysed and decisions are derived with a view to ensuring the Group's corporate success in the long term.

Target values are laid down based on a projected assessment of success factors. The achievement of these values is constantly monitored. In this way the Group's strategic positioning regularly undergoes critical scrutiny through comparison of target and actual values.

Performance-related risks

Productivity

The productivity of the MLP consultant in particular is a central value driver of MLP's business model, and we determine that productivity using various indicators, such as the income per consultant. Therefore, the effects of positive or negative trends in new business and the productivity of MLP consultants with existing clients on the company's success are constantly analysed and evaluated, and form the basis of sales measures which may need to be introduced. The volume of new business generated with existing and new clients and the development of the contract inventories in the different segments are the object of periodic reporting and form the basis for a timely and precise evaluation of the business development by the management.

We measure the success of our consultants in the respective segments based on benchmarks which are linked to the duration of their service with the company or their expertise.

These benchmarks reflect client requirements on the basis of defined MLP quality standards in the different segments and express MLP's comprehensive and sustainable consulting concept. Due to the generally positive industry climate and the existing potentials in the MLP client base, we are not expecting any negative effects on our business development.

MLP consultants

Linking a sufficient number of competent consultants to the company over the long term and ensuring lower consultant turnover are important prerequisites for the future growth of MLP. The development of the consultant base in terms of age structure, the number of applications, employment contracts signed and terminations issued are the object of periodic reporting and form the basis for a central and precise evaluation of the business development by the management.

In spite of the increased number of consultants in Germany and a further declining fluctuation rate of 11 % in the core market of Germany, we were not satisfied with the way things developed in the financial year 2007. We aim to continuously expand our consultant base by means of attractive job entry models and career models for graduates and professionals, and by using our remuneration model.

We subject the entry of new competitors into the market and possible fluctuation trends in this connection to intensive observation and analysis. This forms the basis for appropriate measures which may need to be introduced promptly. In the period under review, we did not observe any increased fluctuations.

The effects of positive or negative developments on the company's success are constantly analysed and evaluated and form the basis for controlling measures which may need to be introduced.

We do not anticipate any negative effects on the net assets, financial position and results of operations from the development of the consultant base.

Clients

Gaining new clients and ensuring long-term client loyalty are central values of the MLP business model. The development of the client base, split into existing and new clients, its age structure and analyses of potentials at consultant and branch office level are the object of periodic reporting. The effects of possible positive or negative trends in client development on the company's overall success are constantly analysed and evaluated.

The strong market position at universities and the many years of close business relations with our clients ensure that MLP's client base undergoes continuous expansion.

Margin risk

Commission forms the core component of the Group's total income and cash flow. Using our planning and simulation tools, we analyse the effects of potential changes to commission models, possible regulatory intervention in the cost calculation of the products brokered by MLP or the tax treatment of our sales concept.

In the financial year we did not observe any negative developments with regard to our margin risks. In connection with the reform of the German Insurance Contract Law, it is possible that the selling of insurances will come under increased margin pressure. We shall be observing this development intensively.

Consulting and liability risk

A possible error in client consulting, investment and acquisition brokerage or finance portfolio management and associated claims for damages can present a consulting and liability risk. We minimise potential consulting risks by ensuring consistently high quality consulting which we guarantee, for example, through IT-supported consulting tools and a high level of training. This year the company's own corporate university, in which each of our consultants initially undergoes an in-service training programme enabling them to become a Senior Financial Consultant, went through the European Foundation for Management Development certification process and received the seal of approval for excellent corporate training.

We continue to reduce our liability risk through adequate pecuniary damage liability insurance policies whose level of cover is continuously monitored and adjusted to altered framework conditions. Our consultants are protected by appropriate professional indemnity insurance policies. In 2007, the number and level of settled claims cases dropped.

Financial risks

Default risk

The credit risk is the risk of a loss or lost profit because of the defaulting of or deterioration in creditworthiness of a business partner. The credit risk includes the contracting party risk (risk arising from classic credit business, re-covering risk and advance performance and counterparty settlement risk), as well as the risks related to specific countries which, however, are only of secondary importance to MLP.

In the main, the MLP Group's credit risks arise from the advances granted to consultants and office managers and from classic client credit business. We monitor and control possible default risks from advances to consultants and office managers using balance controlling. A layered warning system makes errors in the reimbursements transparent early on and ensures active receivables management.

Loans to clients are granted on the basis of standardised principles under application of the usual credit assessment standards for the market based on a scoring approach. As is required for the "MaRisk", the responsibilities in the credit process from application through authorisation to completion, including regular credit monitoring with regular creditworthiness analyses, have been defined and documented in the organisation manual.

Decision-making powers are also defined in the light of the risk content of the credit business concerned.

As a whole, the potential credit loss risks are continuously determined and evaluated by simulating the allowances for bad debt as a percentage of the credit volume that carries risks.

In addition to the above-described risks, there is an issuer's risk from the securities acquired by MLP. The strict creditworthiness requirements of our capital investment directive help us reduce the risk of default by issuers whose securities we have acquired within the scope of capital investment management.

In our view, the default risks at MLP are being allowed for appropriately. For accounts that are regarded as carrying risk, we build up appropriate allowances for bad debt. Loans that are recognised as being problematic are transferred to certain specialist departments at MLP and managed by experts.

Market risk

Market risk is the danger of a loss that can arise as a result of detrimental fluctuations in the market price or parameters that affect price. The market price risk includes the interest risk, currency risk, share price risk and raw materials risk.

Possible effects of different interest development scenarios are portrayed via planning and simulation calculations. The basis of this is our interest management tool, which makes risks and their effects transparent in multi-layered interest scenarios.

The Group faces a further interest risk from the incongruities of interest rate agreements between loans granted by MLP and the products which refinance these loans. Maturity transformation risks, arising from the incongruity of interest rate agreements for granted loans and the refinancing of these credits, are continuously monitored and evaluated in compliance with supervisory requirements (stress scenarios). In order to reduce the cash flow affecting interest risk, we use derivative financial instruments (interest rate swaps).

In this context, cash value changes in the asset ledger are portrayed in relation to the shareholders' equity, with the application of the changes in interest rates prescribed by the supervisory authority for banking. The simulation is performed by automated means for all the interest-bearing and interest-sensitive items. It is in this manner that the controlling of the interest risk is ensured.

Shares, bonds, promissory note bonds and funds held can be subject to a market risk due to fluctuations in the market price or changes in creditworthiness. Through constant monitoring and evaluation of our portfolio, possible effects on results caused by strong price fluctuations can be addressed early on.

No currency or raw materials risks exist or, if they do, they are of secondary importance.

The speculative use of financial instruments with a view to making profits in the short term was not conducted in the year under review, nor is it envisaged for the future.

Liquidity risk

Liquidity risk is the danger that there are inadequate financial resources to meet payment obligations.

Within the MLP Group, the liquidity control is performed by means of daily scheduling based on defined planning horizons, taking into account possible cash flow scenarios, updated new business planning, investment planning and other capital transactions. The controlling of financial instruments of the cash reserve in our inventory is based on the present value of our cash and cash equivalents and their potential development in various interest scenarios.

Ensuring solvency at all times is the core function of our Group treasury. MLP funds its business operations from current cash flow. The fundamental principles of liquidity control and planning are defined in the internal capital investment directives. The assessments of creditworthiness based on internal ratings by various renowned commercial banks confirm MLP's high credit standing (investment grade). Appropriate short- and medium-term credit lines have been agreed with a number of financial institutions to safeguard against a possible short-term liquidity shortfall.

Operational risks

Operational risk is taken to be the danger of a loss that is caused by human error or technical malfunction or weaknesses in process or project management, or by external events. In the same way as the Basle Committee's definition, this also covers legal risks, whereas strategic risks and reputation risks are not included.

Operational risk

The Group's management and administrative activities mean that it requires internal and external staff as well as suitable premises and technical facilities. Comprehensive insurance cover, which is subject to continuous checks, protects us against claims and possible liability risk. No identifiable urgent risks arose in the financial year, nor do we expect any negative developments in the coming financial year.

Personnel risk

MLP is heavily dependent on qualified employees and managers in the back office areas. With comprehensive personnel planning and targeted personnel marketing measures, we reduce the risk of staff shortages. Employees working with confidential information undertake to observe the respective regulations and handle the information responsibly. A clear separation of management and control functions restricts the risk of breaching internal and external regulations. Defined agency and successor regulations secure our business and decision-making processes. Attractive career development options, a broad range of further training options and comprehensive fringe benefits combine to generate a high level of motivation and keep our employees loyal, thereby safeguarding our corporate knowledge.

IT risk

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

Other risks

Legal risk

Our legal department controls legal risks. In addition to consulting on corporate decisions and designing business processes, its tasks include following and assessing current legal disputes. Possible legal risks are detected at an early stage and possible solutions for minimising, limiting or preventing such risks are shown. The legal department coordinates the commissioning and integration of external lawyers. Within the scope of risk mitigation, the legal department checks and monitors the existing insurance coverage and initiates any adjustments which may be necessary.

According to our audit, the pending or threatening legal proceedings against MLP do not represent risks which could endanger the company's continued existence. The Group Executive Board is convinced that there will not be a successful outcome to the legal claims that have been filed, which are essentially identical, originate in a single firm of lawyers and date from August 2007. They have been filed for a total of 29 clients, for damages for the issuing of allegedly erroneous capital market information between 2000 and 2002.

Supervisory risk/solvency

The MLP Group has a status as a finance holding group (§ 10a (3) of the German Banking Act (KWG)) and is therefore obliged to back its weighted risk assets with at least 8 % equity (equity ratio). The backing of risk assets with core capital generally requires a minimum ratio of 4 %. These requirements have not changed in the financial year 2007. The same applies for MLP's internal processes, objectives and measures for investment control.

MLP's risk assets are weighted using the values planned up to December 31, 2006 in line with Principle I of the Deutsche Bundesbank which covers equity of institutions. In this respect, MLP exercises the transitional provision of § 64h of the German Banking Act (KWG). Instead of the standardised approach for credit risk in line with the German Solvency Regulation (SolvV – the regulation governing the capital adequacy of institutions, groups of institutions and financial holding groups) of December 14, 2006, the requirements of Principle I covering the principles of equity of financial institutions were used in the version published on October 29, 1997, last amended in compliance with the announcement of July 20, 2000.

On the basis of the Basle II implementation strategy for the calculation of shareholders' equity requirements (Basle Pillar 1), as adopted by the Group Executive Board, in future MLP Finanzdienstleistungen AG will be implementing the credit risk standard approach (KSA) for the credit risk and the basis indicator approach (BIA) for the operational risk in accordance with the German Banking Act (KWG) and the Solvency Regulation.

The core capital is made up of the following equity items of the relevant groups of institutions in line with § 10 of the German Banking Act (KWG): share capital, capital reserves, statutory reserve, reserve for treasury stock. The following reduce core capital: intangible assets, treasury stock, investment carrying amounts in companies belonging to the relevant groups of institutions, goodwill.

As in the previous year, MLP has fulfilled all legal requirements relating to the minimum shareholders' equity backing during the financial year 2007. The relationship between the weighted risk assets and core capital is illustrated below.

All figures in €'000	2007	2006
Core capital	185,227	185,350
Tier 2 capital	250	–
Tier 3 capital	–	–
Equity	185,477	185,350
Weighted risk assets	704,688	682,663
Equity ratio (equity/risk assets) min. 8 %	26.32 %	27.15 %
Core capital ratio (core capital/risk assets) min. 4 %	26.28 %	27.15 %

MLP's tier 2 capital solely consists of the contingency reserves according to § 340f. of the German Commercial Code.

Compliance risk

Compliance risks include sanctions under the law and regulations, and financial losses caused by failure to comply with the legislation, regulations, directives or organisational standards and rules of conduct that relate to MLP's business activities.

It is largely a matter of preventing money laundering and protecting data and business secrets, as well as protecting investors and complying with the rules of the German Securities Trading Act.

The requirements in question are implemented by the relevant officers together with the specialist departments concerned. Here, the MiFID is setting new standards for securities trading and will be dealing with all stages in the securities trading wealth creation chain.

It is not only compliance with market standards that is implied, but also the optimum processing of client orders, the management of conflicts of interests and the top-quality, bespoke consulting that we provide for our clients. Compliance also monitors adherence to internal standards with a view to ensuring that there is no participation in transactions the object of which is to violate laws, regulations or directives. For this reason, our definition of "compliance" goes beyond the prescriptions of legislation and takes in questions of integrity and ethics.

Therefore, for MLP, it is especially important that staff demonstrate ethical conduct, because they deal with sensitive client data and information on a daily basis. Thus, for example, it is important to prevent conflicts of interest from arising, and market manipulation and insider trading from taking place. Protecting clients, the protection of investors' confidence and protecting staff, as well as the protection of MLP's reputation, are the main objectives of compliance. The monitoring of the prescriptions of supervisory and capital market law, as well as the internal regulations, is conducted by the specialist compliance and money laundering departments, with the support of a monitoring process for the supervision of employees' business.

Confidential or price-sensitive information is protected by MLP in a consistent manner, and conflicts of interests are kept to a minimum. Staff are made aware of compliance-relevant issues in the thoroughgoing training that they receive.

Taxation risk

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

Reputation risk

At the beginning of 2006, the public prosecutor's office in Heidelberg instituted preliminary proceedings against managers of MLP Finanzdienstleistungen Aktiengesellschaft amongst other things due to suspicion of unauthorised lending. We and our external legal advisers are convinced that the objections raised are unjustified and that the charges will be dropped in the foreseeable future.

Environmental risk

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

Other risk

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

Summary

MLP's business development is essentially influenced by performance, financial and operational risks. Using our systems and comprehensive reporting, we ensure the monitoring and control of risks concerning current and future development. The information provided guaranteed that risk management measures were introduced and prioritised promptly.

Change in supervisory requirements

The merging of MLP Finanzdienstleistungen Aktiengesellschaft into MLP Bank AG and the associated full banking licence for the company, as well as the shareholding in Feri Finance AG with permission for investment and acquisition brokerage and finance portfolio management, mean that the risk structure has changed with an expansion of the requirements of supervisory law at individual company level and at Group level. In addition, it has been necessary to implement the new supervisory regulations such as, for example, the solvency regulation.

No risks posing a significant danger to business operations

An overall inspection of the risks confirmed that the Group did not face any risks which could have jeopardised the continued existence of MLP in the financial year. At present MLP is not exposed to such risks and we do not expect any negative development in the future. Our Business Continuity Management also ensures regulated business operations in the event of any disruptions. Our risk monitoring and control system and the consistent alignment of our business model to the Group's risk-bearing ability enables us to ensure that the risks taken in our business activities are backed with adequate risk capital.

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

Further expansion of the risk management system

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

The above-mentioned risks, and such risks which are not yet known to us or are currently considered insignificant, could have a negative impact on our forecasts detailed in the outlook.

FORECAST

Strategic realignment largely completed

As an independent holistic financial services provider for academics and other discerning clients with its core competencies in the old-age and health provision and wealth management sectors, MLP has a unique profile within the German market. The realignment of the MLP Group, which was initiated with the sale of MLP Lebensversicherung AG and MLP Versicherung AG in 2005 and consistently pursued with the expansion of wealth management in the years 2006 and 2007, has largely been completed. No further significant changes to corporate policy are currently planned for the next two years.

Objective: profitable growth

Our objectives for the next two financial years are therefore also clear: In the medium to long term, we aim to achieve profitable growth and increased shares in a market which is changing rapidly, in particular as the result of regulatory requirements. The sale of our unprofitable business units in Great Britain and Spain in the past financial year means that, apart from our core market of Germany, our regional focus is on markets in Austria and The Netherlands. We intend to make consistent use of opportunities for growth arising for us in the old-age and health provision and wealth management sectors.

In so doing, particular emphasis will be given to wealth management and to achieving sales success in this field. With the aid of our subsidiary, Feri Finance AG, which was acquired in 2007, we have developed new wealth management concepts tailored to our target client group and prepared their implementation in sales.

Competitive advantages in wealth management

The competitive advantage of MLP and Feri is due to systematic use of the complementary strengths of both companies. Combining the expertise of the two companies has resulted in a range of services unique in Germany in terms of the quality of its modules, “best-of methodology”, and the width and depth of coverage of financial issues. Research-based integration of all asset categories means that the portfolio yield of MLP wealth management clients is optimised and appropriately stabilised on the basis of individually requested risk inclination. This new competency will be of interest to and be influential with a large number of people in 2008 before the new withholding tax on capital gains comes into force. At the present time, MLP is therefore well placed to appeal especially to existing customers with the new wealth management concepts and thus to generate additional income.

Process optimisation creates benefits

In the coming years, we will continue to push ahead with the optimisation of our internal and external processes. The Group's recent optimisation of its IT environment not only meets all new regulatory requirements, but also improves our procurement process, ensures the quality of the consultation procedure, increases the productivity of our consultants, as well as creating diverse additional benefits for our clients, which will have a positive impact on client retention. We intend to serve as the benchmark for our industry in this field.

Overall economic development in the future

Slowdown in economic growth expected in Germany

MLP generates more than 97 % of its sales in Germany. As a result, economic development on the domestic market has the greatest impact on the Group's business success. For 2008, economic research institutions predict a slight downturn in growth of 2 to 2.2 %. This trend is expected to continue in 2009 as well. For example, the Deutsches Institut für Wirtschaftsforschung (DIW, German Institute of Economic Research) anticipates growth of only 1.9 % for 2009. For Europe, the International Monetary Fund even predicts growth of less than 2 %.

Anticipated economic growth in Germany

Source: Expert Advisory Board, European Union
Forecast: Deutsches Institut für Wirtschaftsforschung (DIW)

On the basis of the worsening mortgage crisis in the US in the spring of 2008, there are also fears that not even these forecasts may be realised. A raft of uncertainties has darkened the global economic outlook since January 2008. If these fears of recession from the US afflict Europe during the further course of the year, this could have an additional negative effect on the economic prospects for Germany. Once Germany's real economy is affected, this could also have an impact on MLP's business prospects.

Consumer demand increasing

During the coming year, economic growth in Germany is expected to be based on increasing consumer demand. Despite turbulence on the stock markets at the beginning of 2008, experts continue to assume an easing of tension on the German employment market over the coming two years. The DIW anticipates that the unemployment rate will fall from 8.9 % in 2007 to 7.7 % in 2009. The German economy is particularly interested in a highly qualified workforce. MLP's target group should benefit to the greatest extent from improved prospects on the employment market.

The positive economic environment will also have an impact on the purchasing power and the available income of the German population. In 2008, purchasing power is expected to further increase. For 2008, the DIW anticipates an average annual increase in disposable income of 2.9 %. However, for 2009, the increase is expected to be somewhat lower at 2 %.

Anticipated impact of overall economic factors on business development of MLP in 2008 and 2009

	Anticipated impact on business development of MLP in 2008 and 2009
Positive economic environment	+
Reduction in unemployment rate	+
Increase in available income	+
Increase in purchasing power	+

Outlook for the industry

MLP's business activities cover the areas of old-age provision, insurance cover, wealth management and financing. Our business prospects are therefore characterised by development in the corresponding sectors. Whereas the latter are largely influenced by economic development, the old-age and health provision sectors are particularly susceptible to the influence of politics. The situation regarding competition in the entire financial services sector will change significantly over the coming years as the result of changes to the regulatory framework introduced in 2007 and 2008.

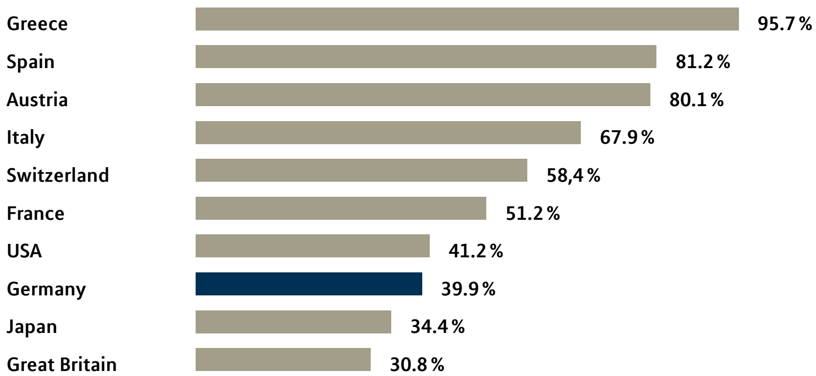
Old-age provision

Old-age provision as a growth market

With its core competency of old-age provision, MLP is operating in a growth market. All poll results emphasise the increasing problem awareness of Germans regarding provision for old age. At least in the medium term, this problem awareness will result in more money being invested in occupational and private pension schemes. This will open up additional acquisition potential for MLP.

Whereas our parents' generations could still rely on 80 % of their retirement pension being provided by state pension schemes, younger generations can only expect 40 % of their old-age pension to be paid for by the state. According to a study carried out by the OECD, pension levels in Germany around the year 2050 are expected to be lower than those of most other European countries.

Expected pension level in selected countries*



Source: OECD

* Level of statutory pension on the basis of current legislation. Selection of countries. Basis for calculation: employee starting full-time employment in 2004 at the age of 20 and working until statutory pension age (average earner).

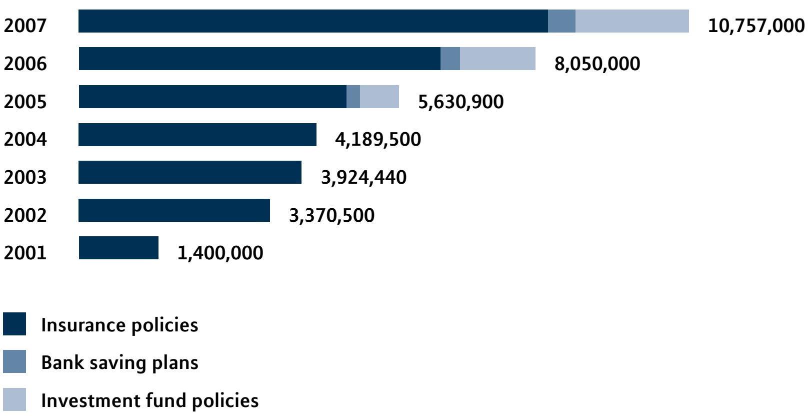
Increased need for private provision

Private provision has therefore become significantly more important in Germany. Those who want to ensure an adequate income for old age, must make private provision during their professional life. The legislator encourages saving for old age with subsidies and tax benefits. Those who save money for their old age during their active professional life receive tax rebates and allowances from the state. On the other hand, subsequent pensions are liable to tax. Only those who avail themselves of state allowances during their professional life therefore benefit from the new system. However, despite various information campaigns on behalf of the finance industry and the legislator, large sections of the population are not aware of how to plan their own old-age provision. The need for consultation has therefore increased dramatically and offers MLP with its highly qualified consultants and its best-in-class product approach good prospects for further business expansion.

Ten million Riester contracts taken out

The number of Riester contracts taken out is an indicator of the potential of the private old-age provision market in Germany. By the end of 2007, around 10 million German citizens had taken out this type of personal pension scheme. Experts calculate that the potential for Riester policies is in the order of 36 million. If the legislator soon extends Riester sponsorship to include residential property, as expected at the end of 2007, this will open up further opportunities for consultation and new business. Since 2002, MLP has continually made clients aware of the advantages of Riester contracts.

Development of number of Riester contracts by type of policy



Source: German Federal Ministry of Labour and Social Affairs

The basic pension introduced with the Retired Income Law in 2005 also promises a high sales potential. After only approximately 310,000 policy holders had taken out this type of personal pension policy by the end of December 2007, it can be assumed that this form of tax-privileged private old-age provision will attract more widespread attention in the medium to long term, as soon as the demand for Riester policies is satisfied.

Good basic parameters for occupational pension provision

An important component of provision is occupational pension provision. With the aid of this state-subsidised additional provision, employed persons benefit from the advantages of deferred compensation when planning their individual pension provision, as its financing is exempt from taxes and social insurance contributions up to at least 4 % of the contribution assessment ceiling (2008: € 2,544 p.a., e.g. contributions to direct insurances and pension schemes). At the end of 2007, the legislature converted the initial short-term exemption from social insurance contributions to indefinite exemption. As the employee is entitled to deferred compensation and more and more companies in Germany are recognising the benefit of occupational pension provision for employees and employers, the basic parameters for expanding business are good.

In future, occupational pension provision and private old-age provision components from the three-layer model will increasingly merge to form an optimised concept. This applies particularly to clients in the MLP target group, who have an above-average old-age provision requirement.

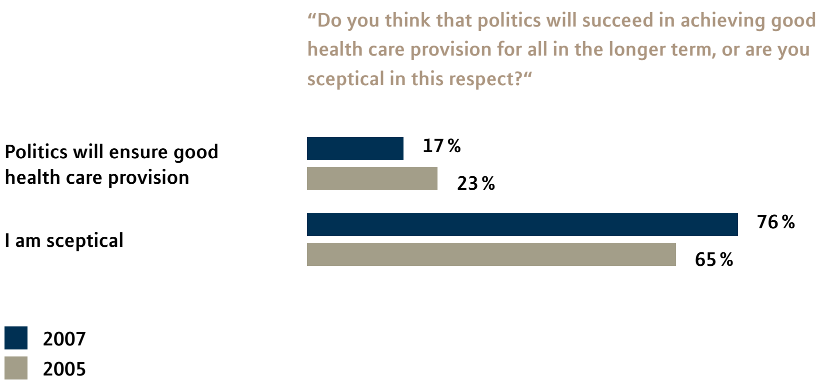
Health provision

The drop in profits from business from private fully comprehensive health insurance caused by the health care reform will equalise again in the medium term. The population has lost confidence in the pay-as-you-go financed health system operated by compulsory health insurance funds. Interest in changing to private health insurance or at least in acquiring private additional insurance is great and continues to grow. However, this area of business continues to be overshadowed by the Damocles sword of politics. New political tides against free competition in health care may once again have a negative impact on the business prospects in this sector.

Germans have lost confidence in the health system

According to a representative survey, which MLP carried out in conjunction with the Allensbach Institute (Institut für Demoskopie Allensbach) in 2007, Germans are increasingly sceptical about the future of their health system. Three quarters of respondents anticipate further reforms. Only 17 % think that politics will succeed in ensuring good health care for the population in the longer term. The need for reform in the German health care system is great. People are looking for solutions for themselves and their families.

Growing doubts regarding the long-term quality of health care



Basis: Federal Republic of Germany, 16-plus population
Source: MLP Health Report 2007, surveys 7083, 10012

The sector expects that premium income can be increased in the coming years. However, this expectation would require the economic upturn in Germany soon to be reflected more clearly in Germans' available household budgets.

Wealth management

Private wealth increasing

The forecast for wealth management is extremely optimistic. According to the World Wealth Report 2007 by Merrill Lynch and Capgemini, the net financial assets of wealthy private persons increased to US $ 37.2 billion in 2006 and thus by 11.4 % compared with the previous year. There were 798,000 millionaires in Germany in 2006. In the previous year, there were 767,000. Against the background of these figures, the sector anticipates sustained profitable growth with high margins in the next decades. Business with wealthy private clients also offers the best of prerequisites. The wealth management sector assumes an annual increase in customer wealth of 30 %.

Against this extremely positive backdrop, MLP has over the past two years initiated the strategic realignment necessary to exploit the potentials in the growth area of wealth management. The objective is now to boost synergies with the company's other operations and expand wealth management into a strong source of income within the MLP business model.

Currently, 37 % of MLP's 721,000 clients are already potential wealth management clients. In the coming years, more and more academics and other discerning MLP clients will grow into this segment.

Withholding tax on capital gains induces regrouping of investments

In 2008, the start-up conditions for the new MLP wealth management are particularly favourable, as the planned introduction of withholding tax on capital gains on January 1, 2009 has stimulated activity in the financial services market in Germany. Experts predict that Germans will regroup up to € 200 billion during the run-up to introduction of this tax. The stage has therefore been set for MLP to prove their consultancy competency in wealth management in 2008.

Financing

In 2007, business in private construction financing was slack throughout the sector. However, the domestic market should offer good potential compared with the rest of Europe. Whereas countries such as France have a home ownership rate of 56 %, and the rate in Spain is as high as 81 %, most people in Germany still live in rented property. The home ownership rate in Germany is only 43 %.

Since the introduction of Riester sponsorship for residential property, the sector has anticipated an improved commercial basis. At the same time, it is expected that positive impulses will result from the KfW Home Ownership Programme, which is set to become more attractive from February 2008 onwards. Public agencies have declared that they intend to bring about an increase in the home ownership rate in Germany.

New platform for financing residential property

In future, MLP will arrange brokerage of financing for residential property in conjunction with the residential property financing broker Interhyp AG via MLP Hyp GmbH. MLP holds 49.8 % of this company. This results in a range of advantages for clients, but also for MLP consultants, who have optimum access to an efficient product and system platform for financing residential property and are supported in all detail questions. MLP clients benefit from independent selection of a range of products combined with a high level of service provided by personal MLP consultation. Via the new company, MLP can offer its clients further improved conditions whilst simultaneously generating advantages in terms of margin.

Competition

Intensity of competition set to grow

The intensity of competition in the German financial services sector will continue to grow during the coming years. Whereas in previous years, international competition and the requirements of capital markets have forced market participants to optimise their costs, in the years to come change in the sector will be accelerated by growing regulatory requirements.

In particular, the following changes introduced in the years 2007 and 2008 should be mentioned with regard to the sale of financial services:

- the EU Insurance Mediation Directive (VVR; since May 2007)
- the Markets in Financial Instruments Directive, (MiFID; since November 2007)
- amendments to the German Insurance Contract Law (VVG; since January 2008)

Greater barriers to market entrance

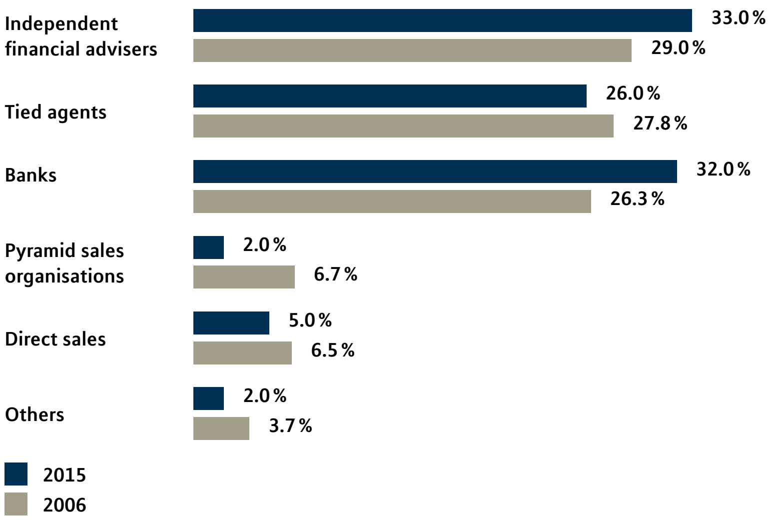
These legislative amendments do on the one hand increase barriers to market entrance for new competitors. On the other hand, they will promote professionalisation and specialisation on the part of providers. Industry experts therefore expect a consolidation process to take place amongst small and medium-sized providers on the one hand during the coming years but, on the other, a process of concentration towards bigger and therefore more efficient institutions, which can generate economies of scale and retain qualified staff. This is because the new statutory requirements for financial services providers necessitate high levels of investment in IT, as well as comprehensive process optimisation within companies. Only efficient providers with forward-looking corporate policies, well-trained consultants and the requisite financial power will be able to embrace the statutory requirements on a long-term basis.

Independent intermediaries will expand market share

In this connection, comparison is also made of the advantages and disadvantages of the various sales channels in the financial services sector. This process of comparison makes it increasingly clear that the type of non-capital-intensive, independent financial service provision, which MLP has practised successfully for many years, is set to become the gold standard. For example, the Tillinghast Sales Channel Survey, a report by the Towers Perrin consultancy renowned within the sector, assumes that independent financial advisers will continue to acquire market share. Whereas a market share of 23 % was measured in 1999, the market share of independent financial advisers is expected to reach the 33 % mark by the year 2015. Apart from banks, MLP's sales channel is thus one of the very few channels which will be able to acquire market shares in the future. MLP is therefore positioned in a segment with favourable prospects for the future.

This trend is also confirmed by developments in other countries, especially in Great Britain, where a similar tightening of the regulatory environment has taken place and the market share of independent financial advisers has increased from 39 % in 1992 to 73 % in 2006.

Market shares of various sales channels for life insurance products in Germany



Source: Tillinghast Sales Channel Survey 2006

Despite the increased regulatory requirements, the sale of financial services remains an attractive market segment in the overall financial services markets. This is also demonstrated by the fact that new competitors entered the market, or announced their intention of entering the market, during the past year. This may also contribute to intensification of competition in the future.

MLP is well prepared for change

MLP is well prepared for change in the competitive environment and for tightened regulatory requirements. On the basis of its strategic realignment over the past three years, and with the aid of its state-of-the-art IT environment, MLP is now in a position not only to fulfill the new requirements, but also to offer its clients a wide range of additional benefits over and above the new regulatory requirements.

We therefore assume that we can continue to expand our market share precisely because of the consolidating competitive environment.

Sector-specific factors impacting on anticipated business development in the sector and on MLP in the years 2008 and 2009

	Sector in 2008 and 2009	MLP in 2008 and 2009
Regulatory framework for old-age provision	+	+
Regulatory framework for health insurance	–	–
Trend towards saving for old-age provision	+	+
Increased requirement for financial investment on the part of private clients in Germany	+	++
Increased intensity of competition between sales channels for financial services	+ –	+
Changes in regulatory framework (VVR, MiFID, VVG)	–	+

Anticipated business development

Objective: expansion of market share

In our estimation, MLP occupies an excellent position in the German financial services market due to the strategic measures implemented during recent financial years. Our objective is to continue to expand our market share in the old-age provision and wealth management sectors in Germany. These markets promise growth in the coming years.

During the past financial year, we have made the necessary adjustments for implementation of the Insurance Mediation Directive (VVR), the MiFID and the amendments to the German Insurance Contract Law (VVG). As the amendments to the German Insurance Contract Law (VVG) are particularly far-reaching and will also result in adjustment processes on the part of our product partners, we cannot currently predict the short-term effects of the changes on our productivity. Furthermore, it is possible that statutory requirements for improved price transparency for life and health insurance products could lead to changed client behaviour and have a negative effect on our business.

MLP will benefit from the changed regulatory framework in the medium to long term

However, in the medium to long term, we assume that, due to our unique business model, we will benefit from the changes to the regulatory framework introduced during the past financial year and at the beginning of 2008.

Declining market for old-age provision expected

As a result of demographic developments and the continuing squeeze on statutory pension insurance in Germany, we see continued high demand in the market for old-age provision. Nevertheless, we anticipate that the volume of contracts for old-age provision will be subject to continued restraint in 2008. All in all, we expect a weakening in the market as a whole. Our aim in 2008 is to win additional market share in this segment.

Healthcare reform has made for difficult conditions

The introduction of the healthcare reform bill which came into effect on April 1, 2007 has made conditions much more difficult for our health insurance segment. The business trend in the first quarter of 2007 was satisfactory to start with; due to the uncertainty associated with the pending healthcare reform legislation, policies sold in the fourth quarter of 2006 contained a let-out clause for customers and the income from these contracts was only recognized in the income statement in the first quarter 2007. However, after the healthcare reform legislation came into force on April 1, 2007 the demand for private comprehensive health insurance slackened as forecast. In this segment, too, we anticipate a fall in total income for 2008.

With the introduction of a flat rate withholding tax on capital gains in Germany as at January 1, 2009, experts expect enormous realignments in the wealth management market in the current year. Thanks to our new wealth management concepts, optimized to meet the changed tax regime, we are well positioned to benefit from these changes.

Rising costs

The largest individual item of our expenses are those for the brokerage business. These consist mainly of performance related commission payments to our consultants. These costs will move in line with the change in overall income from the brokerage business.

As we want to engage more sales support staff in a number of areas, personnel costs in the current financial year will increase slightly over and above the normal salary increases.

Operating expenses, too, are likely to rise as we plan further expansion of our IT infrastructure, and adjustments to meet the new regulatory environment will necessitate additional outlays.

The uncertainties arising largely from the regulatory changes make it difficult to give exact forecasts for income and operating results for the financial year 2008. By and large we are assuming that overall income will show a moderate rise and that our operating margin (EBIT margin) will be down slightly to begin with in the current financial year. It should not, however, fall below the high level it achieved in the financial year 2006 (16 %). We can then look forward to an improvement in operating margin in the subsequent years.

Dividend policy

It is part of our corporate policy that our shareholders should enjoy an appropriate share of our success. Dividends are paid according to the financial and earnings position of the Group and our future cash requirements. We aim to achieve a sustained distribution rate of some 60 %.

In view of the satisfactory earnings posted in the past financial year, at the Annual General Meeting on May 16, 2008 the Executive Board and Supervisory Board can propose a dividend of € 0.50 per share. This corresponds to a total dividend distribution of some € 49 million, and a distribution rate of 64 % of net profit from continuing operations.

Pursuant to § 71b of the German Stock Corporation Act (AktG), own shares held by the company are not entitled to dividend payments.

Planned borrowings and capital expenditure

Adequate liquidity

The MLP Group had adequate liquid funds at balance sheet date. Our business model is not very capital intensive and it generates high cash flows. At the present time, therefore, it looks as if we shall have sufficient internal finance available in the Group for 2008 and 2009. In the previous financial year we achieved a cash flow from operating activities amounting to € 82.4 million (continuing operations), and we expect to achieve at least the same level of cash flow from operating activities in the current year. We shall use this cash flow to offer shareholders a share in our corporate success and to further reinforce the financial strength of the Group.

Also this year, the lion's share of our investments will be spent on IT projects with the aim of continuously improving the quality of our consulting and client service (see also section "Client support"). In addition to these capitalisable investments, we will employ further investment measures which will be recorded as expenditure in the income statement. Between 2006 and 2007 we already invested around € 29 million in these projects. Further investments and expenditures will follow in the current financial year.

Return on equity to rise

Return on equity regarding continuing operations was at 22 % in the period under review. Although this ratio is not one of our control ratios, we shall do our utmost to achieve sustained increases in return on equity in the coming years.

The liquidity situation in the Group is excellent. As usual, liquidity in the first half of the year will dip to begin with, partly due to the planned dividend distribution, but increase again in the second half-year as a result of the usual seasonal development in operating activity.

New opportunities

Opportunities in the markets for old-age and healthcare provision.

The markets for old-age and healthcare provision in Germany are heavily influenced by the legislative environment. The foreseeable impact of demographic change in our society in particular has greatly increased the pressure to reform contribution-based social insurance systems. With the Retirement Income Law of 2005 the government introduced structural changes in the state pension system. The level of provision will gradually decline over time and this is to be compensated by capital funded private and corporate pension schemes, which attract tax incentives. Two additional opportunities may arise for MLP in the field of old-age provision. If statutory pension insurance should prove difficult to fund in future, necessitating further cuts in the level of provision, it would increase the pressure to increase private provision and open up new business potential for MLP. Should the government find that the level of personal provision is inadequate to prevent increasing old-age poverty in future, it could decide to give further tax incentives for private and corporate pension schemes, which would also open up additional business potential for MLP.

In our view, further structural reform of the German healthcare system is also necessary. As with the changes in the state pension system, demographic pressure would mean a declining level of provision and the need for more private insurance against health risks. This development, too, would give MLP openings for brokering the relevant products.

Opportunities from changes in the regulatory environment

Changes in the regulatory environment for financial services providers arising from the Insurance Mediation Directive (VVR), the Markets in Financial Instruments Directive (MiFID) and amendments to the Insurance Contract Law (VVG) also open further potential for MLP. In particular, the anticipated consolidation of the market offers us the opportunity to win new market share.

Opportunity in the flat rate withholding tax on capital gains

Another opportunity for MLP arising from a change in the regulatory environment is the introduction of a flat rate withholding tax on capital gains in Germany from 2009. Experts expect swingeing restructuring of the assets of German households in the current financial year. This gives us the chance to advise our clients on the flat rate withholding tax and thereby generate satisfactory business from our wealth management concepts.

Corporate strategic opportunities

As regards the corporate strategy, the main opportunities are likely to be found in the repositioning of the Group undertaken in the last three years. We are now concentrating on all-embracing independent advice to our clients and in this way we have created a well-defined position as independent broker for financial services. Independent financial advice and product selection is becoming an increasingly important distinguishing factor in the competitive arena, especially for our target group of academics and other discerning clients. To reinforce this position, we have registered as a broker under the Insurance Mediation Directive.

We also consider our strategic decision to develop wealth management services into another core strength alongside old-age provision and healthcare provision as likely to offer good business potential. Together with our subsidiary Feri Finance AG, we shall develop sophisticated new wealth management concepts and target the over-forties client group in particular. If our clients should take up these concepts faster and in wider variety than planned, this will provide further opportunities for growth. Success with our existing clients would then facilitate the winning of new business.

Performance-related opportunities

We see significant performance-related opportunities for our consultants and processes. In the last few years we have not only adapted our performance-related processes to meet the new regulatory requirements, but further optimized them. With full online support for all processes throughout the value-added chain, we should manage in future to increase the productivity of our consultants, reduce unit costs and enhance our attractiveness as a partner company. And if we should also succeed in increasing the number of our consultants faster than planned, the Group is likely to grow even more dynamically in the years to come.

That completes the series of new opportunities which we expect to make a positive contribution to our economic position.

General outlook for the Group

We anticipate that 2008 will be a year of change and adjustment for the financial services industry as a whole. The changes in the legislative framework will encourage competition, drive professionalisation, and in the end hasten the consolidation of the sector. As an independent broker for financial services, MLP is excellently positioned in this changing market. We therefore anticipate positive overall development in our business for 2008 and 2009.

Positive overall development anticipated

Thanks to the strategic repositioning of the Group in the last three years, we are now focusing on independent advice to academics and other discerning clients in our core segments of old-age and healthcare provision. We thus operate in markets which hold out prospects for growth in the coming years. In both these segments the benefits provided by the state social security systems will continue to decline, which will lead to a rising demand for private insurance.

At the same time wealth management has developed into another major pillar in our business model. There is a particularly high demand for this type of advice among the growing number of clients in the 40+ age group. We shall do more to meet this demand going forward.

EVENTS SUBSEQUENT TO THE REPORTING DATE

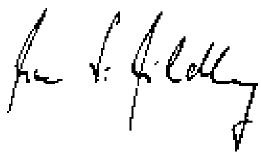
As scheduled, MLP AG finished its share buyback programme, which began on November 8, 2007, on January 30, 2008. A further 1.2 million treasury stock with a total value of € 11.5 million (excluding incidental acquisition expenses) were purchased after the end of the reporting period. After the conclusion of this programme, treasury stock amounts to 9.94 % of the share capital.

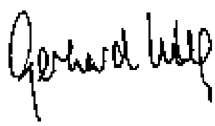
On February 19, 2008, the Executive Board of MLP AG decided to make use of the authorisation by the Annual General Meeting in line with § 71 (1) no. 8 of the German Stock Corporation Act (AktG) to reduce the company's share capital by 1,957,656 ordinary bearer shares. Pursuant to § 71 (1) no. 8 sentence 6 of the German Stock Corporation Act (AktG), the capital decrease shall take place by retiring the company's own shares bought back between November 11, 2007 and January 30, 2008 for the purpose of reducing the share capital. The retirement of shares is subject to a further resolution by the Board.

To strengthen the business segment of occupational pension provision, MLP acquired the TPC Group GmbH, Hamburg on February 29, 2008.

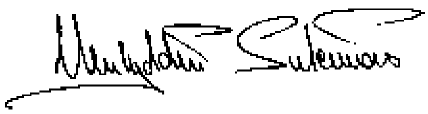
Apart from those described here, there were no other significant events after the balance sheet date with effects on the MLP Group's net assets, financial position and results of operations.

Wiesloch, March 19, 2008





Dr Uwe Schroeder-Wildberg | Gerhard Frieg



Muhyddin Suleiman

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.

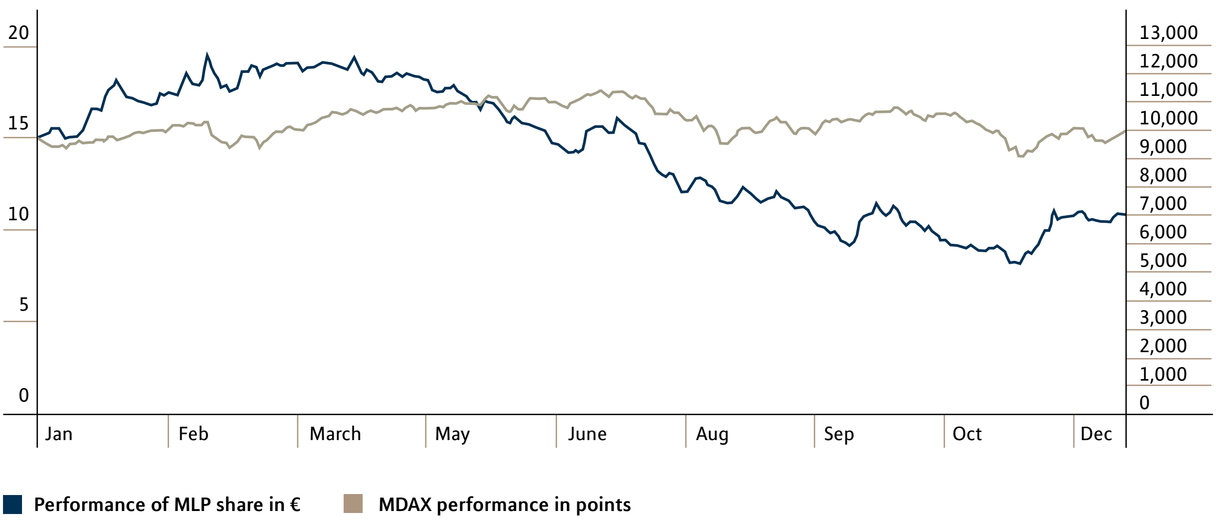
INVESTOR RELATIONS

An eventful year for the stock market

Annual performance of DAX and MDAX positive again

2007 was an eventful, but altogether good year for the stock market. The major worldwide share indexes once again exceeded their levels for the previous year and climbed to new historic highs over the course of the year. By the end of July a tremendous increase in quotations could be observed, which was essentially caused by three elements: positive economic data, good company performance and intensive takeover activity and speculation. Triggered by the US housing crisis, the capital markets experienced an abrupt and massive change of mood that was accompanied by a huge drop in share prices, in particular for banks and other financial institutions. The US mortgage crisis affected various renowned financial institutions worldwide with substantial depreciation of their credit and derivative portfolios. In the meantime, several money market interventions by the large central banks as well as two interest rate cuts by the Federal Reserve led to a certain reassurance of market participants and renewed increasing rates on the stock markets. At the end of the year the MDAX, in which the MLP share is listed, climbed to 9,865 points and surpassed the value for the previous year by 35 %. Likewise, in 2007, the DAX index of leading German shares experienced pleasing development and rose by 21 % above the start of the year to 8,067 points. Somewhat more subdued was the development of the Dow Jones Industrial Average index of leading American shares, rising 9 % to 13,265 points.

Performance of the MLP share and MDAX in 2007



Development of the MLP share

MLP share not able to profit from positive climate

The MLP share was not able to profit from the overall positive course of the capital markets in the past financial year and in comparison to the first trading day of 2007 fell 29 % to € 10.75. Various factors were responsible for this performance:

- discussions on possible negative effects on the course of MLP's business, which could arise from changes that have taken place in the regulatory environment (EU Insurance Mediation Directive, MiFID, amendments to the German Insurance Contract Law (VVG))
- an intensified competitive situation as a result of potential new competitors entering or announcing their entrance into the market
- speculation that the EBIT forecast of € 110 million for the last financial year could be missed

Attractive valuation level

In this negative environment the market price had initially fallen to € 8.05 by November 21, 2007 before recovering in December. MLP's confirmation of the EBIT forecast of approximately € 110 million also had a positive effect. This welcome trend continued throughout January and February. By the end of February 2008 the MLP share had risen to € 9.32.

Key figures for business valuation and balance sheet analysis

One of the reasons for the lower equity ratio of the MLP Group, which decreased from 26 % to 24 % is the share buyback programme. Return on equity fell from 24 % to 22 % in the period under review. When calculating these key figures we drew on the net result of continuing operations.

Key figures for business valuation and balance sheet analysis

	2007	2006
Equity ratio	24 %	26 %
Return on equity	22 %	24 %
Net liquidity in € million	152.4	158.3
Market capitalisation in € million as at Dec 31	1,169.7	1,502.8
Enterprise Value (EV) in € million	1,017.3	1,344.5
EV/total income	1.6	2.3
EV/EBIT	9.2	14.1
Total income from continuing operations in € million	637.1	588.5
EBIT from continuing operations in € million	110.3	95.1

Net liquidity reduced as scheduled by share buyback programme and dividend payments

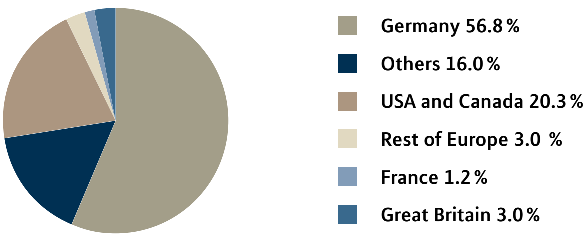
In the year under review net liquidity dropped from € 158.3 million to € 152.4 million through expenditures related to the continuation of the share buyback programme and dividend payments. These figures were calculated without taking into account receivables and liabilities due to banking business. The 2007 key figures for Enterprise Value (EV) in relation to total income and EBIT, which participants in capital markets regularly refer to for business valuation, present a more favourable outcome in comparison to those of 2006.

Shareholder structure

At the end of 2007 57 % of MLP AG shares were in the hands of German investors. Therefore the majority of share capital of our company remains with German investors. North American investors hold approximately 20 % and European investors from outside of Germany approximately 7 % of shares.

The shareholder structure, updated quarterly, is available from www.mlp.de.

Shareholder structure and regional distribution of the investors



Overview of the largest MLP shareholders

Lautenschläger family (D)	29 %
Own shares (D)	10 %
Harris Associates L.P. (USA)	10 %
Regionalverbandsgesellschaft mbH, Berlin (D)	6 %
Fidelity Management & Research LLC (USA)	3 %

Values rounded off

Dividend and share buyback programme

Substantial participation of shareholders in the company's success

Furthermore, the stated aim of MLP is also to offer its shareholders an appropriate share in the company's success. Accordingly, a share of the net profit from the financial year 2006 was distributed to the shareholders in the form of a dividend of € 0.40 per share. For the period from November 8, 2007 until January 30, 2008 a total of 1,957,656 own shares were acquired for an average price of € 9.66. Together with the dividend, MLP distributed a total of around € 59 million to its shareholders. This corresponds to around 77 % of the net result of continuing operations of the year 2006.

At the Annual General Meeting of May 16, 2008, the Executive and Supervisory Boards will propose increasing the dividend by 25 % from € 0.40 per share to € 0.50 per share. Own shares held by the company are not entitled to dividends as per § 71b of the German Stock Corporation Act (AktG).

A more open dialogue with investors

A continuous and open dialogue with investors has high significance within the value-based management of MLP. MLP promptly informs all institutional and private investors of all the important changes in the Group at the same time. Investors and members of the public taking interest can find relevant information on the website www.mlp.de, which is being constantly updated. In addition to this, investors can take up dialogue with the Investor Relations department, who answer all questions related to MLP shares, the Annual General Meeting and other matters.

At the 2007 Annual General Meeting in Mannheim full support for the chosen direction of strategic further development of the Group was expressed to the Executive Board. All motions of the Executive Board were accepted with a clear majority. In total around 1,000 shareholders accepted the invitation to the Annual General Meeting. They represented approximately 53 % of the share capital.

Intensive dialogue with shareholders

Intensive dialogue with institutional investors was also continued during the previous financial year. The management carried out a total of 140 individual talks with investors and took part in 10 investor conferences, as well as various shareholder events, for example the "Aktienforum" (share forum) of the Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (German Association for Private Investors). At an analyst day on the topic of MLP Wealth Management on May 22, 2007 the company presented wealth management concepts developed by MLP and Feri as well as planned measures for its marketing implementation.

There has been keen interest in the MLP share during the whole course of the year. The number of analysts routinely following the MLP share is continually rising. At the end of 2007 the number of analysts amounted to 26, which was two more than in the previous year.

The MLP Annual Report for 2006 reached fourth place in the MDAX in Manager Magazine's yearly review of annual reports of the most important German and European public limited companies. This once again presents an improvement, with MLP occupying the 39th position in 2004 and the 13th position last year.

Range of services on IR website significantly improved

The MLP IR website is the most important tool for communication with private investors. In order to improve the usability of the content provided, as well as the service itself, we have added to the range with further high-quality features over the past year. To name but a few, we have included the HTML annual and quarterly reports as well as the interactive chart tool.

This year MLP will again publish its results for the last financial year within 90 days after year-end closing and the quarterly results within 45 days after the respective quarterly closing. In so doing, it adheres to the regulations of the German Corporate Governance Code. The Annual General Meeting will take place on May 16, 2008 at the Rosengarten Congress Center in Mannheim. Invitations will be issued to depository banks in good time.

Key figures

	2007	2006	2005	2004	2003
Shares in circulation as at Dec 31 (in units)	**99,163,680**	99,918,294	108,026,177	108,640,686	108,640,686
Share price at the beginning of the year in €	**15.12**	17.61	14.73	15.41	10.79
Share price at the end of the year in €	**10.75**	15.04	17.52	14.59	15.50
Share price high in €	**19.56**	22.59	17.53	20.65	17.63
Share price low in €	**8.05**	13.38	10.71	10.50	5.78
Market capitalisation at the end of the year in € billion	**1.2**	1.5	1.9	1.6	1.7
Average daily turnover of shares (in units)	**724,896**	449,052	411,610	480,217	582,421
Dividend per share in €	**0.50***	0.40	0.30	0.22	0.15
Total dividend in € million	**49.0***	40.0	31.5	23.9	16.3
Return on dividend (without extra dividend) in %	**3.5 %**	2.4 %	2.0 %	1.6 %	1.2 %
Extra dividend per share in €	**–**	–	0.30	–	–
Total extra dividend in € million	**–**	–	31.5	–	–
Earnings per share in €	**0.62**	0.69	1.84	0.46	0.36
Diluted earnings per share in €	**0.61**	0.69	1.81	0.46	0.36

* Subject to the approval of the AGM on May 16, 2008; excluding own shares.

CORPORATE GOVERNANCE

By complying with the German Corporate Governance Code of June 14, 2007 MLP continues to reinforce the confidence of its shareholders, clients, employees and other stakeholders in the management of the company. Responsible management geared toward long-term added value is a high priority for us. The Executive and Supervisory Boards ensure that MLP continues to review and develop Corporate Governance across the Group.

Responsible and value adding management

Management and controlling structure

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 situation, risk management and compliance. The Supervisory Board is informed of particularly important or urgent projects outside of the regular meetings. Furthermore, the Chairman of the Supervisory Board meets with the Executive Board on a regular basis to discuss specific issues. The Chairman of the Supervisory Board informs the other members of the Supervisory Board in detail about the content of his meetings with the Executive Board. The Supervisory Board discussed the Group's corporate planning and plans for strategic growth with the Executive Board.

Cooperation between Executive Board and Supervisory Board

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 co-operation with the Executive Board. Further details on the co-operation between Executive Board and Supervisory Board can be found in the report by the Supervisory Board.

In the absence of the Executive Board, the Supervisory Board also reviewed the efficiency of its own activities in 2007. Particular attention was paid to the efficiency of the procedures in the Supervisory Board, the information flow between the committees and the Supervisory Board plenary meeting and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board. Further measures aimed at increasing efficiency were discussed intensively in target-oriented talks. All proposals have since been implemented.

Efficiency of the Supervisory Board

Efficient committee work

Supervisory Board committees

The Supervisory Board of MLP AG has set up committees in order to improve the effectiveness of its work. The Personnel Committee discusses HR issues 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, the consolidated financial statements and the management reports of MLP AG and the MLP Group and submits a recommendation to the Supervisory Board regarding resolutions. In accordance with the German Corporate Governance Code of June 14, 2007, the Supervisory Board passed a resolution on forming a nomination committee which is exclusively composed of shareholder representatives who propose suitable candidates to the Supervisory Board for recommendation to the Annual General Meeting in 2007.

Corporate Governance in the Supervisory Board

In 2007, the Executive and Supervisory Boards of MLP AG again dealt intensively with the German Corporate Governance Code. The changes to the Code ratified on June 14, 2007 were the object of in-depth discussions in a joint meeting of the Executive and Supervisory Boards.

No conflict of interest in the Supervisory Board

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

TRANSPARENCY

Shareholdings of members of the Executive and Supervisory Boards as at the balance sheet date

As at December 31, 2007, the shares held by the members of the company's Executive and Supervisory Boards were distributed as follows:

Supervisory Board member	Number of shares as at Dec 31, 2006	Number of shares as at Dec 31, 2007
Manfred Lautenschläger [1]	17,316,597	**12,991,597**
Gerd Schmitz-Morkramer	9,935	**9,935**
Dr Peter Lütke-Bornefeld	–	**30,000**
Johannes Maret	–	**–**
Maria Bähr	11,503	**11,503**
Norbert Kohler	1,094	**1,094**

[1] incl. additional voting rights in line with § 22 of the German Securities Trading Act (WpHG)

Executive Board member	Number of shares as at Dec 31, 2006	Number of shares as at Dec 31, 2007
Dr Uwe Schroeder-Wildberg	–	**–**
Gerhard Frieg	177,839	**181,463**
Muhyddin Suleiman	– [1]	**–**

[1] not specified since only a member of the Executive Board of MLP AG as of September 4, 2007

Directors' Dealings

Directors´ Dealings

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

Three transactions pursuant to § 15a of the German Securities Trading Act (WpHG) were reported to us in the financial year 2007. They are published on our website at www.mlp.de.

Compliance

Compliance guidelines

For us the principles of good company management also comprise the compliance with all applicable laws and codes of conducts for the capital market. MLP has established a group-wide Compliance Organisation. In the interest of our clients, shareholders and of MLP, the Compliance Organisation supports the Executive Board in its task to ensure compliance with legal provisions and intra-company directives and to establish uniform standards for all Group companies. Executive Board and Supervisory Board are regularly informed about significant facts and events.

The MLP Group has a comprehensive volume of regulations on compliance which explains the legal regulations on insider law to members of the executive bodies and to employees alike, and gives a legal framework within which they can carry out their investment business. The guideline also ensures that sensitive information is handled responsibly at MLP. To prevent any impairment of client interests – in particular with regard to the securities business – we have defined policies regarding the avoidance and monitoring of conflicts of interest. These policies are regularly reviewed and adapted to changing requirements.

The implementation of the Markets in Financial Instruments Directive (MiFID), the EU Insurance Mediation Directive and the reform of the German Insurance Contract Law have entailed supervisory requirements to which we have reacted with extensive measures in 2007. Their continuous optimisation and consistent development reflects our promise and commitment to provide high-quality consulting.

Information

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

Information of all target groups

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

Accounting and audit

The Group's accounts are prepared in line with the International Financial Reporting Standards (IFRSs). By doing so, it provides a high level of transparency and improves comparability with competitors. Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, was appointed as auditor by the Annual General Meeting and audited the 2007 consolidated financial statements and reviewed the condensed financial statements and the interim management report (articles 37w(5) and 37y(2) of the German Securities Trading Act (WpHG)) in 2007. The Supervisory Board gave its assurance that the relations existing between the auditors and MLP or its governing bodies give no cause for doubting the independence of the auditor.

REMUNERATION REPORT

Subject to the disclosure obligations pursuant to the German commercial law, the following remuneration report also forms part of the Notes and the Management Report alike.

SHARE OPTIONS PROGRAMME AND SHARE-BASED REMUNERATION SYSTEMS

Employee profit-sharing programme (Incentive programme 2002)

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

The same Annual General Meeting authorised the Executive Board, with the Supervisory Board's approval, to issue on one or more occasions a total of up to € 1,700,000 non-interest-bearing convertible debentures with a nominal value of € 1 each up to a total nominal value of € 1,700,000 over the period up to May 28, 2007. These may be issued with a term of six years each to members of the Executive Board and company employees, as well as to members of the Management Board, sales representatives working as independent commercial agents and employees of companies associated with the company as defined by §§ 15 ff of the German Stock Corporation Act (AktG). They entitle the owners of convertible debentures to purchase new shares from the conditional capital of MLP AG in accordance with the convertible debenture conditions. If convertible debentures were issued to members of the company's Executive Board, only the Supervisory Board was authorised to issue these.

The convertible debentures were offered in allocated amounts in the years 2002 until 2005. Within the period from 2002 until 2005 a total of € 1,651,188 or units of convertible debentures were allocated. The size of each tranche was determined by the Executive Board with the approval of the Supervisory Board. The beneficiaries and the scope of the corresponding right to purchase the convertible debentures were determined by the Executive Board. If members of the Executive Board were affected, these factors were determined by the Supervisory Board.

Since the exercise hurdle (€ 39.28) for the allocation of the first tranche of convertible debentures from 2002 was not reached by August 19, 2005, the convertible debentures of the first tranche could no longer be converted. The nominal amount was paid back to the beneficiaries.

Convertible debentures

	Tranche 2003	Tranche 2004	Tranche 2005
EXERCISE PERIOD			
Start	Aug 5, 2006	Aug 17, 2007	Aug 16, 2008
End	Aug 4, 2009	Aug 16, 2010	Aug 15, 2011
Nominal amount (€)	1.00	1.00	1.00
Exercise prices (€)	7.02	12.40	13.01
Subscribed convertible debenture (€ or units)	281,040	677,042	577,806
Convertible debentures at Dec 31, 2006 (€ or units)	109,561	649,291	569,886
of which Executive Board (€ or units)	3,624	22,300	–
Converted in 2007	29,036	1,850	–
Paid back in 2007	1,930	64,847	16,868
Convertible debentures at Dec 31, 2007 (€ or units)	78,595	582,594	553,018
of which Executive Board (€ or units)	–	32,300	–

The exercise hurdle for the second tranche emitted in the financial year 2003 was reached in the financial year 2006. During the exercise period from August 5, 2006 to August 4, 2009, the bearers of the convertible debentures are entitled to exercise their right to conversion. By the end of the financial year 2007, a total of 169,753 conversion rights had been exercised and converted into shares of MLP AG.

The exercise hurdle for the tranche 2004 issued in the financial year 2004 was reached in 2007. During the exercise period from August 17, 2007 until August 16, 2010, the bearers of convertible debentures are entitled to exercise their right to conversion. During the financial year 2007, a total of 1,850 conversion rights had been exercised and converted into shares of MLP AG.

Long-Term Incentive Programme 2005

In 2005 a Long-Term Incentive Programme ("LTI") was launched for the first time. It is designed to include the members of the Executive Board and selected managers of the MLP Group. This is a company performance plan based on key figures, which takes into account both the earnings before tax (EBT) and the rise in share price. Performance shares (phantom shares) can be allocated here. These are allocated to the members of the Executive Board by the Supervisory Board. A payout in cash of phantom shares will only take place if the earnings before tax (EBT) of the MLP Group in the years 2005 to 2007 reach a certain amount (performance hurdle), which is established by the Supervisory Board in accordance with MLP's strategic planning. The Supervisory Board will establish the performance hurdle in spring 2008. In spring 2008, the Supervisory Board will determine whether a dividend payout is to take place. On December 12, 2005, a further tranche was approved for the financial year 2006. In this instance, too, these phantom shares are only paid out in cash if the Group's earnings before tax (EBT) for 2006 to 2008 reach a sum established in advance by the Supervisory Board. In spring 2009, the Supervisory Board will determine whether a dividend payout is to take place. A further tranche was approved in 2007. Unlike previous tranches, the cash payout is determined on the basis of the triple earnings before interest and tax (EBIT) of continuing operations (EBIT) achieved in the financial year preceding the year of allocation (performance hurdle). Only when this performance hurdle is reached will the beneficiaries be entitled to receive a cash payout.

An equity settlement is not planned. The fair value of the phantom shares is reassessed on each closing date using the Monte-Carlo simulation method.

If an employee or Executive Board member leaves the company, the phantom shares granted expire. Of the total of 513,148 allocated performance shares, 89,896 expired by December 31, 2007.

Allocation of performance shares

	Tranche 2005	Tranche 2006	Tranche 2007
Performance shares at time of allocation (units)	144,728	135,300	233,120
of which Executive Board (units)	89,592	78,173	117,899
of which others (units)	55,136	57,127	115,221
Performance shares as at Dec 31, 2006 (units)	124,053	117,260	–
of which Executive Board (units)	68,917	60,133	–
of which others (units)	55,136	57,127	–
Performance shares expired in 2007	24,121	27,060	–
Performance shares at Dec 31, 2007 (units)	99,932	90,200	233,120
of which Executive Board (units)	53,411	46,603	117,899
of which others (units)	46,521	43,597	115,221

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

Fixed remuneration for Supervisory Board

In addition to compensation for their expenses for the financial year, the members of the Supervisory Board receive a fixed annual remuneration of € 30,000 in accordance with the articles of association. The Chairman of the Supervisory Board receives double and his deputy one and a half times this amount. An additional remuneration is granted for activities in a committee. This amounts to 0.3 times the basic remuneration as a Supervisory Board member for each committee. The Chairman of the committee receives 0.4 times the basic remuneration, his deputy 0.35 times this amount. If the Chairman of the Supervisory Board also holds the chair in one or more committees, he receives only the basic remuneration (0.3 times the fixed Supervisory Board remuneration) per committee in addition to his remuneration for the Supervisory Board. The fixed portion of remuneration is paid after the end of the financial year. No member of the Supervisory Board receives any variable or share-based remuneration payments.

Individualised Supervisory Board remuneration for the financial year 2007

All figures in €'000	Fixed portion of remuneration incl. VAT
Manfred Lautenschläger (Chairman of the Board)	93
Gerd Schmitz-Morkramer (Vice Chairman)	75
Dr Peter Lütke-Bornefeld	57
Johannes Maret	57
Norbert Kohler	36
Maria Bähr	36
TOTAL	**353**

€ 7 thsd were used as compensation for expenses in the financial year 2007.

REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD

Fixed and variable remuneration of Executive Board

The members of the Group's Executive Board are entitled to both a fixed (non-performance-related) and a variable (performance-linked) remuneration in accordance with the concluded contracts of employment. The basis of assessment are the earnings before tax (EBT) of the MLP Group in accordance with the respective (international) accounting standards used in the Group. The key figure is the earnings before tax (EBT) that would have resulted without deduction of profit-sharing payments. If continuing operations/operations to be continued and discontinued operations/operations to be discontinued are to be recognised in the financial year, the basis of assessment is formed by the total of the earnings before tax (EBT) of the continued operations/operations to be continued and discontinued operations/operations to be discontinued. No costs and income directly connected with the discontinuation/sale of business segments are included in the basis of assessment. 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 as a matter of principle.

Individualised Executive Board remuneration for the financial year 2007

All figures in €'000	Fixed portion of remuneration	Variable portion of remuneration	Allocation to pension provision	Total
Dr Uwe Schroeder-Wildberg	524	568	2	**1,094**
Gerhard Frieg	312	375	214	**901**
Muhyddin Suleiman as of Sep 4, 2007	102	125	242	**468**
TOTAL	**938**	**1,068**	**457**	**2,463**

During their active service, the former members of the Executive Board Böttger/Frowein received a fixed portion of remuneration of € 1,037 thsd/€ 178 thsd and a variable portion of remuneration of € 254 thsd/€ 187 thsd. In addition this group of people were paid € 1,722 thsd compensation for a non-competition clause, the premature termination of the board service agreement and the associated loss of earning opportunities. Other former Executive Board members received a total renumeration of € 301 thsd. As at December 31, 2007 pension provisions for former members of the Executive Board amounted to € 8,711 thsd.

Long-term remuneration components

In addition there are long-term remuneration components. The members of the Executive Board participate in the Incentive Programme 2002 and the Long-Term Incentive Programme 2005. The structure of these programmes is described in detail under "Share options programme and share-based remuneration systems" of this Corporate Governance report.

Executive Board members active on December 31, 2007 hold convertible debentures issued by the company. See the table below for further details:

Convertible debentures – Executive Board

All figures in €'000	Convertible debentures Tranche 2003 (Value as at Dec 31, 2007)	Convertible debentures Tranche 2004 (Value as at Dec 31, 2007)	Convertible debentures Total units as at Dec 31, 2007
Dr Uwe Schroeder-Wildberg	–	50	**12,300**
Gerhard Frieg	–	40	**10,000**
Muhyddin Suleiman as of Sep 4, 2007	–	40	**10,000**
TOTAL	**–**	**130**	**32,300**

Within the scope of the Long-Term Incentive Programme, members of the Executive Board received performance shares (phantom shares) in the years 2005, 2006 and 2007. See the following table for number of units and values of phantom shares:

Performance shares – Executive Board

All figures in €'000	Tranche 2005 (Value as at Dec 31, 2007)	Tranche 2006 (Value as at Dec 31, 2007)	Tranche 2007 (Value as at Dec 31, 2007)	Tranche 2005 (Units)	Tranche 2006 (Units)	Tranche 2007 (Units)
Dr Uwe Schroeder-Wildberg	182	–	69	27,567	24,053	53,591
Gerhard Frieg	137	–	41	20,675	18,040	32,154
Muhyddin Suleiman as of Sep 4, 2007	34	–	41	5,169	4,510	32,154
TOTAL	**353**	**–**	**151**	**53,411**	**46,603**	**117,899**

For further details on share-based payments see note [30] "Share-based payments".

DECLARATION OF COMPLIANCE

Compliance with the Corporate Governance Code

MLP AG complies strictly with the recommendations of the Government Commission on the German Corporate Governance Code (version of June 14, 2007) with the exception only of sections 3.8 sentence 4, 5.1.2 sentence 6, 5.4.1 sentence 2 and 5.4.7 sentence 4.

A new Directors' & Officers' insurance policy (D&O insurance) with no excess is in place for the members of the Executive and Supervisory Boards. An excess is ill suited to increasing the committee members' motivation and sense of responsibility.

There is no age limit for the members of the Executive and Supervisory Boards of MLP AG. The appointment of members of the Executive and Supervisory Boards should be geared solely towards knowledge, skills and specialist experience. For this reason we will not implement this recommendation in 2008, as was also the case in 2007.

The members of the MLP AG Supervisory Board do not receive performance-related pay, as no convincing plans in support of such remuneration structures have yet come to light. For this reason we will not implement this recommendation in 2008, as was also the case in 2007.

In December 2007, the Executive and Supervisory Boards issued a declaration of compliance pursuant to § 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders via the company's website. You can view the text of the declaration of compliance of December 11, 2007 at www.mlp.de.

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

MLP IN THE PUBLIC ARENA

In addition of being a competent and reliable partner for our clients in the long term we also recognise and embrace our social responsibilities. It is for this reason that we have been sponsoring young academics for many years and are involved in numerous cultural, sporting and social projects.

EDUCATION

"JOIN THE BEST", MLP'S INTERNATIONAL INTERNSHIP PROGRAMME

For the fourth time MLP is offering an international career platform for students in the form of its "Join the Best" programme. 16 emerging talents selected by MLP have the opportunity to gather professional experience at renowned partner companies all over the world through internships abroad. MLP pays the cost of flight and accommodation, provides full insurance coverage and also sends the students away with an MLP credit card in their pockets. In 2007, around 4,200 budding academics – 900 more than in the previous year – applied for one of these sought-after internships. Top companies in top locations such as BASF AG in Singapore or the HypoVereinsbank in New York are amongst those participating in "Join the Best".

International career platform for students

PRO CAMPUS PRESS – THE PROJECT FOR PROMOTING UNIVERSITY JOURNALISTS

MLP supports up-and-coming student journalists and editors from university newspapers with material resources, job-shadowing placements and practical tips in workshops with well-known journalists. The company presented the MLP Campus Press Awards for the best university newspapers for the third time in 2007. The award ceremony was held on the MLP University Journalism Day at the Berlin-Brandenburg Academy of Sciences. University journalists from all over Germany also had the chance to improve their practical writing skills under expert guidance in the Pro Campus Press Workshop.

MLP supports up-and-coming journalists

MLP SUPPORTS JUNIOR CONSULTANTS

The conveying of experiences plays a vital role in the progress of our industry. Therefore MLP consultants in Hamburg are working in an advisory role in the student-based consultancy, called Hanseatic Consulting e.V. (HC). Consultants, who have professional experience, support junior consultants, for example through training courses or in project situations.

MLP SPONSORS "DUALE REIHE" MEDICAL TEXTBOOKS

Textbooks help medical students

MLP wants to help make it easier for medical students to master the enormous range of material in their courses, which is why MLP sponsors the "Duale Reihe" series of learner-friendly medical textbooks produced by Thieme Medical Publishers. Each book in this series is a textbook and a learning aid in one. As well as being extensively described in the text, the contents are also provided with short revision notes on the margin.

SPORT

MLP EXTENDS TITLE SPONSORSHIP OF THE MANNHEIM MARATHON TO 2010

MLP remains the title sponsor of the Mannheim Marathon

After four years as title sponsor of the twilight marathon through Mannheim and Ludwigshafen, MLP has extended its support of this largest popular sporting event in the Rhine-Neckar region for another three years. This underlines the importance of the company's commitment to the region. The running event with more than 10,000 participants counts as one of the top ten German marathons.

MLP GETS INVOLVED IN GOLF

In 2007, MLP supported the Bang & Olufsen Golf Journal Trophy for the first time. More than 7,000 golfers eagerly awaited the finale of the tournament, which encompassed 58 competitions in clubs in Germany, Austria and Switzerland. The best participants will be invited to play for victory in a relaxed holiday atmosphere in Spain.

GERMAN UNIVERSITY CHAMPIONSHIPS: MLP SPONSORS FOUR SPORTS

MLP continued its title sponsorship of the German University Championships in 2007 and supported the disciplines of football, basketball, horse riding and beach volleyball through its targeted advertising activities. The competition was organised by seven German universities.

MLP IS MAIN SPONSOR OF THE RHINE-NECKAR TRIATHLON CUP FOR A THIRD YEAR

For the third time, MLP sponsored the Rhine-Neckar Triathlon Cup (RNTC), one of Germany's most exciting contests. The triathlon comprised five events in 2007, in which world-class athletes and week-end warriors alike battled for victory.

THE MLP TENNISBASE – WHERE YOUNG PLAYERS CAN DEVELOP

MLP continues promotion of young tennis players

MLP was involved as the title sponsor of the MLP TennisBase in the Bavarian town of Oberhaching for a third year. Project partners MLP and the Bavarian Tennis Association (BTV) want to establish the TennisBase as the most successful German training institution for gifted young players. Young talents such as Florian Mayer are fostered and prepared for important tournaments.

MLP IS TITLE SPONSOR OF THE BASKETCAMP AT THE HEIDELBERG UNIVERSITY SPORTS CLUB (USC)

Since 2001 MLP has been the main sponsor of the Basketcamp, which also in 2007 was organised by the USC as a youth training camp during the summer and Christmas holidays. The camp offers talented young basketball players from the ProA category of the 2nd Basketball Bundesliga a chance to improve their technique. At the end of the camp, the "most improved players" were given an award by their coaches.

CULTURE

MLP IS PRIME PARTNER OF THE "HEIDELBERGER FRÜHLING" FOR A THIRD YEAR

MLP has supported the "Heidelberger Frühling", an international music festival, as its prime partner since 2005. This once again underlines the commitment of the financial services provider from Wiesloch to supporting young talent, as the festival is a renowned platform for promoting young talents. The "Heidelberger Frühling" enjoys an international reputation and became a real crowd puller last year with 24,000 visitors.

MLP PROMOTES THE KURPFÄLZISCHE CHAMBER ORCHESTRA

MLP supports classical music in the region

The Mannheim school returned to the Rhine-Neckar region with the Kurpfälzische Chamber Orchestra. The successor to the electoral court orchestra of Elector Charles Theodore has since ensured that musical standards are once again being set at an international level in the Rhine-Neckar region. MLP provides the ensemble with financial support.

SOCIAL COMMITMENT

WIESLOCHER TAFEL ENJOYS THE PROCEEDS FROM THE MLP CHRISTMAS TOMBOLA

The proceeds from the MLP Christmas tombola in 2007 provided a well-filled plate for all the disadvantaged in Wiesloch, who are in need of very low-priced groceries. The volunteers of the Wieslocher Tafel collect useable groceries from local shops and sell them to those in need at very low prices through their Tafel shop.

MLP DONATES TO THE DEUTSCH-PERUANISCHE GESELLSCHAFT ZUR FÖRDERUNG DER ÄRZTLICHEN VERSORGUNG IN PERU E.V. (GERMAN-PERUVIAN SOCIETY FOR THE ADVANCEMENT OF MEDICAL CARE IN PERU)

Social responsibility

Most children in Peru are not vaccinated, receive no medical care and many are malnourished. This leads to illness and a high childhood mortality rate, which stands in stark contrast to the scenic beauty of the mountain state. With its donations, MLP supported the medical self-help project "Mayantu" whose members are active in training medical staff on the ground, also involving traditional medicine. "Mayantu" is the legendary figure of the indigenous people, who helps the poor and the good.

MLP CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Income statement for the period from January 1 to December 31, 2007

All figures in €'000	Notes	2007	2006*
Income from brokerage business	(10)	476,254	474,862
Income from banking business	(11)	79,902	69,950
Income from wealth management	(12)	39,154	9,261
Other income	(13)	41,815	34,381
TOTAL INCOME		**637,126**	**588,454**
Expenses for brokerage business	(14)	–217,047	–224,235
Expenses for banking business	(15)	–21,356	–18,192
Expenses for wealth management	(16)	–2,190	–865
Personnel expenses	(17)	–107,425	–81,621
Depreciation/amortisation and impairments	(18)	–19,450	–16,961
Operating expenses	(19)	–159,256	–151,438
Earnings from companies accounted for using the equity method	(20)	–65	–
EARNINGS BEFORE INTEREST AND TAX (EBIT)		**110,337**	**95,142**
Other interest and similar income	(21)	6,696	9,757
Other interest and similar expenses	(21)	–8,859	–4,785
FINANCE COST	(21)	**–2,163**	**4,972**
EARNINGS BEFORE TAX (EBT)		**108,174**	**100,114**
Income taxes	(35)	–32,135	–23,583
EARNINGS FROM CONTINUING OPERATIONS AFTER TAX		**76,039**	**76,531**
EARNINGS FROM DISCONTINUED OPERATIONS AFTER TAX	(39)	**–13,893**	**–4,713**
NET PROFIT (TOTAL)		**62,146**	**71,818**
Of which			
shareholders of the parent company account for		62,146	71,818
minority interests account for		–	–
EARNINGS PER SHARE IN €			
FROM CONTINUING OPERATIONS			
basic	(44)	0.76	0.74
diluted**	(44)	0.75	0.73
FROM CONTINUING AND DISCONTINUED OPERATIONS			
basic	(44)	0.62	0.69
diluted**	(44)	0.61	0.69

* Previous year's values adjusted. The adjustments are disclosed under note 3.

** The maximum number of ordinary shares to be issued on the closing date due to the conversion of convertible debentures (see note 44) are treated like already issued shares.

CONSOLIDATED BALANCE SHEET

Assets as at December 31, 2007

All figures in €'000	Notes	Dec 31, 2007	Dec 31, 2006*
Intangible assets	(22)	184,739	187,117
Property, plant and equipment	(23)	83,910	89,063
Investment property	(24)	14,635	15,063
Shares in companies accounted for using the equity method	(25)	1,579	–
Deferred tax assets	(35)	1,570	3,957
Receivables from banking business	(26)	771,751	606,383
Financial investments	(27)	52,400	49,905
Tax refund claims	(35)	9,653	21,057
Receivables and other assets	(28)	157,263	177,134
Cash and cash equivalents	(29)	134,559	120,507
Non-current assets held for sale and disposal groups	(39)	12,154	–
TOTAL		**1,424,214**	**1,270,187**

Liabilities and shareholders' equity as at December 31, 2007

All figures in €'000	Notes	Dec 31, 2007	Dec 31, 2006*
Equity attributable to MLP AG shareholders	(30)	339,660	324,820
Minority interest	(30)	63	63
TOTAL SHAREHOLDERS' EQUITY	(30)	339,723	324,883
Provisions	(31)	43,777	42,423
Deferred tax liabilities	(35)	9,897	13,698
Liabilities due to banking business	(32)	752,281	599,699
Tax liabilities	(35)	74	7,618
Other liabilities	(33)	278,461	281,865
TOTAL		**1,424,214**	**1,270,187**

* Previous year's values adjusted. The adjustments are disclosed under note 3.

The notes on shareholders' equity appear under note 30.

CONSOLIDATED CASH FLOW STATEMENT

Cash flow statement for the period from January 1 to December 31, 2007

All figures in €'000	Notes	2007	2006*
NET PROFIT (TOTAL)		**62,147**	**71,818**
Income taxes paid		–28,055	–29,717
Interest and dividends received		39,500	32,890
Interest paid		–23,724	–16,375
Write-downs/impairments/reversal of impairments on intangible assets, property, plant and equipment and financial investments	(18) (22) (23)	20,385	17,683
Allowances for bad debts	(28)	5,266	9,082
Expenses for risk provisions	(15)	2,696	2,794
Increase/decrease of provisions	(31)	1,413	–7,766
Other non-cash expenses/income		7,497	13,990
Gain/loss from the disposal of intangible assets and property, plant and equipment	(13) (19)	1,101	472
Gain/loss from the disposal of financial investments		10	–4
Increase/decrease of receivables from/liabilities due to financial institution(s) from the banking business		–171,146	–94,910
Increase/decrease of receivables from/liabilities due to bank clients		155,664	97,173
Increase/decrease of other assets		27,033	–5,445
Increase/decrease of other liabilities and shareholders' equity		–18,470	83,873
Purchase price liability for the acquisition of subsidiaries		–2,745	–85,010
Gains from the disposal of subsidiaries	(13) (39)	4,851	–3,088
CASH FLOW FROM OPERATING ACTIVITIES		**83,423**	**87,460**
of which from discontinued operations		1,009	–5,938
Proceeds from disposal of intangible assets and property, plant and equipment		331	671
Payments for intangible assets and property, plant and equipment		–16,162	–20,048
Proceeds from disposal of financial investments		25,389	15,601
Payments for the purchases of financial investments		–34,065	–26,660
Payments for the acquisition of associated companies		–1,645	–
Proceeds from the disposal of subsidiaries		8,626	–
Payments for the disposal of subsidiaries		–2,573	–4,860
Payments for the acquisition of subsidiaries		–2,040	–57,761
CASH FLOW FROM INVESTING ACTIVITIES		**–22,139**	**–93,057**
of which from discontinued operations		–3,957	–5,300

All figures in €'000	Notes	2007	2006*
Proceeds from transfer to equity	(30)	227	988
Payments to company owners and minority shareholders	(30)	–39,967	–62,991
Payments for the acquisition of treasury stock	(30)	–7,453	–137,848
Payments for the repayment of bonds and redemption of loans		–84	–4,142
CASH FLOW FROM FINANCING ACTIVITIES		**–47,277**	**–203,993**
of which from discontinued operations		–	–
Change in cash and cash equivalents		14,007	–209,497
Changes in cash and cash equivalents due to exchange rate movements		–71	6
Cash and cash equivalents at beginning of period		120,483	329,974
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**134,419**	**120,483**
COMPOSITION OF FINANCIAL RESOURCES			
Cash and cash equivalents	(37)	134,543	120,490
Liabilities to banks due on demand	(33)	–124	–7
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**134,419**	**120,483**

* Previous year's values adjusted. The adjustments are disclosed under note 3.

The notes on the consolidated cash flow statement appear under note 37.

CHANGES IN THE CONSOLIDATED SHAREHOLDERS' EQUITY

All figures in €'000	Equity attributable to MLP AG shareholders						Minority interest	Total share-holders' equity
	Share capital	Capital reserves	Securities marked to market	Other compre-hensive income	Treasury stock	Total		
AS AT JAN 1, 2006 (AS REPORTED)	**108,641**	**11,474**	**63**	**345,456**	**–10,505**	**455,129**	**63**	**455,192**
Retrospective adjustments*	–	–	–	–4,584	–	–4,584	–	–4,584
AS AT JAN 1, 2006 (ADJUSTED)	**108,641**	**11,474**	**63**	**340,872**	**–10,505**	**450,545**	**63**	**450,608**
Changes to the scope of consolidation	–	–	–	65	–	65	–	65
Currency translation	–	–	–	73	–	73	–	73
Securities marked to market	–	–	6	–	–	6	–	6
NET INCOME RECOGNISED DIRECTLY IN EQUITY	**–**	**–**	**6**	**138**	**–**	**144**	**–**	**144**
NET PROFIT*	**–**	**–**	**–**	**71,818**	**–**	**71,818**	**–**	**71,818**
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	**–**	**–**	**6**	**71,956**	**–**	**71,962**	**–**	**71,962**
Dividend	–	–	–	–62,991	–	–62,991	–	–62,991
Share-based payments (convertible debentures)	141	3,013	–	–	–	3,154	–	3,154
Acquisition of treasury stock	–	–	–	–	–137,848	–137,848	–	–137,848
TRANSACTIONS WITH SHAREHOLDERS	**141**	**3,013**	**–**	**–62,991**	**–137,848**	**–197,685**	**–**	**197,685**
AS AT DEC 31, 2006	**108,781**	**14,487**	**69**	**349,836**	**–148,353**	**324,820**	**63**	**324,883**

* Previous year's values adjusted. The adjustments are disclosed under note 3.

All figures in €'000	Equity attributable to MLP AG shareholders						Minority interest	Total share-holders' equity
	Share capital	Capital reserves	Securities marked to market	Other compre-hensive income	Treasury stock	Total		
AS AT JAN 1, 2007	108,781	14,487	69	349,836	–148,353	324,820	63	324,883
Changes to the scope of consolidation	–	–	–	–1,267	–	–1,267	–	–1,267
Currency translation	–	–	–	–	–	–	–	–
Securities marked to market	–	–	–220	–	–	–220	–	–220
NET INCOME RECOGNISED DIRECTLY IN EQUITY	–	–	–220	–1,267	–	–1,487	–	–1,487
NET PROFIT	–	–	–	62,146	–	62,146	–	62,146
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	–	–	–220	60,879	–	60,659	–	60,659
Dividend	–	–	–	–39,967	–	–39,967	–	–39,967
Share-based payments (convertible debentures)	31	1,569	–	–	–	1,600	–	1,600
Acquisition of treasury stock	–	–	–	–	–7,452	–7,452	–	–7,452
TRANSACTIONS WITH SHAREHOLDERS	31	1,569	–	–39,967	–7,452	–45,819	–	–45,819
AS AT DEC 31, 2007	108,812	16,056	–151	370,749	–155,805	339,660	63	339,723

The notes on shareholders' equity appear under note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Segment reporting

All figures in €'000	Consulting and sales		Banking	
	2007	2006	2007	2006
INCOME				
Brokerage business	496,331	494,423	–	–
Banking business	–	–	79,988	70,063
Wealth management	–	–	–	–
of which total inter-segment income	20,076	19,561	85	113
of which with other continuing segments	20,076	19,561	85	113
Other income	18,406	26,686	1,562	107
TOTAL SEGMENT INCOME	**514,737**	**521,110**	**81,549**	**70,170**
Expenses for brokerage business	–217,047	–224,257	–	–
Expenses for banking business	–	–	–41,698	–36,246
Expenses for wealth management	–	–	–	–
Personnel expenses	–68,688	–63,763	–8,870	–7,502
Scheduled depreciation/amortisation and impairment	–12,986	–12,306	–234	–283
Operating expenses	–125,104	–127,210	–17,752	–17,550
Earnings from companies accounted for using the equity method	–65	–	–	–
SEGMENT EARNINGS BEFORE INTEREST AND TAX (EBIT)	**90,847**	**93,574**	**12,995**	**8,590**
Other interest and similar income	2,356	1,574	39	1
Other interest and similar expenses	–1,205	–870	–108	–61
FINANCE COST	**1,151**	**704**	**–69**	**–61**
SEGMENT EARNINGS BEFORE TAX (EBT)	**91,999**	**94,278**	**12,926**	**8,529**
Income taxes	–	–	–	–
SEGMENT EARNINGS FROM CONTINUING OPERATIONS AFTER TAX	**–**	**–**	**–**	**–**
SEGMENT EARNINGS FROM DISCONTINUED OPERATIONS AFTER TAX	**–9,521**	**–8,459**	**–**	**–**
GROUP NET PROFIT INCL. MINORITY INTEREST	**–**	**–**	**–**	**–**
ADDITIONAL INFORMATION				
Segment assets	350,483	305,764	815,594	655,784
Shares in companies accounted for using the equity method	1,579	–	–	–
Tax receivables/deferred tax assets	1,949	4,580	12	552
Non-current assets held for sale and disposal groups	–	–	11,141	–
TOTAL SEGMENT ASSETS*	**354,011**	**310,345**	**826,746**	**656,336**
Segment liabilities	243,475	209,537	793,676	620,286
Tax liabilities/eferred tax liabilities	–	5	–	37
TOTAL SEGMENT LIABILITIES	**243,475**	**209,542**	**793,676**	**620,323**
Investments in intangible assets and property, plant and equipment	13,496	18,944	1	212
Other non-cash expenses except for depreciation/amortisation	–22,370	–20,173	–5,831	–6,228
Scheduled depreciation/amortisation	–13,111	–12,481	–234	–283

* Previous year's values were adjusted due to a technical correction of the allocation of segment assets (previous year prior to correction: consulting and sales segment € 250,693 thsd, wealth management segment € 44,024 thsd, consolidation/others € 133,338 thsd). See note 3 for other adjustments of previous year's values.

See note 38 for the composition of segments.

Wealth management		Internal services and administration		Consolidation/ other		Total	
2007	2006	2007	2006	2007	2006	2007	2006
–	–	–	–	−20,076	−19,561	476,254	474,862
–	–	–	–	−85	−113	79,902	69,950
39,442	9,261	–	–	−288	–	39,154	9,261
288	–	–	–	–	–	–	–
288	–	–	–	–	–	–	–
11,214	1,451	25,961	21,871	−15,328	−15,734	41,815	34,381
50,656	**10,712**	**25,961**	**21,871**	**−35,778**	**−35,408**	**637,126**	**588,454**
–	–	–	–	–	21	−217,047	−224,235
–	–	–	–	20,342	18,054	−21,356	−18,192
−2,190	−865	–	–	–	–	−2,190	−865
−22,717	−4,635	−7,150	−5,721	–	–	−107,425	−81,621
−2,687	−708	−3,542	−3,663	–	–	−19,450	−16,961
−11,744	−2,414	−20,358	−21,747	15,702	17,483	−159,256	−151,438
–	–	–	–	–	–	−65	–
11,318	**2,090**	**−5,089**	**−9,260**	**266**	**150**	**110,337**	**95,142**
276	204	9,961	10,888	−5,936	−2,909	6,696	9,757
−26	–	−7,873	−3,939	352	84	−8,859	−4,785
250	**204**	**2,088**	**6,949**	**−5,584**	**−2,825**	**−2,163**	**4,972**
11,568	**2,294**	**−3,000**	**−2,311**	**−5,317**	**−2,675**	**108,174**	**100,114**
–	–	–	–	–	–	−32,135	−23,583
–	**–**	**–**	**–**	**–**	**–**	**76,039**	**76,531**
–	**–**	**–**	**–**	**−4,372**	**3,745**	**−13,893**	**−4,713**
–	**–**	**–**	**–**	**–**	**–**	**62,146**	**71,818**
120,464	118,934	454,130	432,820	−341,413	−268,130	1,399,258	1,245,173
–	–	–	–	–	–	1,579	–
1,084	232	8,178	19,650	–	–	11,223	25,014
1,013	–	–	–	–	–	12,154	–
122,561	**119,166**	**462,308**	**452,470**	**−341,413**	**−268,130**	**1,424,214**	**1,270,187**
10,215	9,257	132,459	121,716	−105,307	−36,809	1,074,519	923,988
9,686	15,463	286	5,811	–	–	9,971	21,316
19,901	**24,720**	**132,745**	**127,527**	**−105,307**	**−36,809**	**1,084,491**	**945,303**
1,116	244	1,549	648	–	–	16,162	20,048
−6,023	−1,596	−12,547	−10,993	–	–	−46,771	−38,990
−2,687	−708	−3,542	−3,663	–	–	−19,574	−17,135

GENERAL INFORMATION

[1] Information about the company

The consolidated financial statements were prepared by the parent company of the MLP Group, MLP AG, Wiesloch, Germany. MLP AG is listed in the Mannheim Commercial Register under the number HRB 332697 with the address Alte Heerstraße 40, 69168 Wiesloch, Germany.

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

MLP offers financial, wealth management and banking services.

[2] Principles governing the preparation of the financial statements

The consolidated financial statements of MLP AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standard Board (IASB) taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as they apply in the European Union (EU). In addition, the commercial law regulations to be observed pursuant to § 315a (1) of the German Commercial Code (HGB) were also taken into account. The financial year corresponds to the calendar year.

The consolidated financial statements have been prepared on a historical cost basis with the exception that certain financial instruments are measured at fair value. In accordance with its business activities, the presentation of the consolidated balance sheet is based on liquidity.

The consolidated income statement is prepared in accordance with the nature of expense method. The net income of discontinued operations is disclosed separately. Adjusted previous year's figures are not directly comparable with figures disclosed in the financial statements of previous years. For details please refer to note 39.

The consolidated financial statements are drawn up in euros (€), which is the functional currency of the parent company. If not otherwise specified all amounts are stated in thousands of euros (€'000). Both single and cumulative figures are values with the smallest rounding difference. As a result, differences to reported total amounts may arise when the individual values shown are added up.

[3] Adjustments to the accounting policies

The accounting policies applied are the same as those used in the previous year, with the following exceptions:

As of the financial year 2007 the interest costs from the discount rate adjustments for pension provisions are no longer recorded under "Personnel expenses" or "Operating expenses" but under "Other interest and similar expenses". The previous year's figures were adjusted. The change in the disclosure of these figures means that discount rate adjustments are now stated under finance costs in accordance with their economic character. In the income statement for January to December 2006, discount rate adjustments for pension provisions amounting to € 638 thsd has been reclassified from "Personnel expenses" and € 154 thsd from "Operating expenses" to "Other interest and similar expenses". This reclassification had no effect on net profit and earnings per share.

The participation of other shareholders in Feri Finance AG für Finanzplanung und Research, Bad Homburg v.d. Höhe, Germany ("Feri Finance AG") was already disclosed as a liability in the previous year's balance sheet due to the put option granted to these shareholders. In deviation from the interim reporting throughout the financial year, the dividend payments to other shareholders of Feri Finance AG are recognised in the income statement as interest expenses. Due to this change in disclosure, the dividend payments amounting to € 2,151 thsd in 2007 (2006: € 0 thsd) are recorded as borrowed capital under "Finance cost" analogous to minority interest.

MLP has reported the purchase price allocation (PPA) that was undertaken in the course of the acquisition of Feri Finance AG on the basis of provisional figures in the consolidated financial statements for the financial year 2006. In the second quarter of 2007 new information became available on the value of the acquired assets and liabilities, which led to a slight adjustment in the purchase price allocation. The adjustment was implemented retrospectively. The carrying amounts for intangible assets were adjusted from € 36,593 thsd to € 37,433 thsd in comparison to the value as at December 31, 2006. Consequently, the deferred tax liabilities increased by € 314 thsd. At the same time the goodwill decreased from € 118,951 thsd to € 118,424 thsd. This adjustment does not affect the net profit and the earnings per share.

In accordance with an established interpretation of IAS 37, MLP has changed the valuation of provisions for cancellations in the reporting year. These provisions allow for the risk of having to refund earned commissions due to a premature loss of brokered insurance policies. Unlike the previous years, for the first time in 2007, MLP has calculated the provisions without considering compensation effects, which, based on experience, occur with a large number of brokered policies. This adjustment results in a more cautious valuation of provisions. In line with IAS 8 this valuation change was implemented retrospectively. The adjustment of the previous year's values (January 1, 2006) has resulted in a reduction of shareholders' equity by € 6,472 thsd. The net profit for 2006 subsequently increased by € 1,278 thsd, the adjusted basic and diluted earnings per share are both € 0.01 above the initially published values.

Due to the consolidation of debts recognised in the income statement, MLP has formed deferred tax liabilities in the years from 2002 to 2006 totalling to € 6,638 thsd. These temporary differences totalling to € 17,228 thsd had reversed by January 1, 2006 by an amount of € 4,840 thsd and by an amount of € 12,388 thsd during the course of 2006. Due to the non-reversal of deferred taxes, the tax expense was overstated by € 1,887 thsd and € 4,751 thsd in the given periods, and thus the net profit disclosed was understated. In line with IAS 8 MLP has restated the deferred taxes retrospectively in the consolidated financial statements as at December 31, 2007. In comparison to the initially published figures, the shareholders' equity as at January 1, 2006 had therefore to be increased by € 1,887 thsd and the deferred tax expenses to be reduced by € 4,751 thsd for 2006 (of which: € 1,347 thsd for discontinued operations). With regard to the continuing operations, the higher net profit for 2006, which increased by € 4,751 thsd, means that basic and diluted earnings per share have each risen by € 0.03. The basic and diluted earnings per share attributable to discontinued operations have each risen by € 0.01.

The required adjustments in line with IFRS 5 are stated under note 39.

The tables below illustrate the effects of the changes in the accounting policies on the previous year's values:

Consolidated balance sheet

All figures in €'000	Dec 31, 2006 adjusted	Dec 31, 2006 as reported	+/–	Of which netting of deferred tax assets/ liabilities	Of which business acquisition (PPA)	Of which provisions for cancellations	Of which deferred taxes
Intangible assets	187,117	186,803	314	–	314	–	–
Deferred tax assets	3,957	170	3,787	466	–	3,321	–
Equity attributable to MLP AG shareholders	324,820	323,376	1,445	–	–	5,194	–6,638
Provisions	42,423	33,908	8,515	–	–	–8,515	–
Deferred tax liabilities	13,698	19,556	–5,858	–466	–314	–	6,638

Consolidated income statement

All figures in €'000	2006 adjusted	2006 as reported	+/–	Of which IFRS 5	Of which pensions	Of which provisions for cancellations	Of which deferred taxes
Income from brokerage business	474,862	473,504	1,358	–3,500	–	4,858	–
Other income	34,381	35,421	–1,040	–1,040	–	–	–
Expenses for brokerage business	–224,235	–221,950	–2,285	477	–	–2,763	–
Personnel expenses	–81,621	–85,668	4,047	3,409	638	–	–
Depreciation/amortisation	–16,961	–17,238	277	277	–	–	–
Operating expenses	–151,438	–159,313	7,875	7,721	154	–	–
Other interest and similar income	9,757	9,906	–149	–149	–	–	–
Other interest and similar expenses	–4,785	–4,004	–781	11	–792	–	–
Income taxes	–23,583	–26,170	2,587	–	–	–817	3,404
Earnings from continuing operations	76,531	64,642	11,889	7,207	–	1,278	3,404
Earnings from discontinued operations	–4,713	1,147	–5,860	–7,207	–	–	1,347
Net profit (total)	71,818	65,789	6,029	–	–	1,278	4,751
Earnings per share from continuing operations in €							
basic	0.74	0.62	0.11	0.07	–	0.01	0.03
diluted	0.73	0.62	0.11	0.07	–	0.01	0.03
Earnings per share from discontinued operations in €							
basic	–0.05	0.02	–0.06	–0.07	–	–	0.01
diluted	–0.04	0.01	–0.06	–0.07	–	–	0.01

The following standard revisions and interpretations had to be applied for the first time to the financial year beginning on January 1, 2007. With the exception of the revision of IAS 1, they are either of no relevance to MLP or have had no significant effect on the Group's financial statements:

- IAS 1 (revision) "Presentation of financial statements": The revision of IAS 1 provides solely for additional disclosures in the notes.
- IFRIC 7 "Applying the restatement approach under IAS 29 financial reporting in hyper-inflationary economies": IFRIC 7 provides guidance regarding the application of IAS 29 in countries where hyper-inflation has occurred for the first time.

- IFRIC 8 "Scope of IFRS 2": The interpretation regulates the handling of share-based payments of which the identifiable consideration does not reach the fair value of the equity instruments issued.
- IFRIC 9 "Reassessment of embedded derivatives": The interpretation regulates the occasions on which it is to be determined whether an embedded derivative is to be separated.
- IFRIC 10 "Interim financial reporting and impairment": The interpretation defines how to handle certain impairment losses recorded that have been disclosed in interim reports in the consolidated financial statements.

The application of the following new or amended standards and new interpretations was not yet binding for the financial year beginning on January 1, 2007 and were not early adopted:

- IFRIC 11 "IFRS 2 – Group and treasury share transactions": The interpretation regulates the application of IFRS 2 "Share-based payments" with regard to agreements which grant company equity instruments or equity instruments of another company within the same group (such as equity instruments of the parent company) as remuneration. IFRIC 11 is to be applied to financial years beginning on or after March 1, 2007.
- IFRIC 12 "Service concession arrangements" refers to arrangements whereby the public sector grants contracts for the supply of public services (such as roads) to private sector operators and addresses the application of IFRS by the private sector. IFRIC 12 is to be applied to financial years beginning on or after January 1, 2008.
- IFRIC 13 "Customer loyalty programmes" addresses the accounting by entities that grant their customers award credits when purchasing other goods or services. In particular the question of how companies have to recognise their obligations to provide free or discounted goods or services ("incentives") to customers redeeming their credits in the balance sheet is clarified. If accepted in its current form by the EU, IFRIC 13 is to be applied to financial years beginning on or after July 1, 2008.
- IFRIC 14 "IAS 19 Employee benefits: The limit on a defined benefit asset, minimum funding requirements and their interaction" provides guidelines on defining the limit on the amount of a surplus in a pension plan they can recognise as an asset under IAS 19. Furthermore, IFRIC 14 also explains how statutory or contractual minimum funding requirements may affect the accounting of assets and liabilities resulting from a defined pension plan. If accepted in its current form by the EU, IFRIC 14 is to be applied to financial years beginning on or after July 1, 2008.
- IFRS 8 "Operating segments" replaces IAS 14 "Segment reporting" and adopts the management approach for segment reporting in line with IFRS, as implemented in SFAS 131. IFRS 8 is to be applied to financial years beginning on or after January 1, 2009.

- Revision of IAS 23 "Borrowing costs": The main amendment concerns the elimination of the option of recognising immediately as an expense borrowing costs that are directly attributable to a qualifying asset. In accordance with the new standard, borrowing costs must be capitalised as part of the acquisition or manufacturing costs of the asset. If accepted in its current form by the EU, the amended version of IAS 23 is to be applied to borrowing costs for qualifying assets. This revision is to be applied to financial years beginning on or after January 1, 2009.
- Revision of IAS 1 "Presentation of financial statements": Amendments to the current version of IAS 1 comprise: (i) separate disclosure of all equity capital changes, which are not shareholder-related. This can either be done through a "comprehensive statement of earnings" or in two separate presentations (a traditional profit and loss account and a comprehensive statement of earnings). (ii) The retrospective application of accounting policies or correction of an error and changes in disclosure requires the inclusion of an additional balance sheet in the financial statements at the beginning of the previous period. If accepted in its current form by the EU, the revised standard is to be applied to financial years beginning on or after January 1, 2009.

The events mentioned in IFRIC 12, 13 and 14 have not occurred at MLP to date. In the cases of IFRIC 11 and IFRS 8 MLP is not expecting any effects on the representation of the Group's net assets, financial position and results of operations. MLP will check the effects of the amendments to IAS 23 and IAS 1 as soon as there is a version available which has been accepted by the EU. MLP is currently also reviewing what effects the revised standards IFRS 2, IFRS 3 and IAS 27, which were approved in 2008 prior to the release of the Group's financial statements, will have on the MLP's financial and asset situation. MLP will apply the new and/or revised IFRS standards at the latest when their application becomes binding following their acceptance by the EU.

[4] Significant discretionary decisions and estimates

On occasions, the preparation of the financial statements included in the IFRS consolidated financial statements requires estimates, which influence the level of the disclosed assets and debts, the disclosure of contingent liabilities and receivables, the income and expenses of the reporting period and the other disclosures in the consolidated financial statements. The actual values may deviate from the estimates.

The accounting policies applied are described in note 9 to the consolidated financial statements. Significant discretionary decisions and estimates affect the following cases:

MLP considers a lease agreement governing the commercial leasing of its investment property to be an operating lease as the significant risks and rewards incident to ownership of the property did not devolve to the lessee. As at December 31, 2007, the carrying amount of the property stood at € 14,635 thsd (previous year: € 15,063 thsd).

For the development of new software, MLP performs internal development activities primarily in cooperation with external software partners. The capitalisation of the development costs starts with the fulfilment of the recognition criteria as per IAS 38.57. The depreciation of the capitalised expenses begins once they are ready for use or when the software is rolled out and will be effected over the expected useful life of three to five years. As at December 31, 2007, internal development costs of € 1,525 thsd net (previous year: € 1,462 thsd) had been capitalised.

MLP classifies € 13,963 thsd (previous year: € 11,916 thsd) of **financial instruments as "held to maturity"**. These financial instruments are fixed income securities. So far MLP did not sell any financial instruments classified as "held to maturity" before maturity.

For the **evaluation of pension obligations**, MLP uses statistical or actuarial calculations by actuaries to estimate future events for the calculation of the expenses and obligations in connection with these plans. These calculations are based on assumptions regarding the discount rate and the growth rates of salaries and pensions. The interest rate used to discount post-employment benefit obligations is derived from the yields of senior corporate bonds in the respective country at the balance sheet date, or alternatively from the yields of federal loans at the balance sheet date. As at December 31, 2007 the present value of provisions for pensions and other post-employment benefits payable under defined benefit plans was € 17,895 thsd (previous year: € 20,584 thsd). Further details of pension provisions are given in note 34.

Allowances for losses in the banking business are estimated on the basis of historical loss rates. Specific allowances for bad debts are recognised if receivables are likely to be uncollectable. In addition, MLP forms allowances for bad debts on a portfolio basis for remaining accounts receivable based on the dunning level. The individual allowances as at December 31, 2007 came to € 2,860 thsd (previous year: € 2,885 thsd). The impairment loss on portfolio basis as at December 31, 2007 came to € 9,439 thsd (previous year: € 9,496 thsd). Alongside the receivables deducted from the allowance on the assets side of € 12,299 thsd (previous year: € 12,381 thsd), the allowances for losses on loans and advances comprised provisions for the lending business of € 1,524 thsd (previous year: € 596 thsd).

Business combinations require estimates of the fair value of the assets, debts and liabilities purchased. Property, plant and equipment are usually measured by independent experts, while marketable securities are shown at their stock market price. If intangible assets are to be valued, MLP either consults an independent external expert or calculates the fair value internally based on a suitable valuation method, generally discounted cash flows, depending on the type of asset and the complexity involved in calculating the value.

Depending on the type of asset and the availability of information, various valuation techniques are applied which can be categorised into cost-oriented, market price-oriented and capital value-oriented methods. For instance, when valuing trademarks and licences, the relief-from-royalty method might be appropriate. Here the value of intangible assets is assessed based on royalties saved for trademarks and licences held by the company itself. Please refer to note 8 regarding the companies acquired in the previous year and the assets and liabilities identified in the purchase price allocation including contingent liabilities and their fair values.

As the purchaser of 56.586 % of the shares in Feri Finance AG für Finanzplanung und Research (hereinafter called "Feri Finance AG"), Bad Homburg v.d. Höhe, Germany, in the financial year 2006, MLP granted the vending shareholders the right to sell the remaining shares to MLP AG at a later date. Due to this arrangement Feri Finance AG was fully consolidated at 100 % as of the date of purchase. The purchase price obligation for purchasing the remaining shares arising from the put option consists of a fixed component and a variable component and was expensed as a financial liability on December 31, 2006 (2006: € 82,970 thsd). Accordingly, no minority interest is recorded under shareholders' equity of the consolidated balance sheet as at December 31, 2006.

At the same time, MLP AG had the right (call option) to purchase the remaining stake of 43.414 % in Feri Finance AG. MLP AG exercised the call option on October 29, 2007. The fixed price component to be paid for the shares amounts to € 47,755 thsd.

The variable purchase price component of the exercised call option has been recorded at its fair value of € 40,000 thsd at the time the mutual options were agreed upon in the financial year 2006. The liability is adjusted according to the effective interest method with a corresponding recognition of interest charge in the income statement. Changes to the fair value of the variable part of the financial liability are recorded directly in equity by adjusting the goodwill, provided these changes can be reliably determined. As at December 31, 2007 the accrued variable purchase price liability remains at € 40,000 thsd.

The fixed purchase price component from the exercised call option has been recognised at its fair value of € 47,755 thsd instead of the put option liability of € 42,970 thsd recorded in the previous year. It is adjusted according to the effective interest method with a corresponding recognition of interest charges in the income statement. As at December 31, 2007, the accrued liability amounted to € 47,755 thsd (previous year: € 42,970 thsd).

The remaining stake of 43.414 % in Feri Finance AG will be transferred to MLP AG at the earliest by April 15, 2011. The expected remaining purchase price of € 87,755 thsd plus interest becomes due with the actual transfer of shares.

Profit distributions to the owners of Feri shares not yet lawfully transferred will be recognised as interest charge.

In line with IAS 36, **goodwill** acquired in a business combination shall be tested for impairment on a yearly basis. For the purpose of the impairment test, goodwill is to be allocated to cash-generating units at the acquisition date. The impairment test compares the carrying amount of the cash-generating units with the recoverable amount. The recoverable amount is the higher amount of the net selling price and the value in use of the cash-generating unit. For the allocation of goodwill, MLP identified the segments of "Consulting and sales", "Banking", "Wealth management" and "Internal services and administration" as cash generating units. The segments "Consulting and sales" and "Wealth management" have been allocated the following goodwill values arising from business combinations:

All figures in €'000	Dec 31, 2007	Dec 31, 2006
Consulting and sales segment	65,121	60,336
Wealth management segment	52,150	58,774

MLP establishes the recoverable amount as value in use and thus as present value of future cash flow of the respective cash-generating unit. The future cash flows are based on MLP planning. The calculation of the present value of anticipated future cash flows is based on assumptions on the development of funds under management, future sales volumes and expenses. The cash flow estimates are based on detailed planning periods extending through to 2012. For the period after that, the planning is based on an average growth rate of 1.0 %. The cash flow figures for the detailed planning phase were discounted with weighted capital cost rates of 13.8 to 15.1 % before tax. Taking account of the growth rates, the discount rates for the period after the detailed planning phase range between 12.1 % and 13.0 % before taxes.

As at December 31, 2007 a total goodwill of € 117,271 thsd (previous year: € 119,109 thsd) had been capitalised. As in the previous year, the impairment test has confirmed the anticipated carrying amounts for goodwill.

Indefinite-lived intangible assets are also to be tested for possible impairment on a yearly basis. This concerns the "Feri" brand, which was acquired in 2006 within the scope of the business combination with the Feri Group. In view of the recognition of this brand, at present no definite end of its useful life can be specified. The carrying amount of the "Feri" brand is € 15,829 thsd (previous year: € 14,989 thsd). It is fully allocated to the cash-generating unit "Wealth management". A fair value less cost to sell has been established for the "Feri" brand on the basis of the relief-from-royalty method. Since this value exceeds the carrying amount of the "Feri" brand, no impairment loss had to be recorded.

[5] Declaration of compliance with the German Corporate Governance Code pursuant to § 161 of the Stock Corporation Act (AktG)

The Executive and Supervisory Boards issued a declaration of compliance with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders via its website, www.mlp.de.

[6] Scope of consolidation and shares in associates

	Dec 31, 2007	Dec 31, 2006
Number of fully consolidated subsidiaries		
Germany	8	10
Foreign operations	1	3
Number of associates		
Germany	1	–
Foreign operations	–	–
	10	**13**

SUBSIDIARIES

The consolidated financial statements include MLP AG as parent company and the companies (subsidiaries) controlled by it in accordance with IAS 27. Subsidiaries are companies in which MLP AG holds the majority of the voting rights or exerts any other means of control over the financial and operating policy so as to obtain benefits from its activities. The subsidiaries consolidated as at December 31, 2007 are listed in the table below:

Subsidiary	Shareholding in %	First consolidated
MLP Finanzdienstleistungen AG, Wiesloch	100.00	31.12.1997
MLP BAV GmbH, Wiesloch	100.00	01.04.2004
BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH, Bremen	51.08	08.10.2004
BERAG Versicherungs-Makler GmbH, Bremen	51.08	08.10.2004
MLP Finanzdienstleistungen AG, Vienna, Austria	100.00	09.03.2005
Feri Finance AG für Finanzplanung und Research, Bad Homburg v.d. Höhe	56.59	20.10.2006
Feri Wealth Management GmbH, Bad Homburg v.d. Höhe	56.59	20.10.2006
Feri Institutional Advisors GmbH, Bad Homburg v.d. Höhe	56.59	20.10.2006
Feri Rating & Research GmbH, Bad Homburg v.d. Höhe	56.59	20.10.2006

MLP Vermögensberatung AG, Vienna, Austria, changed its name to MLP Finanzdienstleistungen AG on October 17, 2007.

In the financial year 2007, the scope of consolidation of MLP AG was extended to include two domestic subsidiaries (previous year: five domestic subsidiaries) while two foreign subsidiaries (previous year: one foreign subsidiary) were removed.

With effect from June 6, 2007, MLP Finanzdienstleistungen Aktiengesellschaft was merged into MLP Bank AG. The amalgamated company operates under the name MLP Finanzdienstleistungen AG.

On July 12, 2007, Feri Rating & Research GmbH sold Feri Fund Market Information Ltd. and its subsidiary FI Datenservice GmbH (formerly Mainsee 437. V V GmbH).

The subsidiaries MLP Private Finance plc., London, Great Britain, and MLP Private Finance Correduria de Seguros S.A., Madrid, Spain, were deconsolidated in the fourth quarter of 2007.

The complete listing of the MLP Group's shareholdings is recorded in the electronic German Register of Companies.

The effects of the business combinations are explained in note 8 and those of the deconsolidation in note 39.

SHARES IN ASSOCIATES

Associates are companies where MLP AG has significant influence, but which are neither subsidiaries nor joint enterprises.

In July 2007 MLP Finanzdienstleistungen AG acquired a total of 49.8 % of shares in MLP Hyp GmbH, Schwetzingen, Germany. MLP Hyp GmbH forms the platform for the joint construction financing business of MLP Finanzdienstleistungen AG and Interhyp AG. The financial year corresponds to the calendar year.

[7] Principles of consolidating subsidiaries and associates

FULL CONSOLIDATION

The consolidated financial statements include the financial statements of MLP AG and its subsidiaries as at December 31 of each financial year. The financial statements of the parent company and of the subsidiaries are prepared in accordance with uniform accounting policies.

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

Assets, liabilities and contingent liabilities resulting from company acquisitions are valued at fair value at the date of acquisition. If the acquisition costs exceeds the fair value of the identifiable assets and liabilities acquired, the difference is recognised as goodwill. A negative difference between the acquisition costs and the acquired identifiable assets and liabilities is recognised in profit or loss in the period of the acquisition. Minority interest are measured at the proportion of the net fair value of the assets of the subsidiary.

The effects of intercompany transactions have been eliminated. Receivables and liabilities between the consolidated companies are offset and intra-group gains and losses are eliminated. Intra-group income is offset against the corresponding expenses. Deferred taxes are recognised by MLP to accommodate any temporary differences between the IFRS carrying amounts and the tax values resulting from the consolidation. The results of the subsidiaries achieved during the financial year are included in the consolidated income statement from the effective date of their acquisition.

EQUITY METHOD

The shares in associates accounted for using the equity method are recorded at the date of addition based on their historical costs. The goodwill corresponds to the positive difference between the historical costs of the interest and the pro rata net fair value of the associate's assets. When applying the at equity method, the goodwill is not amortised, but is reviewed for indications of an impairment of the shares.

The acquisition costs are annually updated by taking into account the changes in equity corresponding to MLP's equity share. Unrealised profits and losses from transactions with associates are eliminated based on the percentage of shares held. The net profit affecting changes of the pro rata equity are shown in the company's income statement under "Earnings from companies accounted for using the equity method".

If shares in associates are to be classified as available for sale, the shares are no longer valued at equity, but at the lesser of its carrying amount and the fair value less cost to sell. In the balance sheet these shares are disclosed under "Non-current assets held for sale and disposal groups".

CURRENCY TRANSLATION

The consolidated financial statements are drawn up in euros, the parent company's functional currency and the Group's presentation currency. The financial statements of foreign Group companies prepared in a foreign currency were translated using the functional currency approach. Since all subsidiaries operate as financially, economically and organisationally independent entities, their respective local currency is their functional currency. The assets and liabilities of foreign subsidiaries are translated at the reference rate of the European Central Bank (ECB reference rate) on the balance sheet date and expenses and income are translated based on monthly average prices. Translation differences are recognised directly in the equity until the disposal of the subsidiary.

In the individual financial statements monetary items (liquid funds, receivables, liabilities) measured in a foreign currency are translated using the closing rate (ECB reference rate). Non-monetary items measured in a foreign currency are translated at their historical costs. The differences resulting from the translation of monetary items are recorded by MLP AG in the income statement under operating expenses and other income. In the financial year 2007, income of € 13 thsd (previous year: € 21 thsd) and expenses of € 308 thsd (previous year: € 86 thsd) resulted from currency translation.

Currency translation differences arising from foreign-currency loans, insofar as they are part of a net investment in a foreign operation, are not included in the company's income statement. In this case capital is provided and no repayment of it is planned or likely in a foreseeable period. The translation differences are recognised directly in the equity with no effect on the operating result and are moved to the net income for the period when the foreign entity is disposed of. Due to the deconsolidation of MLP Private Finance plc., London, in the financial year 2007, currency differences of € 688 thsd were recognised in the income statement.

No subsidiaries of the MLP Group operate in hyper-inflationary economies.

Currency translation is based on the exchange rates of the main currencies listed below:

Currency translation 1€=	Closing rates (€)		Average rates (€)	
	2007	2006	2007	2006
CURRENCIES				
Pound sterling	0.73335	0.67150	0.68479	0.68205
Swiss franc	1.65470	1.60690	1.64318	1.57331
US dollar	1.47210	–	1.37074	–

[8] Business combinations

On October 20, 2006, MLP AG purchased a total of 56.586 % of shares and thus held corresponding voting rights in Feri Finance AG für Finanzplanung und Research, Bad Homburg v.d. Höhe, Germany.

MLP AG had a call option to purchase the remaining stake of 43.414 % in Feri Finance AG. MLP AG exercised the call option on October 29, 2007. The fixed purchase price component to be paid due to the call option amounts to € 47,755 thsd.

Depending on the future economic development of Feri Finance AG and the portfolio development of funds under management at MLP, the purchase price may increase by a variable component. MLP currently anticipates that the variable component of the purchase price will come to € 40,000 thsd.

The remaining stake of 43.414 % in Feri Finance AG will be transferred to MLP AG at the earliest by April 15, 2011. Upon in rem transfer of the shares, the currently anticipated residual purchase price of € 87,755 thsd will become due.

The purchase price allocation carried out provisionally as at December 31, 2006 was finalised in the past financial year. The provisional and the final fair values allocated to the acquired assets, liabilities and contingent liabilities are listed in the table below to allow comparison.

Acquired net assets – All figures in €'000	Final fair value	Adjustment	Provisional fair value as reported
Intangible assets	37,433	840	36,593
Property, plant and equipment	1,042	–	1,042
Financial investments	2,234	–	2,234
Receivables from banking business	1,211	–	1,211
Receivables and other assets	12,840	–	12,840
Cash and cash equivalents	9,481	–	9,481
Provisions	–850	–	–850
Liabilities	–15,759	–	–15,759
Deferred tax liabilities	–13,804	–314	–13,491
TOTAL NET ASSETS	**33,828**	**527**	**33,301**
Goodwill (provisional)	118,424	–527	118,951
TOTAL PURCHASE PRICE (PROVISIONAL)	**152,252**	**–**	**152,252**

The provisional amount resulting from the difference between the total purchase price for the shares in Feri Finance AG and the fair values of the identifiable assets, liabilities and contingent liabilities acquired is € 123,209 thsd (previous year: € 118,951 thsd). It is recognised as goodwill. The acquired goodwill mainly results from the anticipated potential synergies and the know-how of employees.

Due to exercising the call option, the anticipated total purchase price has changed compared to last year's anticipated scenario of "Exercising of the put option by other shareholders of Feri Finance AG" and is as follows:

Purchase price – All figures in €'000	2007	Adjustment	2006
Purchase of 56.586% of the share capital	64,390	–	64,390
Remaining fixed purchase price component 43.414%	47,755	4,785	42,970
PURCHASE PRICE	112,145	4,785	107,360
Variable purchase price component (anticipated value)	40,000	–	40,000
Incidental acquisition expenses	4,892	–	4,892
TOTAL PURCHASE PRICE (PROVISIONAL)	157,037	4,785	152,252

Feri-Group represents a separate segment, "Wealth management".

[9] Accounting policies

INCOME

Income is generally recognised if it is probable that MLP will gain a definable economic benefit from it.

Commission income from the brokerage of insurance policies **(acquisition commission)** is recognised independently of the inflow of funds if the Group is entitled to receive payment. The entitlement to payment automatically arises when the first premium of the policy holder has been collected by the insurance company, but at the earliest upon conclusion of the insurance contract. MLP is entitled to time-limited **trail commissions** for the brokerage of certain contracts (especially pertaining to life insurance). They are realised according to the same principles as acquisition commissions. MLP receives partially recurrent **trailer fees** for brokered life and health insurance contracts. The company is entitled to these as long as premiums are payable for underlying contracts. **Other payments** similar to brokerage-related commissions are recognised under "Other commission payments". MLP sets up cancellation provisions based on empirical values with regard to its obligation to (partially) repay commissions received if brokered insurance policies are cancelled.

Income from consulting services is realised to the extent that consulting services have actually been provided.

Income from banking business mainly concerns custody and account maintenance charges as well as fund management and consulting fees. Income is generated after service provision. MLP realises brokerage commissions for loan brokerage after concluding the respective loan agreement.

Commissions that are part of the effective interest return of a receivable are treated as interest income and recorded in those periods in which they are actually earned. They include **commitment commissions** for giving loan commitments or taking over an existing liability. The company realises fees for other current handling and processing services after providing these services. The same applies to commitment commissions if it is unlikely that the borrower will draw on the credit facility.

Interest income is earned for the duration of the capital investment in line with the effective interest method, **dividends** are recognised the moment an entitlement to payment arises.

Rental income from investment property is realised by the Group on a straight-line basis over the duration of the tenancy agreement.

The result of a **disposal or retirement of an asset** is measured by calculating the difference between the sales proceeds and the asset's carrying amount and then recognised in the income statement.

INTANGIBLE ASSETS

Intangible assets generated internally are only capitalised at their cost of conversion if the conditions required pursuant to IAS 38 are fulfilled. The cost of conversion includes all costs directly attributable to the development process and appropriate portions of development-related overheads. If the capitalisation conditions for internally generated intangible assets are not met, the development costs are recognised as expenses in the period in which they were incurred. On initial recognition, individually acquired intangible assets are recorded at their acquisition costs. Borrowing costs are not recognised as part of the acquisition or production costs. The acquisition costs of intangible assets due to business combinations correspond to their fair values at the date of their acquisition.

Intangible assets with finite useful lives are usually written down on a straight-line basis over their economic life. Amortisation begins once the intangible asset becomes ready for use and ends as soon as the asset is derecognised or if the asset is classified as "available for sale". The residual value, useful life and amortisation method for a definite-lived intangible asset are reviewed at the end of each financial year. If the expected useful life or the expected pattern of an asset's usage has changed, a different amortisation period or method is chosen. These changes are treated as changes in estimates. Definite-lived intangible assets are tested for impairment whenever there are indications that these assets may be impaired.

Indefinite-lived intangible assets are not amortised. They are to be subjected to an impairment test individually or at the level of the cash-generating unit at least once a year. They are also reviewed once a year to establish whether their classification as an indefinite-lived asset is still justified. If this is not the case, the asset is handled according to the principles for definite-lived assets from then on.

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

Intangible assets	Expected useful life
Acquired software	3–5 years
Software created internally	3–5 years
Acquired trademark rights	15 years

GOODWILL

On initial recognition, goodwill is valued at the excess of the business combination's acquisition cost over the acquired net assets. Subsequent to initial recognition, goodwill is measured at cost less cumulative impairments. Goodwill is tested for impairment at least once a year and whenever events or changes in circumstances indicate that the asset may be impaired.

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

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

Impairment is measured by calculating the recoverable amount of the cash-generating unit to which the goodwill relates. If the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

If the Group sells portions of a cash-generating unit to which goodwill is allocated, the goodwill is divided according to the ratio of the fair values of the sold and the retained portions of the unit. The goodwill attributable to the portion sold is included in determining the profit from sale of discontinued operations.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost and, if applicable, less amortisation and impairment losses. The production costs of the property, plant and equipment produced internally includes all costs directly attributable to the production process and appropriate portions of production-related overheads. Borrowing costs are not capitalised, but directly recognised as an expense. MLP does not apply the revaluation method.

Depreciation is charged on a straight-line basis and for property, plant and equipment or components with a finite useful life begins once the assets have been brought to working condition. Probable physical wear and tear, technical obsolescence and legal/contractual limitations are taken into account in determining expected useful lives.

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

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

The residual carrying amounts of assets, useful lives and depreciation methods are reviewed at the end of each financial year and adjusted according to the regulation regarding changes in estimates where necessary.

INVESTMENT PROPERTY

Investment property pursuant to IAS 40 consists of all property that is held to earn rental income and/or for capital appreciation, rather than for use in the supply of services or for administrative purposes or sale in the company's ordinary course of business. MLP values this property using the historical cost convention. Investment property is depreciated in accordance with the principles detailed for property, plant and equipment. The fair value of this property is specified in note 24.

Investment property is derecognised if it is sold or no longer used on a permanent basis or if no future economic benefit is expected when selling it. Gains or losses from the shutdown or the disposal of an investment property are recognised in the year of their shutdown or sale.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS (WITHOUT GOODWILL)

At each closing date, MLP AG assesses whether there are any indications that a long-term asset may be impaired. If this is the case, the Group estimates its recoverable amount. If the recoverable amount for the individual asset cannot be determined, the estimate is made for the smallest cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of the fair value of an asset less cost to sell and the value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and is written down to its recoverable amount. For the purposes of determining value in use, estimated future cash flows are discounted to their present value on the basis of a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset. Impairment losses are shown in the income statement under "Depreciation/amortisation and impairment".

At each closing date, the Group assesses whether there are any indications that an impairment loss recognised in prior reporting periods no longer exists or may have decreased. If there is any such indication, it measures the recoverable amount. An impairment loss recognised previously is reversed if, since the last impairment loss was recognised and due to a change in the estimates, the recoverable amount is higher than the asset's carrying amount. The reversal to be made in this case may not exceed what the amortised costs would have been if an impairment had not been recognised in the previous years. Such a reversal must be recognised directly in the net income for the period. Once impairment losses have been reversed, an adjustment is made in future reporting periods so as to systematically distribute the asset's adjusted carrying amount less any residual value over its remaining useful life.

LEASES

It is determined whether a contractual agreement constitutes or contains a lease on the basis of the economic substance of the agreement concluded. This requires an assessment of whether performance of the agreement is dependent upon the use of a particular asset or particular assets and whether the agreement confers the right to use the asset. Since MLP has not entered into any finance leases, the explanations below refer to operating leases only.

Lease payments arising from **operating leases** are recognised on a straight-line basis over the term of the relevant lease and charged to profit or loss.

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

Group as lessee: The Group concluded operating leases exclusively. Rental payments under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

FINANCIAL INSTRUMENTS – GENERAL INFORMATION

Financial instruments are capitalised in the consolidated balance sheet if the Group becomes a contracting party with regard to the contract terms of the financial instrument. In the case of regular way purchases and sales, financial instruments are recognised or derecognised in the balance sheet on the trade date. Regular way purchases or sales are purchases or sales of financial assets requiring delivery of the assets within a period dictated by market regulations or conventions. They are initially recognised at their fair value plus transaction costs. Transaction costs incurred when purchasing financial instruments of the category "At fair value through profit or loss" are recognised directly as charges to the income statement. Non-interest bearing receivables or receivables with interest rates not in line with prevailing market rates are recognised at their present value of the expected future cash flow.

"Available-for-sale" financial instruments are non-derivative financial assets and carried at their fair value. Changes in fair value between reporting dates are recognised as the "Securities marked to market" under the item "Other comprehensive income" which has no effect on the operating result. The reserve is reversed to income either when the assets are sold or if the assets are impaired. MLP values equity instruments of which the fair value cannot be reliably determined and derivatives to such instruments at their cost of acquisition.

Financial instruments of the category **"Held to maturity"** are non-derivative financial assets with fixed or determinable payments traded on an active market. Classifying the instruments as such assumes the capability and intention to hold the securities to maturity. They are carried at amortised cost. Impairment losses are charged to income if the recoverable amount falls below the carrying amount.

Financial instruments classified as **"Loans and receivables"** are measured at amortised cost according to the effective interest method.

Financial instruments of the category **"At fair value through profit and loss"** comprise the subcategories "Held for trading" and "Designated at fair value". Financial instruments of this category are measured at fair value. The change in fair value is directly recognised in the net income for the period.

FINANCIAL INSTRUMENTS – RECEIVABLES DUE FROM BANKING BUSINESS

Receivables due from financial institutions and receivables due from clients for loans are recognised at continued cost in accordance with the effective interest method. Charges and premiums/discounts are recognised as interest income or interest charges based on their effective interest rate over the term of the relevant loan.

In order to avoid any inconsistency in recognition, MLP measures receivables from clients due to loans with a nominal value of € 5,000 thsd at their fair value. These are offset by interest swaps to the same amount and are included in the risk management. Profit and loss from changes to the fair value are recognised in both cases directly in the net income for the period.

FINANCIAL INSTRUMENTS – FINANCIAL INVESTMENTS

The **financial investments** of the Group include participations, securities, loans and other investments.

Participations are capitalised at their acquisition costs less any impairment losses.

Loans belong to the category "Loans and receivables". The same applies to the other investments. These include fixed term deposits with a term of one day and up to three months and fixed income securities which are not listed on an active market and which have a maximum residual term of three months at the date of acquisition.

The **securities** not contained in the other investments are classified as "held to maturity" if they are financial assets with fixed or determinable payments which the company intends and is able to hold to maturity. All other securities are classified as "available for sale".

FINANCIAL INSTRUMENTS – RECEIVABLES AND OTHER ASSETS

Receivables and other assets are measured at amortised cost less impairment losses. The impairment loss is recognised in the income statement.

FINANCIAL INSTRUMENTS – CASH AND CASH EQUIVALENTS

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

FINANCIAL INSTRUMENTS – IMPAIRMENT

The carrying amounts of the financial assets that are not measured at fair value through profit and loss are tested at each closing date to determine whether there is objective, material evidence of **impairment of the financial assets**. For receivables due from banking business and for receivables and other assets, impairment losses on portfolio basis are formed for receivables for which no specific allowances are recognised. The allowances are determined with reference to the dunning level and age, and on the basis of the past experience. Any impairment losses caused by the recoverable amount being lower than the carrying amount are recognised in profit or loss on the corresponding impairment account. If a receivable is uncollectable (i.e. payment is no longer expected to be received), it will be written off.

Where changes to the fair value of available-for-sale financial assets were recognised directly in equity, these must now be reclassified from equity in the amount of the impairment determined and reclassified to the income statement. If, in a subsequent period, the fair value of debt instruments increases and this increase can be related objectively to events occurring after the impairment was recognised, the impairment loss is reversed to income in the appropriate amount. Impairment losses on equity instruments that are classified as available for sale may not be reversed.

Both the recoverable amount of securities held to maturity and the recoverable amount of the loans and receivables valued at amortised cost, which are required for impairment testing, correspond to the present value of the expected future cash flow. To determine impairment losses for the unquoted equity instruments measured at cost, the present value of the expected future cash flows is discounted using the current interest rate that corresponds to the investment's special risk position.

TREASURY STOCK

Treasury stock bought back is to be deducted from equity. Transactions to purchase, sell, issue and call in treasury stock are recognised directly in equity. In the financial year 2007, a total of 785,500 shares in MLP AG (previous year: 8,248,600 shares) were purchased. For details please refer to note 30.

SHARE-BASED PAYMENTS

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

The expense incurred as a result of **equity-settled payments** is recognised at the grant-date fair value of the equity instruments granted. The fair value is determined using the Black-Scholes formula and is recognised on a straight-line basis as personnel expenses or operating expenses over the period during which the relevant conditions are met. This period ends once the employee concerned has a vested interest. In return capital reserves are increased by a corresponding amount.

The proportion of the fair value of share-based **payments settled in cash** attributable to services provided up to the valuation date is recognised as personnel expenses and also as a provision. The fair value determined based on the Monte-Carlo simulation is recalculated on each balance sheet date and on the payment date. Any change to the fair value is to be recorded in profit or loss. At the payment date, the fair value of the liability corresponds to the amount which is to be paid to the eligible employee.

PENSION PROVISIONS AND OTHER PROVISIONS

The **pension obligations** due to defined benefit plans are determined pursuant to IAS 19 according to the projected unit credit method. Obligations are measured on the basis of an independent actuarial study. The interest component of pension expenses is reported under other interest and similar expenses. MLP applies the corridor method to recognise actuarial gains and losses.

Payments for defined contribution plans are expensed in the period in which the associated work is performed. Payments for statutory pension plans are treated in the same way as defined contribution plans.

Other provisions are recognised when the Group has a present obligation (legal or constructive) resulting from a past event, settlement is expected to result in an outflow of resources and the obligation's amount can be estimated reliably. If the Group expects to receive a reimbursement of at least part of a practically certain provision from an identifiable third party (e.g. in case of an existing insurance policy), the reimbursement is recognised as a separate asset. The expenditure required to set up the provision is recognised in the income statement after deduction of the reimbursement. Where the effect of the time value of money is material, provisions are stated at their present value. MLP recognises the increase in provisions due to the passage of time as an interest charge.

FINANCIAL INSTRUMENTS – LIABILITIES DUE TO BANKING BUSINESS

The liabilities due to banking business are carried as financial liabilities for their initial recognition at fair value, following deduction of transaction costs. In the following periods, they are measured at amortised cost using the effective interest method.

FINANCIAL INSTRUMENTS – LIABILITIES

Trade accounts payable and other liabilities are recognised at amortised cost. The fair value of the liabilities approximately corresponds to the carrying amount.

FINANCIAL INSTRUMENTS – DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments of the MLP Group primarily comprise interest rate swaps. They are initially recognised at fair value without transaction costs and subsequently remeasured at the fair value (financial assets held for trading). Derivatives with positive market values are recognised in the balance sheet item "Receivables and other assets" and derivatives with negative market values in the item "Liabilities". The MLP Group does not make use of hedge accounting pursuant to IAS 39. Changes in the market value of derivatives are directly recognised in the income statement and are contained in the finance cost and the income/expenses from the banking business.

TAXES

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

Deferred taxes are recognised in accordance with the balance sheet liability method for all taxable temporary differences existing at the closing date between the values of the IFRS consolidated balance sheet and the taxable values of the individual companies.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are also recognised for carry forward of unused tax losses to the extent that is probable that they can be utilised. Deferred tax assets are only recognised to the extent that it is probable that there will be sufficient taxable income against which the deductible temporary differences can be utilised. Deferred taxes are not recorded where the temporary difference arises from the initial recognition of goodwill or from the recognition of other assets and liabilities that do not result from a business combination and which neither affect the taxable income nor net income at the date of addition.

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that there will be sufficient taxable profit against which the deferred tax assets can be used. Deferred tax assets that have not been recognised are reviewed at each closing date and recognised to the extent that it has become probable that future taxable profit will be available against which the temporary differences can be realised.

Deferred taxes are measured at the tax rates that apply when an asset is realised or a liability settled. Deferred taxes are recognised in the income statement, except where the temporary difference has a direct effect on equity.

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

The amount of value-added tax reimbursed by or remitted to the tax authority is carried under the items “Receivables and other assets” or “Other liabilities”.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

The consolidated financial statements as at December 31, 2007 also include the income and expenses of the Feri Group acquired on October 20, 2006. This means that a comparison with the figures of the 2006 financial year is only possible to a limited extent.

Income by business segment is stated in the segment report.

[10] Income from brokerage business

All figures in €'000	2007	2006
Old-age provision	366,485	370,795
Health insurance	56,452	52,558
Non-life insurance	22,384	19,495
Loans	16,066	14,203
Mutual funds	10,948	14,116
Other income	3,921	3,694
TOTAL	476,254	474,862

[11] Income from banking business

All figures in €'000	2007	2006
Commission income	47,468	45,081
INTEREST AND SIMILAR INCOME		
Loans and receivables	30,877	23,455
Available for sale	712	667
Held to maturity	429	199
Recognised at fair value through profit and loss	241	243
Held for trading	28	–
	32,286	24,564
CHANGE FAIR VALUE OPTION		
Held for trading	149	305
TOTAL	79,902	69,950

Commission income from the banking business is essentially down to income received from bank accounts, the credit card and financing and securities custody business. The commission income includes income from trust transactions of € 1,365 thsd (previous year: € 1,349 thsd).

The increase in the item “Loans and receivables” is attributable to the increase in the volume of business and higher interest rates.

[12] Income from wealth management

All figures in €'000	2007	2006
Wealth management	25,899	6,319
Income from consulting/fees	13,256	2,942
TOTAL	39,154	9,261

Income from wealth management includes payments for wealth management and consulting and sales and trailer commissions from the wealth management mandates.

Further income results from consulting on multi-manager funds, hedge funds and from research and rating services in the field of industries, capital market and property.

[13] Other income

All figures in €'000	2007	2006
Subsequent income from sale	11,295	8,640
Cost transfers to commercial agents	7,262	6,859
Reversal of deferred obligations	4,162	3,441
Income from the disposal of assets	3,984	–
Income from investments	2,467	152
Income from the reversal of provisions	2,519	2,046
Own work capitalised	1,525	1,462
Rent	1,357	1,203
Income from service provision and infrastructure	869	5,435
Reversal of impairment losses	558	1,770
Income from the disposal of intangible assets and property, plant and equipment	52	12
Income from currency translation	13	21
Sundry other income	5,752	3,340
TOTAL	41,815	34,381

The subsequent income from disposal is due to the sale of MLP Lebensversicherung AG and contains the portion of subsequent profit attributable to the financial year 2007 of € 11,295 thsd (previous year: € 8,640 thsd).

The sub-item "Cost transfers to commercial agents" covers among other things income from the renting out of laptops. Furthermore, it also includes cost transfers of other material costs.

The sub-item “Income from the disposal of assets” contains the income from the disposal of Feri Fund Market Information Ltd. and its subsidiary FI Datenservice GmbH amounting to € 3,984 thsd.

Own work capitalised mainly contains development activities in connection with the MLP broker platform and product selection.

The income from service provision and infrastructure concerns amounts billed to Heidelberger Lebensversicherung AG and Janitos Versicherung AG (formerly MLP Lebensversicherung AG and MLP Versicherung AG) for services rendered. Compared to the same period of the previous year, the IT and computer centre services were utilised to a much lesser extent.

The “Reversal of impairment” item essentially includes income from the reversal of allowances for losses in connection with receivables from commercial agents.

[14] Expenses for brokerage business

Expenses for the brokerage business went down by € 7,188 thsd to € 217,047 thsd (previous year: € 224,235 thsd).

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

[15] Expenses for banking business

All figures in €’000	2007	2006
Commissions paid	1,356	2,693
Interest and similar expenses		
Amortised costs	17,002	12,371
Available for sale	32	19
	17,034	**12,390**
Allowances for losses		
Added to allowances for losses	2,771	1,686
Income from the reversal of allowances for losses	–987	–615
Direct amortisation	912	1,723
	2,696	**2,794**
Change fair value option		
Recognised at fair value through profit and loss	270	315
TOTAL	**21,356**	**18,192**

The change in allowances for losses is the result of an audit regarding recognised impairment losses, provisions in the lending business and direct amortisation due to the annual review of the credit portfolio and changes in the quantity structure.

The increase in the sub-item “Amortised costs” is mainly attributable to the increase in the volume of business and higher interest rates.

[16] Expenses for wealth management

All figures in €'000	2007	2006
Payment of trailer commissions	1,564	617
Sales commission	202	117
Other expenses	424	131
TOTAL	2,190	865

After the acquisition of the Feri Group in October 2006, expenses due to the wealth management segment were presented for a full financial year for the first time in 2007.

[17] Personnel expenses/Number of employees

All figures in €'000	2007	2006
Salaries and wages	91,196	67,959
Social security contributions	12,261	10,492
Expenses for old-age provisions and benefits	3,968	3,171
TOTAL	107,425	81,621

Personnel expenses essentially include salaries and wages, remuneration and other payments to employees.

The social security contributions include the statutory contributions to be borne by the company in the form of social security insurance premiums.

Expenses for old-age pension and benefits mostly include employer’s shares of supplementary occupational provision.

The rise in personnel expenses is mainly attributable to the full-year inclusion of the Feri Group for the first time and general salary increases. Furthermore compensation of € 4,066 thsd (previous year: € 1,051 thsd) was granted for the termination of employment contracts.

NUMBER OF EMPLOYEES

The average number of staff employed increased from 1,667 in 2006 to 1,902 in 2007.

	2007 Total	2007 Germany	2007 Foreign operations	2006 Total	2006 Germany	2006 Foreign operations
Employees	1,366	1,301	65	1,269	1,171	98
Marginal part-time employees	536	512	24	398	381	17
TOTAL	1,902	1,813	89	1,667	1,552	115

The average number of employees in continuing operations rose by 267 from 1,604 to 1,871. This is mainly due to the full-year inclusion of the Feri Group employees. See note 38 for employees by segments.

An average of 110 people (previous year: 96) were trained in the financial year.

[18] Depreciation/amortisation and impairment

All figures in €'000	2007	2006
Depreciation/amortisation		
Intangible assets	11,502	9,167
Property, plant and equipment	7,509	7,216
Investment property	438	451
	19,450	16,834
Impairment		
Property, plant and equipment	–	127
TOTAL	19,450	16,961

The rise in depreciation/amortisation is a result of the full-year inclusion of the Feri Group.

The impairment losses on property, plant and equipment amounting to € 127 thsd in 2006 are charged to fixtures in closed branch offices and office equipment. They are attributable to the "Consulting and sales" segment. In the financial year 2007 no impairment loss had to be recognised.

The development of long-term assets is disclosed in note 22 (intangible assets), in note 23 (property, plant and equipment) and in note 24 (investment property).

[19] Operating expenses

All figures in €'000	2007	2006
IT costs	37,053	36,165
Cost of premises	22,394	21,649
Audit and consultancy costs	17,609	11,516
Training and seminars	11,436	9,651
Advertising expenses	9,650	10,461
Communication requirements	8,595	10,413
Representation, entertainment expenses	5,736	6,050
Other banking-related expenses	5,346	4,666
Retired sales representatives	4,130	6,575
Office supplies	3,330	3,142
Laptop rental	3,243	5,170
Allowances for bad debts	2,652	2,070
Premiums and fees	2,345	762
Travel expenses	2,298	1,575
Insurance	2,275	1,104
Rent	1,660	958
Share-based payment (convertible debentures)	1,263	1,886
Losses on the disposal of intangible assets and property, plant and equipment	1,153	467
Repairs and maintenance	671	656
Money transaction expenses	400	424
Specialist literature and journals	324	371
Currency translation expenses	308	86
Donations	225	164
Other taxes	193	180
Sundry other expenses	14,967	15,278
TOTAL	**159,256**	**151,438**

The increase in the sub item "Training and seminars" is mainly due to the training allowance which was introduced at the beginning of 2007 and is granted to every new commercial agent.

The expenses for communication requirements and the renting of laptops were considerably reduced as a result of more favourable purchasing and procurement terms.

The adjustments made are explained in note 3.

[20] Earnings from companies accounted for using the equity method

All figures in €'000	2007	2006
Income	338	–
Earnings	–131	–
EARNINGS FROM COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	**–65**	**–**

The loss of € 65 thsd due to companies accounted for using the equity method is attributable to the 49.8 % stake of MLP Finanzdienstleistungen AG in MLP Hyp GmbH, Schwetzingen, Germany. MLP Hyp GmbH started business operations in the fourth quarter of 2007.

[21] Finance cost

All figures in €'000	2007	2006
Other interest and similar income	6,678	9,722
Income from loans	18	35
Other interest and similar income	6,696	9,757
INTEREST AND SIMILAR EXPENSES	**–7,955**	**–3,993**
Discount adjustment on pension provisions	–900	–792
Losses on the disposal of financial investments	–5	–
OTHER INTEREST AND SIMILAR EXPENSES	**–8,859**	**–4,785**
TOTAL	**–2,163**	**4,972**

Finance cost includes interest on the purchase price liability due to the acquisition of Feri Finance AG, interest income and interest costs based on the effective interest method, gains and losses from financial instruments, which are recognised in the income statement and interest costs due to the accrued interest on pension provisions.

NOTES TO THE CONSOLIDATED BALANCE SHEET

[22] Intangible assets

All figures in €'000	Goodwill	Software (created internally)	Software (purchased)	Advance payments and developments in progress	Other intangible assets	Total
ACQUISITION COSTS						
AS AT JAN 1, 2006	689	14,452	49,215	1,876	1,091	67,322
Changes to the scope of consolidation	118,423	883	4	–	36,539	155,850
Currency differences	–	–	1	–	–	1
Additions	–	103	555	16,806	63	17,527
Disposals	–	–	–3,687	–	–	–3,687
Transfers	–	–	3,621	–3,621	–	–
AS AT DEC 31, 2006	119,112	15,438	49,709	15,061	37,693	237,013
Changes to the scope of consolidation	–1,839	–236	–	–	–353	–2,428
Currency differences	–	–	–4	–	–	–4
Additions	–	456	1,985	8,897	246	11,584
Disposals	–	–241	–4,528	–	–	–4,769
Transfers	–	–	9,301	–9,301	–	–
AS AT DEC 31, 2007	117,273	15,417	56,463	14,657	37,586	241,396
AMORTISATION AND IMPAIRMENT						
AS AT JAN 1, 2006	4	12,474	31,289	–	638	44,405
Changes to the scope of consolidation	–1	–	–6	–	–	–7
Currency differences	–	–	0	–	–	0
Amortisation	–	715	7,822	–	641	9,178
Impairment	–	–	–	–	–	–
Reversal of impairments	–	–	–3,679	–	–	–3,679
Transfers	–	–	–	–	–	–
AS AT DEC 31, 2006	3	13,189	35,426	–	1,279	49,897
Changes to the scope of consolidation	–	–	–	–	–18	–18
Currency differences	–	–	–5	–	–	–5
Amortisation	–	1,023	8,673	–	1,812	11,508
Impairment	–	–	40	–	–	40
Reversal of impairments	–	–241	–4,524	–	–	–4,765
Transfers	–	151	1	–	–152	–
AS AT DEC 31, 2007	3	14,123	39,611	–	2,921	56,657
Carrying amount Jan 1, 2006	685	1,978	17,926	1,876	453	22,917
CARRYING AMOUNT DEC 31, 2006	119,109	2,249	14,284	15,061	36,414	187,117
Carrying amount Jan 1, 2007	119,109	2,249	14,284	15,061	36,414	187,117
CARRYING AMOUNT DEC 31, 2007	117,271	1,294	16,852	14,657	34,665	184,739

The acquired intangible assets comprise goodwill, software, concessions, industrial property rights, licences and similar rights. The item “Acquired software” also includes expenses for internal development services which were incurred for preparing software developed by third parties for its intended use.

Intangible assets created internally concern development costs for software developed in-house. All development costs incurred in the financial year 2007 met the criteria for inclusion on the asset side in line with IAS 38.57 (2007: € 1,525 thsd; 2006: € 1,462 thsd). They are recorded under “Software (purchased)”, “Software (created internally)” and “Advance payments and developments in progress”.

In 2007, the “Changes to the scope of consolidation” mainly refer to the disposal of FI Datenservice GmbH, Frankfurt/Main, Germany, and the adjustment of the expected total purchase price for Feri Finance AG (see note 8 “Exercise of call option”). As in the previous year, there was no need for a devaluation of recorded goodwill in the financial year 2007 (see note 4).

In the previous year the changes to the scope of consolidation primarily concern the acquisition of the Feri Group (note 8). The changes include the acquired “Feri” brand, software, customer relations as well as acquired goodwill. The previous year’s figures were adjusted retrospectively due to the finalisation of the purchase price allocation. The reason for this was a better understanding of the value of the acquired “Feri” brand. The amount stated for other intangible assets increased by € 840 thsd at the expense of goodwill.

Of the amortisation of intangible assets, € 11,502 thsd (previous year: € 9,167 thsd) is for continuing operations and € 6 thsd (previous year: € 11 thsd) for discontinued operations. Amortisation of non-current assets of discontinued operations was suspended.

At the time of the planned discontinuation of business operations in Great Britain and Spain, impairment losses of € 40 thsd were recognised (see note 39 “Depreciation/amortisation and impairment”).

There are no restraints and pledges with regard to intangible assets.

Depreciation/amortisation and impairment of intangible assets relating to continuing operations is shown in note 18.

[23] Property, plant and equipment

All figures in €'000	Land, leasehold rights and buildings	Other fixtures, fittings and office equipment	Advance payments and assets under construction	Total
ACQUISITION COSTS				
AS AT JAN 1, 2006	**80,788**	**70,327**	**96**	**151,211**
Changes to the scope of consolidation	–522	588	–	66
Currency differences	1	2	–	3
Additions	546	1,638	142	2,326
Disposals	–611	–2,517	–	–3,128
Transfers	92	–	–92	–
AS AT DEC 31, 2006	**80,294**	**70,038**	**146**	**150,478**
Changes to the scope of consolidation	–	–7	–	–7
Currency differences	–55	–102	–	–157
Additions	829	2,562	1,027	4,419
Disposals	–934	–6,217	–25	–7,177
Transfers	148	–	–148	–
AS AT DEC 31, 2007	**80,283**	**66,274**	**1,000**	**147,558**
DEPRECIATION AND IMPAIRMENT				
AS AT JAN 1, 2006	**16,351**	**40,114**	**–**	**56,465**
Changes to the scope of consolidation	–522	–454	–	–976
Currency differences	–4	–3	–	–7
Depreciation	2,423	5,083	–	7,506
Impairment	115	433	–	548
Reversal of impairments	–104	–2,017	–	–2,121
Transfers	–	–	–	–
AS AT DEC 31, 2006	**18,259**	**43,156**	**–**	**61,415**
Changes to the scope of consolidation	–	5	–	5
Currency differences	–50	–87	–	–137
Depreciation	2,308	5,320	–	7,628
Impairment	292	479	–	771
Reversal of impairments	–899	–5,125	–	–6,024
Transfers	–	–	–	–
AS AT DEC 31, 2007	**19,911**	**43,737**	**–**	**63,648**
Carrying amount Jan 1, 2006	64,437	30,213	96	94,746
CARRYING AMOUNT DEC 31, 2006	**62,035**	**26,882**	**146**	**89,063**
Carrying amount Jan 1, 2007	62,035	26,882	146	89,063
CARRYING AMOUNT DEC 31, 2007	**60,373**	**22,537**	**1,000**	**83,910**

€ 7,509 thsd (previous year: € 7,343 thsd) of depreciation and impairment of property, plant and equipment is attributable to continuing operations. The previous year's figure includes an impairment loss of € 127 thsd for leasehold improvements and fixtures and office equipment. There was no need for impairment in continuing operations in the financial year under review.

Depreciation and impairment on property, plant and equipment relating to discontinued operations amounts to € 889 thsd (previous year: € 711 thsd). It includes impairment losses on property, plant and equipment from closed down operations in Great Britain and Spain totalling € 771 thsd. In the previous year the item comprised impairment losses of € 421 thsd due to the cessation of the operations in Switzerland.

There are no restraints or pledges with regard to property, plant and equipment.

Scheduled depreciation and impairment losses on property, plant and equipment relating to continuing operations are stated in note 18.

[24] Investment property

All figures in €'000	Investment property	Advance payments and assets under construction	Total
ACQUISITION COSTS			
AS AT JAN 1, 2006	25,713	–	25,713
Changes to the scope of consolidation	–	–	–
Currency differences	–	–	–
Additions	39	156	195
Disposals	–344	–	–344
Transfers	156	–156	–
AS AT DEC 31, 2006	**25,564**	**–**	**25,564**
Changes to the scope of consolidation	–	–	–
Currency differences	–	–	–
Additions	–	286	286
Disposals	–818	–	–818
Transfers	286	–286	–
AS AT DEC 31, 2007	**25,033**	**–**	**25,033**
DEPRECIATION AND IMPAIRMENT			
AS AT JAN 1, 2006	**10,175**	**–**	**10,175**
Changes to the scope of consolidation	–	–	–
Currency differences	–	–	–
Depreciation	451	–	451
Impairment	–	–	–
Disposals	–125	–	–125
Transfers	–	–	–
AS AT DEC 31, 2006	**10,501**	**–**	**10,501**
Changes to the scope of consolidation	–	–	–
Currency differences	–	–	–
Depreciation	438	–	438
Impairment	–	–	–
Disposals	–542	–	–542
Transfers	–	–	–
AS AT DEC 31, 2007	**10,397**	**–**	**10,397**
Carrying amount Jan 1, 2006	15,538	–	15,538
CARRYING AMOUNT DEC 31, 2006	**15,063**	**–**	**15,063**
Carrying amount Jan 1, 2007	15,063	–	15,063
CARRYING AMOUNT DEC 31, 2007	**14,635**	**–**	**14,635**

The fair value of the Group's investment property at December 31, 2007 is € 14,700 thsd (previous year: € 15,175 thsd). It is based on an appraisal report issued by the auditing company KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft. The gross rental method was applied for the evaluation of the fair value.

The Group's investment property is rented out under an operating lease. In 2007, the rental payments received for this investment property amounted to € 1,357 thsd (previous year: € 1,203 thsd). The expenses in connection with the investment property totalled € 510 thsd in the financial year 2007 (previous year: € 350 thsd).

Depreciation and impairment losses on the property are disclosed in note 18.

[25] Shares in companies accounted for using the equity method

Shares in companies accounted for using the equity method were as follows:

All figures in €'000	2007	2006
SHARE AS AT JAN 1	–	–
Additions	1,645	–
Disposals	–	–
Pro rata profit after tax	–65	–
Other	–	–
SHARE AS AT DEC 31	1,579	–

The table below shows a condensed balance sheet of companies accounted for using the equity method in the MLP consolidated financial statements:

All figures in €'000	Dec 31, 2007	Dec 31, 2006
Assets	3,614	–
Debts	745	–
SHAREHOLDERS' EQUITY	2,869	–
MLP'S SHARE IN SHAREHOLDERS' EQUITY	1,429	–
CARRYING AMOUNT	1,579	–

In 2007, MLP Finanzdienstleistungen AG acquired a 49.8 % stake in MLP Hyp GmbH paying a price of € 1,645 thsd. MLP Hyp GmbH runs the joint construction financing business of MLP Finanzdienstleistungen AG and Interhyp AG. No publicly listed market price is available for the shares in MLP Hyp GmbH.

[26] Receivables from banking business

All figures in €'000	Dec 31, 2007 Current	Dec 31, 2007 Non-current	Dec 31, 2007 Total	Dec 31, 2006 Current	Dec 31, 2006 Non-current	Dec 31, 2006 Total
Receivables from banks	491,454	20,000	511,454	317,376	17,556	334,932
Receivables from clients	153,056	119,540	272,596	178,300	105,532	283,832
TOTAL, GROSS	**644,510**	**139,540**	**784,050**	**495,676**	**123,088**	**618,764**
Impairment	–9,917	–2,382	–12,299	–10,224	–2,157	–12,381
TOTAL, NET	**634,593**	**137,157**	**771,751**	**485,452**	**120,931**	**606,383**

The **receivables from clients** mainly concern receivables from loans, current accounts and credit cards.

All figures in €'000	Gross value at Dec 31, 2007	Of which financial assets at Dec 31, 2007	Financial assets at Dec 31, 2007 neither impaired nor overdue	Financial assets at Dec 31, 2007 not impaired and overdue within the following time span: < 90 days	90 – 180 days	> 180 days
Receivables from clients	272,596	272,596	259,417	7,105	312	851
TOTAL	**272,596**	**272,596**	**259,417**	**7,105**	**312**	**851**

All figures in €'000	Gross value at Dec 31, 2006	Of which financial assets at Dec 31, 2006	Financial assets at Dec 31, 2006 neither impaired nor overdue	Financial assets at Dec 31, 2006 not impaired and overdue within the following time span: < 90 days	90–180 days	> 180 days
Receivables from clients	283,832	283,832	272,401	4,356	329	938
TOTAL	**283,832**	**283,832**	**272,401**	**4,356**	**329**	**938**

Receivables from clients due to originated loans are generally secured by land charges and pledges of life insurance policies and securities. Receivables from current accounts and credit cards are generally not collateralised. With regard to receivables from the banking business which are neither impaired nor overdue, there were no signs at the closing date that debtors will not meet their payment obligations. At the closing date € 4,875 thsd (previous year: € 3,672 thsd) was recorded as receivables due from banking business for which new terms were agreed and which would otherwise have been overdue or impaired. Due to defaults of debtors of € 1,026 thsd (previous year: € 153 thsd) financial and non-financial assets were assigned to MLP by way of collateral for originated loans and receivables. The carrying amount of these assets was € 1,026 thsd at the closing date (previous year: € 153 thsd). The assets mainly concern sureties drawn on.

Overdue accounts receivables for which no specific allowance has been made are secured with customary banking collaterals. Receivables for which a specific allowance has been recognised are secured by collaterals of € 645 thsd (previous year: € 4,426 thsd).

Allowances for losses on individual accounts of € 2,860 thsd (previous year: € 2,885 thsd) and impairment losses on portfolio basis of € 9,439 thsd (previous year: € 9,496 thsd) were recognised for counterparty default risks. Alongside the receivables deducted from the allowance on the assets side of € 12,299 thsd (previous year: € 12,381 thsd), the allowances for losses on loans and advances include provisions for credit risks of € 1,524 thsd (previous year: € 596 thsd). Thus the total allowance for losses is € 13,823 thsd (previous year: € 12,977 thsd).

All figures in €'000	Allowances for losses on individual account and provisions		Impairment loss on portfolio basis		Total	
	2007	2006	2007	2006	2007	2006
AS AT JAN 1	3,481	1,895	9,496	10,069	12,977	11,964
Allocation	2,592	1,686	180	0	2,771	1,686
Reversal/utilised	–1,689	–100	–237	–573	–1,926	–673
AS AT DEC 31	4,384	3,481	9,439	9,496	13,823	12,977
OF WHICH ALLOWANCES FOR BAD DEBTS MEASURED AT AMORTISED COST	4,384	3,481	9,439	9,496	13,823	12,977

Allowances for losses were recognised for:

All figures in €'000	2007	2006
Receivables from clients	12,299	12,381
Avals	1,524	596
TOTAL	13,823	12,977

Taking into account total direct amortisation of € 912 thsd (previous year: 1,723 thsd) additions to impairment recognised in the income statement of € 2,771 thsd (previous year: € 1,686 thsd) and reversals of € 987 thsd (previous year: 615 thsd) resulted in net cost of allowances for losses of € 2,696 thsd (previous year: € 2,794 thsd).

Receivables for which specific allowances have been made amount in total to € 4,911 thsd (previous year: € 5,808 thsd). For 661 thsd of these (previous year: € 593 thsd) the impairment was less than 50 %, the remaining volume was written down by more than 50 %. The allowance for bad debts comes to € 2,860 thsd (previous year: € 2,885 thsd). This corresponds to a percentage of 58 % (previous year: 50 %). Accounts receivables which are in the reconstruction phase are written down by 50 % and receivables which are in the debt enforcement phase are written down by 100 %.

Receivables from other financial institutions mainly concern time deposits. The accounts receivables with up to one year remaining to maturity come to € 491,454 thsd (previous year: € 317,376 thsd), while those with more than one year remaining to maturity come to € 20,000 thsd (previous year: € 17,556 thsd). The receivables are not collateralised. MLP only places funds at banks with a first-class credit standing. At the closing date there are no receivables from financial institutions which are overdue or impaired.

Further information about receivables from the banking business is given in note 36.

[27] Financial investments

All figures in €'000	2007	2006
Available for sale		
Securities	34,741	34,763
Investments	3,629	3,222
Held to maturity securities	13,963	11,916
Loans and receivables	66	4
TOTAL	52,400	49,905

Available for sale

All figures in €'000	Amortised cost		Accumulated unrealised gains		Accumulated unrealised losses		Market values	
	Dec 31, 2007	Dec 31, 2006	**Dec 31, 2007**	Dec 31, 2006	**Dec 31, 2007**	Dec 31, 2006	**Dec 31, 2007**	Dec 31, 2006
Securities								
up to 1 year	5,001	10,509	–	1	–3	–8	4,997	10,502
more than 1 year to 5 years	16,352	21,005	2	58	–36	–11	16,318	21,052
more than 5 years	–	–	–	–	–	–	–	–
Investment funds	13,214	3,164	213	45	–	–	13,427	3,209
TOTAL	**34,567**	**34,678**	**214**	**104**	**–40**	**–19**	**34,741**	**34,763**

Unrealised gains of € 111 thsd (previous year: € 44 thsd) and unrealised losses of € 30 thsd (previous year: € 33 thsd) were taken directly to shareholders' equity "Securities marked to market" in the period under review. Due to the realisation of profits, € 8 thsd (previous year: € 6 thsd) has been reversed from "Securities marked to market" and recognised in the earnings for the period.

The average cost method is applied to determine realised gains and losses on securities and investment funds.

Held to maturity

All figures in €'000	Amortised cost		Market values	
	Dec 31, 2007	Dec 31, 2006	**Dec 31, 2007**	Dec 31, 2006
Securities				
up to 1 year	1,996	4,966	1,993	4,948
more than 1 year to 5 years	9,993	4,980	9,969	4,955
more than 5 years	1,973	1,970	1,901	1,921
TOTAL	**13,963**	**11,916**	**13,863**	**11,824**

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.

LOANS AND RECEIVABLES

The loans amount to € 66 thsd (previous year: € 4 thsd) and have a remaining term to maturity of up to one year.

ASSETS PLEDGED AS COLLATERAL

A security with a face value of € 1,500 thsd and a carrying amount of € 1,499 thsd (previous year: face value of € 1,500 thsd and carrying amount of € 1,498 thsd) was transferred as collateral to Clearstream Banking AG, Frankfurt/Main to cover the replacement risk on account of stock market transactions.

To protect the securities processing business, a security valued at € 998 thsd with a face value of € 1,000 thsd (face value of € 1,000 thsd, carrying amount of € 1,003 thsd) was pledged to DZ-Bank AG, Frankfurt/Main.

All collaterals transferred can only be utilised by the secured party in the event that MLP Finanzdienstleistungen AG is not able to meet its payment obligations on a timely basis.

For further disclosures regarding financial investments, please refer to note 36.

[28] Receivables and other assets

All figures in €'000	Dec 31, 2007			Dec 31, 2006		
	Current	Non-current	Total	Current	Non-current	Total
Trade accounts receivable	91,202	–	91,202	101,959	223	102,182
Receivables from commercial agents	10,124	22,893	33,017	11,797	30,545	42,342
Advance payments	22,530	–	22,530	32,761	–	32,761
Receivables from companies in which the Group holds an interest	1,735	–	1,735	2,195	–	2,195
Interest derivatives	–	285	285	–	136	136
Other assets	19,830	116	19,946	16,578	38	16,616
TOTAL, GROSS	**145,421**	**23,294**	**168,715**	**165,290**	**30,942**	**196,232**
Impairment	–3,745	–7,708	–11,452	–3,941	–15,157	–19,098
TOTAL, NET	**141,677**	**15,586**	**157,263**	**161,349**	**15,784**	**177,134**

The main items included in trade receivables are commission receivables from insurance companies. They are generally non-interest-bearing and have an average term of payment of 30 days.

Receivables from sales representatives concern MLP consultants and branch office managers.

The item "Advance payments" comprises trail commissions paid to self-employed commercial agents on account for commissions for unit-linked life insurance policies.

In the second half of 2006, the health insurance business was affected by the uncertain legislative situation. There was uncertainty, both in terms of when the health reform would come into effect and its final wording. For this reason, those MLP clients who opted to switch over to a private health insurance during this time were given the right by the private health insurance companies to withdraw from their contract without suffering any financial disadvantages. The commission income earned from these contracts in 2006 was treated by MLP Finanzdienstleistungen AG in 2006 as advance payments received. The same applies to the commissions paid to commercial agents, which were included in advance payments made. After the law came into effect in 2007, the income/expenses related to these contracts were recognised in the income statement and the payments made/received in advance were reduced by the relevant amounts.

The main item recorded in "Other assets" concerns receivables from the subsequent profit component for the financial year 2007 due to the sale of MLP Lebensversicherung AG.

The allowances for bad debts and other assets are as follows:

All figures in €'000	2007	2006
IMPAIRMENT AS AT JAN 1	**19,098**	**20,963**
Discontinued operations	–6,118	1,569
Utilisation	–3,622	–3,734
Allocations	2,652	2,070
Reversals	–558	–1,770
IMPAIRMENT AS AT DEC 31	**11,452**	**19,098**

Receivables and other assets are usually not collateralised. With regard to receivables and other assets which are neither impaired nor overdue, there are no signs at the closing date that debtors will not meet their payment obligations. On the closing date there were no receivables and other assets for which new terms were agreed and which would otherwise have been overdue or impaired.

All figures in €'000	Gross value at Dec 31, 2007	Of which financial assets at Dec 31, 2007	Financial assets at Dec 31, 2007 neither impaired nor overdue	Financial assets at Dec 31, 2007 not impaired and overdue within the following time span		
				< 90 days	90–180 days	> 180 days
Trade accounts receivable	91,202	91,202	85,328	3,793	189	1,892
Receivables from commercial agents	33,017	33,017	22,264	90	71	55
Advance payments	22,530	22,530	22,530	–	–	–
Receivables from companies in which the Group holds an interest	1,735	1,735	1,475	–	–	–
Interest derivatives	285	285	285	–	–	–
Other assets	19,946	13,850	13,476	12	–	13
TOTAL	168,715	162,618	145,357	3,895	260	1,960

All figures in €'000	Gross value at Dec 31, 2006	Of which financial assets at Dec 31, 2006	Financial assets at Dec 31, 2006 neither impaired nor overdue	Financial assets at Dec 31, 2006 not impaired and overdue within the following time span		
				< 90 days	90–180 days	> 180 days
Trade accounts receivable	102,182	102,182	95,048	6,086	311	737
Receivables from commercial agents	42,342	42,342	23,471	248	89	149
Advance payments	32,761	32,761	32,761	–	–	–
Receivables from companies in which the Group holds an interest	2,195	2,195	1,514	–	–	–
Positive market values from derivatives	136	136	136	–	–	–
Other assets	16,616	10,629	10,168	39	29	281
TOTAL	196,232	190,245	163,098	6,373	429	1,167

In cases where MLP institutes enforcement or where insolvency proceedings are imminent or have already started, receivables are written down based on empirical values. The same applies to receivables which are denied and where legal action is pending. As at December 31, 2007, receivables for which specific allowances have been made amount to a total of € 11,145 thsd (previous year: € 19,180 thsd). For € 3,080 thsd of these (previous year: € 3,521 thsd) the impairment was less than 50 %, the remaining volume was written down by more than 50 %. The impairment loss comes to a total of € 8,210 thsd (previous year: € 15,371 thsd). This corresponds to an average impairment rate of 74 % (previous year: 80 %).

Additional information about the receivables and other assets is given in note 36.

[29] Cash and cash equivalents

All figures in €'000	Dec 31, 2007	Dec 31, 2006
Bank deposits	119,522	106,668
Deposits at the Deutsche Bundesbank	14,863	13,656
Cash on hand	174	183
TOTAL	134,559	120,507

Changes in cash and cash equivalents during the financial year are shown in the cash flow statement.

[30] Shareholders' equity

All figures in €'000	Dec 31, 2007	Dec 31, 2006
Share capital	108,812	108,781
Capital reserves	16,056	14,487
Securities marked to market	–151	69
Other comprehensive income	370,748	349,836
Treasury stock	–155,805	–148,353
Minority interest	63	63
TOTAL	339,723	324,883

Changes in the fully paid-in shares outstanding:

Units	2007	2006
AS AT JAN 1	99,918,294	108,026,177
Treasury stock	–785,500	–8,248,600
Conversion of convertible debentures	30,886	140,717
AS AT DEC 31	99,163,680	99,918,294

The changes to the shareholders' equity in the financial years 2007 and 2006 are shown on page 134.

SHARE CAPITAL

The share capital is made up of 108,812,289 (previous year: 108,781,403) no-par-value ordinary shares with a value of € 1 per share. In the financial year 2007, 30,886 (previous year: 140,717) ordinary shares of MLP AG have been issued by exercising conversion rights.

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

AUTHORISED CAPITAL

A resolution passed by the Annual General Meeting on May 31, 2006 authorised the Executive Board, with the Supervisory Board's approval, to increase the company's share capital on one or more occasions by up to € 21,000,000 in exchange for cash or non-cash contributions.

ACQUISITION OF TREASURY STOCK

On November 11, 2005, following approval of the Supervisory Board granted on the same day, the Executive Board of MLP AG decided to acquire own shares in the period until December 2006. After buyback of 8.2 % until December 20, 2006, the Executive Board decided by resolution on October 11, 2007 to purchase more treasury stock. The authorisation pursuant to § 71 (1) no. 8 of the German Stock Corporation Act (AktG) for the buyback of own shares was granted by the Annual General Meetings held on June 21, 2005, May 31, 2006 and May 31, 2007. On the basis of these authorisations up to 10 % of the share capital in place at the date of resolution can be acquired via the stock exchange or by means of a public offer to buy directed at all shareholders.

Should these shares be bought back via the stock exchange, the purchase price per share to be paid by MLP AG (excluding transaction costs) may not be more than 10 % greater or less than the average closing price (arithmetic mean) of the MLP AG share in the XETRA trading system (or a comparable successor system) on the Frankfurt Stock Exchange over the three preceding trading days prior to the obligation to purchase. In the case of a public offer, the purchase price may not exceed or fall below the average closing price (arithmetic mean) of the MLP AG share in the XETRA trading system (or a comparable successor system) on the Frankfurt Stock Exchange by 10 % over the three trading days preceding the day the offer is made public.

The buyback programme shall be implemented in line with the implementation regulations (Directive EC 2273/2003) enacted under Article 8 of the Directive 2003/6/EC. An investment bank was commissioned to set up the resolution in the form of a systematic buyback programme via the stock exchange. This investment bank decides on the time of the individual buybacks based on a systematic buyback model. MLP has no influence on this.

MLP AG acquired 8,863,109 own shares in the period between December 1, 2005 and December 22, 2006 and 785,500 own shares in the period between November 9, 2007 and the balance sheet date on December 31, 2007.

As of December 31, 2007 MLP AG had bought back a total of 9,648,609 own shares with a market value of € 155,059,586. This corresponds to 8.87 % of the share capital. Transaction costs of € 0 thsd (previous year: € 746 thsd) were incurred in the past financial year for the acquisition of treasury stock.

As per § 71b of the German Stock Corporation Act (AktG), these shares grant no rights and, more specifically, have no voting rights and dividends.

Following the authorisation by the Annual General Meeting, the Executive Board of MLP AG has decided on July 23, 2007 to decrease the company's share capital by retiring 8,863,109 ordinary bearer shares in line with § 71 (1) no. 8 of the German Stock Corporation Act (AktG). Pursuant to § 71 (1) no. 8 sentence 6 of the German Stock Corporation Act (AktG), the capital decrease shall take place by retiring the company's own shares bought back until December 20, 2006 for the purpose of reducing the share capital. In 2007, no shares of MLP AG were called in.

SHARE-BASED PAYMENTS

The resolution passed at the Annual General Meeting of May 28, 2002 authorised the Executive Board of MLP AG to issue non-interest-bearing convertible debentures in one or more tranches up to a total amount of the conditional capital of € 1,700,000 thsd in the period up to May 28, 2007, subject to the approval of the Supervisory Board.

Within the scope of the MLP Incentive Programme, the company issued non-interest-bearing convertible debentures to bearer in the years 2002 until 2005. They incorporate the right to purchase MLP AG shares and were issued to members of the Executive Board, members of the management and the staff of MLP AG, as well as for MLP consultants acting as self-employed commercial agents and employees of affiliated companies pursuant to article 15 and following articles of the German Stock Corporation Act (AktG).

The convertible debentures rank pari passu with the partial debentures to bearer with a face value of € 1 each and have a maximum maturity of six years (of which three years is a qualifying period and three years an exercise period). The conversion right may only be exercised if 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 % of the basis price at least once during the qualifying period (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 exercising the authority to issue convertible debentures to qualifying persons. When the right is exercised, each partial debenture with a face value of € 1 is exchanged for a new no-par-value share of MLP AG.

The exercise hurdle for the second tranche issued in the financial year 2003 was reached in the financial year 2006. During the exercise period from August 5, 2006 to August 4, 2009, the bearers of the convertible debentures are entitled to exercise their right to conversion.

The exercise hurdle for the third tranche issued in the financial year 2004 was reached in 2007. During the exercise period from August 17, 2007 until August 16, 2010, the bearers of convertible debentures are entitled to exercise their right to conversion.

By the end of the financial year 2007, 30,886 conversion rights (previous year: 140,717 conversion rights) had been exercised and converted to MLP AG shares. As a result, the conditional capital decreased to € 1,528,397 (previous year: € 1,559,283).

The right to cancel convertible debentures lies exclusively with the bearers and may only be exercised if the issuer is insolvent or in receivership.

MLP estimates the fair value of the options at the grant date using the Black-Scholes formula and taking into account the conditions upon which the options are granted. The payments received are recognised over the expected vesting period. The liability from the issue of the convertible debentures is recorded by MLP at the time of its addition based on its fair value. Subsequent evaluation is made applying the effective interest rate method.

The charge recognised in the income statement is € 1,373 thsd (previous year: € 2,165 thsd) and is disclosed in the items "Personnel expenses" and "Operating expenses". This also leads to an increase in capital reserves of € 1,373 thsd (previous year: € 2,165 thsd).

At December 31, 2007, the carrying amount of the liability from the issued convertible debentures amounted to € 1,005 thsd (previous year: € 1,014 thsd).

The following table shows details of the “Incentive Programme”:

	Tranche 2003	Tranche 2004	Tranche 2005
Exercise period			
Start	05.08.2006	17.08.2007	16.08.2008
End	04.08.2009	16.08.2010	15.08.2011
Nominal amount (€)	1.00	1.00	1.00
Exercise prices (€)	7.02	12.40	13.01
Subscribed convertible debenture (€ or units)	281,040	677,042	577,806
of which converted until Dec 31, 2005 (€ or units)	–	–	–
of which repaid in total until Dec 31, 2005 (€ or units)	24,446	16,265	945
Convertible debentures not converted by Jan 1, 2006 (€ or units)	256,594	660,777	576,861
of which Executive Board (€ or units)	7,248	32,300	–
Converted in 2006 (€ or units)	140,717	–	–
Repaid in 2006 (€ or units)	6,316	11,486	6,975
Convertible debentures outstanding as at Dec 31, 2006 (€ or units)	109,561	649,291	569,886
of which Executive Board (€ or units)	3,624	22,300	–
Converted in 2007 (€ or units)	29,036	1,850	–
Repaid in 2007 (€ or units)	1,930	64,847	16,868
Convertible debentures outstanding as at Dec 31, 2007 (€ or units)	78,595	582,594	553,018
of which Executive Board (€ or units)	–	32,300	–
Weighted average share price 2006 (€)	14.30	–	–
Weighted average share price 2007 (€)	15.11	11.61	–
Parameters for the fair value:			
Dividend yield (%)	1.68	2.34	2.37
Expected volatility (%)	64.52	47.75	31.49
Risk-free interest rate (%)	3.68	3.56	2.86
Anticipated remaining term of option at the time of issue (years)	6	6	6

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

In 2005 a Long-Term Incentive Programme (LTI) was introduced. It is designed to include the members of the Executive Board and selected executives of the MLP Group. This is a company performance plan based on key performance indicators, which takes into account both the earnings before tax (EBT) and the rise in share price. If an employee or member leaves the company, the phantom shares granted expire. A payout in cash of phantom shares will only take place if the earnings before tax (EBT) of the MLP Group in the years 2005 to 2007 reach a certain amount (performance hurdle), which is established by the Supervisory Board in accordance with MLP’s strategic planning. The Supervisory Board will establish the performance hurdle in spring 2008. On December 12, 2005, a further tranche of the LTI programme was approved for the financial year 2006. A payout will only take place if the earnings before tax (EBT) achieved in the MLP Group for the years 2006 to 2008 reach the performance hurdle set by the Supervisory Board. A further tranche was approved in 2007. In contrast to the previous tranches, cash payout is based on the triple EBIT achieved in the financial year preceding the granting date (performance hurdle). Only when this performance hurdle is reached will the beneficiaries be entitled to receive a cash payout.

The LTI programme does not provide for settlement by issuance of equity instruments.

The anticipated costs resulting from the LTI programme will initially be valued using the Monte-Carlo simulation based on the fair value of the phantom shares at the time of granting these options. The fair value will be recognised in the income statement until the first possible exercise date of the phantom options. An appropriate liability will be recorded pro rata. The liability is remeasured at each closing date and at the settlement date. Changes in the fair value are recognised in the income statement. See the following table for details on the LTI programme

	Tranche 2005	Tranche 2006	Tranche 2007
Performance shares at time of allocation (units)	144,728	135,300	233,120
of which Executive Board	89,592	78,173	117,899
of which others	55,136	57,127	115,221
Performance shares as at Jan 1, 2006 (units)	144,728	–	–
of which Executive Board	89,592	–	–
of which others	55,136	–	–
Performance shares expired in 2006	20,675	18,040	–
Performance shares as at Dec 31, 2006 (units)	124,053	117,260	–
of which Executive Board	68,917	60,133	–
of which others	55,136	57,127	–
Performance shares expired in 2007	24,121	27,060	–
Performance shares as at Dec 31, 2007 (units)	99,932	90,200	233,120
of which Executive Board	53,411	46,603	117,899
of which others	46,521	43,597	115,221
Parameters for the fair value as at December 31, 2007:			
Dividend yield (%)	–	4.17	4.17
Expected volatility (%)	50.40	35.24	38.58
Risk-free interest rate (%)	–	4.05	3.99
Anticipated remaining term of option (years)	–	1	3
Parameters for the fair value as at December 31, 2006:			
Dividend yield (%)	2.66	2.66	–
Expected volatility (%)	30.80	34.21	–
Risk-free interest rate (%)	3.86	3.90	–
Anticipated remaining term of option (years)	1	2	–

The costs included in the income statement for the Long-Term Incentive Programme come to € 338 thsd (previous year: € 544 thsd). As at December 31, 2007 a provision of € 961 thsd (previous year: € 623 thsd) was recognised for the Long-Term Incentive Programme.

CAPITAL RESERVES

The change in the capital reserves in the financial year is essentially due to the recognition of share-based payments pursuant to IFRS 2. The addition has resulted in the disclosure of personnel expenses of € 109 thsd (previous year: € 279 thsd) and operating expenses of € 1,263 thsd (previous year: € 1,886 thsd) in the income statement.

Due to the conversion rights exercised in 2007, the capital reserves increased by € 196 thsd. The allocation in the financial year 2007 is the difference between the exercise price of the second or third tranche conversion rights and the nominal amount of the issued shares (€ 7.02 – € 1; € 12.40 – € 1).

All figures in €'000	2007	2006
AS AT JAN 1	14,487	11,474
Allocation		
Issue of conversion rights	1,373	2,165
Exercising of conversion rights	196	848
AS AT DEC 31	16,056	14,487

SECURITIES MARKED TO MARKET

This item shows unrealised gains and losses on securities available for sale having accounted for deferred taxes.

OTHER COMPREHENSIVE INCOME

This item comprises non-distributed earnings of the MLP Group and the accumulated currency translation difference.

MINORITY INTEREST

This item comprises the minority interest in equity of subsidiaries of MLP AG.

PROPOSED APPROPRIATION OF PROFIT

Due to the overall pleasing trend in operating results in the past financial year, at the Annual General Meeting 2008 the Executive and Supervisory Board of MLP AG are to propose an increase in dividend payments from € 0.40 per share for the financial year 2006 to € 0.50 per share for the financial year 2007.

[31] Provisions

All figures in €'000	Dec 31, 2007 Current	Dec 31, 2007 Non-current	Dec 31, 2007 Total	Dec 31, 2006 Current	Dec 31, 2006 Non-current	Dec 31, 2006 Total
Pension provisions	264	18,630	18,895	261	15,639	15,900
Provisions for cancellations	8,393	5,357	13,750	8,541	5,343	13,884
Provisions for bonus schemes	3,432	–	3,432	4,834	–	4,834
Litigation risks/costs	2,341	–	2,341	1,943	–	1,943
Provisions for the lending business	1,524	–	1,524	597	–	597
Share-based payment (LTI programme)	–	961	961	–	623	623
Anniversaries	169	531	700	118	377	495
Economic loss	182	–	182	186	–	186
Provisions for rent	40	96	136	559	1,074	1,633
Other	1,088	770	1,858	1,666	662	2,328
TOTAL	17,433	26,344	43,777	18,705	23,718	42,423

Provisions have changed as follows:

All figures in €'000	Jan 1, 2007	Currency	Utilised	Released	Allocation	Change in scope of consolidation	Dec 31, 2007
Pension provisions	15,900	–	–262	–763	4,019	–	18,895
Provisions for cancellations	13,884	–5	–674	–529	1,074	–	13,750
Provisions for bonus schemes	4,834	–	–4,799	–19	3,416	–	3,432
Litigation risks/costs	1,943	–	–846	–134	1,378	–	2,341
Provisions for the lending business	597	–	–490	–107	1,524	–	1,524
Share-based payment (LTI programme)	623	–	–	–	338	–	961
Anniversaries	495	–	–	–	205	–	700
Economic loss	186	–	–34	–62	91	–	182
Provisions for rent	1,633	–	–299	–1,267	69	–	136
Other	2,328	–	–861	–619	1,010	–	1,858
TOTAL	42,423	–5	–8,264	–3,501	13,124	–	43,777

You can find further details on pension provisions in note 34.

These provisions for cancellations allow for the risk of having to refund earned commissions due to a premature loss of brokered insurance policies. The adjustment of the previous year's values is explained in note 3.

Provisions for bonus schemes are set up for incentive agreements with self-employed commercial agents.

[32] Liabilities due to banking business

All figures in €'000	Dec 31, 2007			Dec 31, 2006		
	Current	Non-current	Total	Current	Non-current	Total
Liabilities due to clients	724,134	682	724,816	576,928	682	577,610
Liabilities due to banks	3,590	23,876	27,466	914	21,175	22,089
TOTAL	727,724	24,558	752,281	577,842	21,857	599,699

The change in liabilities due to banking business from € 599,699 thsd to € 752,281 thsd is essentially due to the increase in client deposits.

At December 31, 2007, liabilities due to clients from savings deposits with an agreed notice period of three months amounted to € 8,977 thsd (previous year: € 8,255 thsd).

The liabilities due to clients or due to banks does not comprise any large individual items.

See note 36 for further details about this item.

[33] Other liabilities

All figures in €'000	Dec 31, 2007			Dec 31, 2006		
	Current	Non-current	Total	Current	Non-current	Total
Purchase price liability Feri Finance AG	–	91,764	91,764	–	83,591	83,591
Liabilities due to commercial agents	69,988	1,367	71,356	78,608	2,553	81,161
Advance payments received	35,331	–	35,331	46,504	–	46,504
Trade accounts payable	19,086	17	19,103	19,907	16	19,923
Interest derivatives	–	4,583	4,583	–	5,838	5,838
Other liabilities due to tax	3,595	–	3,595	2,526	–	2,526
Liabilities due to companies in which the Group holds an interest	1,314	–	1,314	1,175	–	1,175
Share-based payment (convertible debentures)	1,005	–	1,005	588	426	1,014
Liabilities due to banks	124	–	124	7	–	7
Liabilities from social security contributions	79	–	79	56	–	56
Other liabilities	43,147	7,060	50,207	30,997	9,073	40,070
TOTAL	173,670	104,791	278,461	180,368	101,497	281,865

For more information on purchase price liabilities due to the acquisition of shares in Feri Finance AG please refer to note 8.

Liabilities due to self-employed commercial agents represent unsettled commissions. Usually they are non-interest-bearing and due on the 15th of the following month.

The item “Advance payments received“ concerns paid-in-advance trail commissions from unit-linked life insurance policies. In the previous year this item also covered paid-in-advance acquisition commissions for private health insurance policies with break option. See note 28 for further information.

The liabilities due to companies in which the Group holds an interest are due on demand and are charged at an interest rate of 3.18 % to 4.35 % (previous year: 1.97 % to 4.68 %).

With regard to liabilities from convertible debentures, please refer to note 30 “Shareholders’ equity”, section “Share-based payments”.

The sub-item “Other liabilities” covers commissions withheld from MLP consultants due to cancellations and amounts to € 9,432 thsd (previous year: € 10,606 thsd). Commissions withheld are charged with interest. Their term is mainly indefinite.

See notes 36 and 40 for further details about these financial instruments.

OTHER DISCLOSURES

[34] Pension schemes

At MLP, executive members and self-employed commercial agents have been granted direct pension benefits subject to individual contracts in the form of defined benefit plans which guarantee the beneficiaries the following pension payments:

- old-age pension upon reaching 60 or 62 years of age,
- disability pension or single payment of disability capital (branch office managers),
- widow’s and widower’s pension of 60 % of the pension of the original recipient, and
- orphan’s pension of 10 % of the pension of the original recipient, and
- one-off capital sum payable on death before due date of pension (branch office managers).

The pension payments are funded both by means of provisions and employer's pension liability insurance. In the financial year 2007, the total expenses for defined pension plans amounted to € 3,258 thsd (previous year: € 3,122 thsd). The expenses for old-age pension for members of the Executive Board and executives of € 2,147 thsd (previous year: € 2,101 thsd) are included in the income statement under "Personnel expenses" (note 17). The expenses for old-age pension for office managers of € 581 thsd (previous year: € 587 thsd) are recorded under "Operating expenses" (note 19). The corresponding interest components are recorded under "Other interest and similar expenses".

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

All figures in €'000	2007	2006
Current service cost	2,147	2,101
Discount adjustment	900	792
Actuarial gains/losses	212	229
TOTAL	3,258	3,122

Pension provisions are measured in line with IAS 19. The method of valuation on which the report is based is the projected unit credit method using the mortality charts 2005G compiled by Dr Klaus Heubeck. Actuarial gains or losses are accounted for using the corridor approach. Actuarial gains or losses are only recorded if they exceed 10 % of the maximum defined benefit obligation and pension scheme assets. The exceeding amount is spread over the residual service time of active employees and is recognised in the income statement.

€ 17,895 thsd (previous year: € 20,584 thsd) of the projected unit credit of granted pension payments is to be allocated to benefit obligations funded by provisions and € 1,030 thsd (previous year: € 1,015 thsd) to benefit obligations covered by employer's pension liability insurance.

The reconciliation of pension obligations to pension provisions is shown in the table below: Pension provisions include provisions of € 2,833 thsd (previous year: € 2,326 thsd) for active Executive Board members on the balance sheet date.

All figures in €'000	2007	2006
DEFINED BENEFIT OBLIGATION (DBO)		
Benefit obligations on Jan 1	21,599	19,481
Current service cost	2,165	2,157
Interest cost	900	792
Interest charge from employer's pension liability insurance	–4	239
Actuarial gains and losses	–5,471	–808
Benefits paid	–264	–262
DEFINED BENEFIT OBLIGATION AS AT DEC 31, INCLUDING BRANCH OFFICE MANAGERS	**18,925**	**21,599**
Plan assets as at Dec 31	–1,030	–1,015
Defined benefit obligation as at Dec 31	17,895	20,584
Unrecognised actuarial gains and losses	999	–4,684
PENSION PROVISIONS RECOGNISED IN THE BALANCE SHEET AS AT DEC 31	**18,895**	**15,900**

The pension scheme assets are exclusively made up of reinsurance receivables. They correspond to the amount of the pension obligations covered by employer's pension liability insurance.

Actuarial calculations incorporate the following assumptions:

	2007	2006
Assumed interest rate	5.50%	4.40%
Anticipated annual salary development	2.60%	2.60%
Anticipated annual pension adjustment	2.00%	1.60%
Assumed retirement age	60 or 62	60 or 62

Experience adjustments of defined benefit obligations are as follows:

All figures in €'000	2007	2006	2005
Expected defined benefit obligation	23,366	21,393	14,987
Experience adjustments	–2,461	–142	1,030
Change in the assumption on which calculations were based	–3,010	–667	2,744
DEFINED BENEFIT OBLIGATION	**17,895**	**20,584**	**18,761**

In 2008 we expect payments with regard to net pension provisions of € 264 thsd (of which € 264 thsd are attributable to anticipated pension payments of the company and € 0 thsd to expected premiums to reinsurance companies).

In addition there are defined contribution plans. Under these types of plans the company pays premiums to state or private pension insurance institutions in line with legal or contractual regulations or on a voluntary basis. The regular premiums are recognised as personnel expenses or operating expenses in the respective year. In the financial year 2007 they totalled to € 6,567 thsd (previous year: € 5,567 thsd).

[35] Income taxes, including deferred taxes

All figures in €'000	2007	2006
Income tax attributable to continuing operations	32,135	23,583
of which current taxes on income	32,770	21,493
of which deferred taxes	–635	2,090
Income tax attributable to discontinued operations	–597	227
TOTAL	31,538	23,810

On July 6, 2007, the German Bundesrat endorsed the Law for Corporate Tax Reform in 2008. In particular, the reduction in the rate of corporation tax from 25 % to 15 % with effect from January 1, 2008 will reduce the MLP Group's rate of taxation as of the financial year 2008. Because deferred tax liabilities exceeded deferred tax assets, the decrease in the rate of corporation tax led to a decrease in tax expense of € 2,849 thsd in the past financial year.

In the previous year, current taxes on income from continuing operations included income of € 10,404 thsd which is attributable to previous periods. € 5,157 thsd of this concerns capitalised corporation tax credits.

The income taxes include current tax revenue of € 3 thsd (previous year: € 387 thsd tax expenses) and deferred tax revenue of € 470 thsd (previous year: € 4 thsd tax expenses) which are attributable to Group companies outside Germany.

The current tax is calculated using the relevant country-specific corporation tax rate. The combined income tax rate for domestic companies is made up of corporation tax at 25 % (previous year: 25 %), the solidarity surcharge at 5.5 % (previous year: 5.5 %) and an average municipal trade tax rate of 16.1 % (previous year: 16.1 %). As a result of the Corporate Tax Reform in 2008, the deferred taxes are determined on the basis of a corporation tax rate of 15 % plus a solidarity surcharge of 5.5 % and a municipal trade tax rate of 13.4 % and 12.3 %.

The effective income tax rate applicable to the earnings before tax is 29.7 % for continuing operations (previous year: 23.6 %). The following reconciliation account shows the relationship between the earnings before tax and the taxes on income in the financial year. The anticipated tax expense is based on the German combined income tax rate of 38.5 % (previous year: 38.5 %).

All figures in €'000	2007	2006
Earnings before tax from continuing operations	108,174	100,114
Earnings before tax from discontinued operations	–14,489	–4,487
	93,685	**95,627**
Group income tax rate	38.5%	38.5%
CALCULATED INCOME TAX EXPENDITURE IN THE FINANCIAL YEAR	**36,069**	**36,816**
Tax-exempt earnings and permanent differences	–6,639	–5,728
Non-deductible expenses	1,413	823
Divergent trade taxation charge	–409	–320
Effects of other taxation rates applicable abroad	952	558
Income tax not relating to the period	15	–10,404
Change in the tax effect due to unrecognised differences and tax losses for which no deferred tax assets were formed	2,831	2,790
Effects of the corporate tax reform	–2,849	–
Other	156	–725
INCOME TAXES	**31,538**	**23,810**

Income taxes not relating to the period concerns the effects of the amended tax returns between 2002 and 2005 due to the field tax audit. In the previous year the tax expense was influenced by tax refunds in connection with the field tax audit for the years 1997 to 2001.

The tax-exempt earnings are mainly due to subsequent purchase price components from the sale of shares in MLP Lebensversicherung AG and the sale of an equity interest and business operations in Great Britain and Spain.

Deferred taxes

All figures in €'000	Deferred tax assets		Deferred tax liabilities	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Intangible assets	91	135	10,191	14,738
Property, plant and equipment	–	–	1,585	1,911
Financial investments	–	–	28	563
Investment property	–	–	1,118	1,338
Other assets	350	250	205	1,052
Tax loss carryforwards	469	548	–	–
Provisions	2,504	6,695	–	–
Liabilities	1,442	2,325	56	91
GROSS VALUE	**4,856**	**9,953**	**13,183**	**19,693**
Netting of deferred tax assets and liabilities	–3,286	–5,996	–3,286	–5,996
TOTAL	**1,570**	**3,957**	**9,897**	**13,698**

The foreign branches and group companies report tax loss carryforwards of € 5,703 thsd (previous year: € 29,760 thsd). For these, deferred tax assets for tax loss carryforwards of € 3,829 thsd (previous year: € 27,933 thsd) and for deductible temporary differences of € 0 thsd (previous year: € 0 thsd) were not accounted in the balance sheet. There are no significant temporary differences from retained earnings. The tax loss carryforwards in Germany can be used indefinitely. In the enterprise in The Netherlands, the utilisation of losses is limited to a maximum of nine years.

At December 31, 2007 deferred income tax claims of € 20 thsd (previous year: € 0 thsd) and deferred income tax liabilities of € 3 thsd (previous year: € 16 thsd) were recognised directly in the shareholders' equity.

TAX REFUND CLAIMS

Tax refund claims include € 8,316 thsd (previous year: € 17,043 thsd) of corporation taxes and € 1,338 thsd (previous year: € 4,015 thsd) of trade taxes. The major portion of € 8,178 thsd (previous year: € 19,564 thsd) is attributable to MLP AG.

TAX LIABILITIES

The tax liabilities are made up of provisions for income taxes of € 74 thsd (previous year: € 7,618 thsd).

All figures in €'000	Jan 1, 2007	Utilised	Released	Allocation	Change scope of consolidation	Dec 31, 2007
Corporation tax	3,914	3,507	352	–	–	55
Trade tax	3,704	4,173	239	727	–	19
TOTAL	7,618	7,680	591	727	–	74

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

[36] Additional information on financial instruments

Based on the relevant items in the balance sheet, the following tables show the carrying amounts of the financial instruments held on the closing date in the categories laid down by IAS 39. MLP's categorisation according to IAS 39 corresponds with the classification pursuant to IFRS 7.

All figures in €'000 as at Dec 31, 2007	IAS 39 category	Carrying amount	Amortised costs	Fair value (recognised directly in equity)	Fair value (through profit and loss)
Receivables from banking business – banks	L+R	511,454	511,454	–	–
Receivables from banking business – clients	L+R	255,177	255,177	–	–
Receivables from banking business – clients	FVPL	5,120	–	–	5,120
Financial assets – securities	AfS	34,741	–	34,741	–
Financial assets – investments	AfS	3,629	3,629	–	–
Financial assets – securities	HtM	13,963	13,963	–	–
Financial assets – loans	L+R	66	66	–	–
Trade accounts receivable	L+R	91,100	91,100	–	–
Receivables from commercial agents	L+R	22,274	22,274	–	–
Advance payments	L+R	22,530	22,530	–	–
Receivables from companies in which the Group holds an interest	L+R	1,475	1,475	–	–
Interest derivatives	HfT	285	–	–	285
Other assets	L+R	13,502	13,502	–	–
Cash and cash equivalents	L+R	134,559	134,559	–	–
Non-current assets held for sale	AfS	12,154	–	12,154	–
AGGREGATED IN LINE WITH IAS 39 CATEGORIES					
Loans and receivables	L+R	1,052,137	1,052,137	–	–
Fair value through profit and loss	FVPL	5,120	–	–	5,120
Held to maturity	HtM	13,963	13,963	–	–
Held for trading	HfT	285	–	–	285
Available for sale	AfS	50,524	3,629	46,895	–

All figures in €'000 as at Dec 31, 2006	IAS 39 category	Carrying amount	Amortised costs	Fair value (recognised directly in equity)	Fair value (through profit and loss)
Receivables from banking business – banks	L+R	334,932	334,932	–	–
Receivables from banking business – clients	L+R	266,132	266,132	–	–
Receivables from banking business – clients	FVPL	5,319	–	–	5,319
Financial assets – securities	AfS	34,763	–	34,763	–
Financial assets – investments	AfS	3,222	3,222	–	–
Financial assets – securities	HtM	11,916	11,916	–	–
Financial assets – loans	L+R	4	4	–	–
Trade receivable	L+R	102,111	102,111	–	–
Receivables from commercial agents	L+R	24,293	24,293	–	–
Advance payments	L+R	32,761	32,761	–	–
Receivables from companies in which the Group holds an interest	L+R	1,514	1,514	–	–
Interest derivatives	HfT	136	–	–	136
Other assets	L+R	10,332	10,332	–	–
Cash and cash equivalents	L+R	120,507	120,507	–	–
AGGREGATED IN LINE WITH IAS 39 CATEGORIES					
Loans and receivables	L+R	892,586	892,586	–	–
Fair value through profit and loss	FVPL	5,319	–	–	5,319
Held to maturity	HtM	11,916	11,916	–	–
Held for trading	HfT	136	–	–	136
Available for sale	AfS	37,985	3,222	34,763	–

All figures in €'000 as at Dec 31, 2007	IAS 39 category	Carrying amount	Amortised costs	Fair value (recognised directly in equity)	Fair value (through profit and loss)
Liabilities due to banking business – clients	AC	724,816	724,816	–	–
Liabilities due to banking business – banks	AC	27,466	27,466	–	–
Purchase price liability Feri Finance AG	AC	91,764	91,764	–	–
Liabilities due to commercial agents	AC	70,910	70,910	–	–
Advance payments received	AC	35,331	35,331	–	–
Trade accounts payable	AC	19,103	19,103	–	–
Interest derivatives	HfT	4,583	–	–	4,583
Liabilities due to companies in which the Group holds an interest	AC	1,314	1,314	–	–
Share-based payments (convertible debentures)	AC	1,005	1,005	–	–
Liabilities due to banks	AC	124	124	–	–
Other liabilities	AC	24,312	24,312	–	–
AGGREGATED IN LINE WITH IAS 39 CATEGORIES					
Financial liabilities, measured at amortised cost	AC	987,866	987,866	–	–
Financial liabilities, held for trading	HfT	4,583	–	–	4,583

All figures in €'000 as at Dec 31, 2006	IAS 39 category	Carrying amount	Amortised costs	Fair value (recognised directly in equity)	Fair value (through profit and loss)
Liabilities due to banking business – clients	AC	577,610	577,610	–	–
Liabilities due to banking business – banks	AC	22,089	22,089	–	–
Purchase price liability Feri Finance AG	AC	83,591	83,591	–	–
Liabilities due to commercial agents	AC	80,508	80,508	–	–
Advance payments received	AC	46,504	46,504	–	–
Trade accounts payable	AC	19,923	19,923	–	–
Interest derivatives	HfT	5,838	–	–	5,838
Liabilities due to companies in which the Group holds an interest	AC	1,175	1,175	–	–
Share-based payments (convertible debentures)	AC	1,014	1,014	–	–
Liabilities due to banks	AC	7	7	–	–
Other liabilities	AC	12,662	12,662	–	–
AGGREGATED IN LINE WITH IAS 39 CATEGORIES					
Financial liabilities, measured at amortised cost	AC	845,083	845,083	–	–
Financial liabilities, held for trading	HfT	5,838	–	–	5,838

The carrying amounts of financial assets and liabilities measured at fair value correspond to the market values. The fair values and carrying amounts of financial instruments measured at amortised cost are compared in the table below.

All figures in €'000	IAS 39 category	Dec 31, 2007 Carrying amount	Dec 31, 2007 Current value	Dec 31, 2006 Carrying amount	Dec 31, 2006 Current value
Receivables from banking business – banks	L+R	511,454	511,454	334,932	334,932
Receivables from banking business – clients	L+R	255,177	260,361	266,132	272,527
Financial assets – securities	HtM	13,963	13,863	11,916	11,824
Financial assets – loans	L+R	66	66	4	4
Trade receivables	L+R	91,100	91,100	102,111	102,111
Receivables from commercial agents	L+R	22,274	22,274	24,293	24,293
Advance payments	L+R	22,530	22,530	32,761	32,761
Receivables from companies in which the Group holds an interest	L+R	1,475	1,475	1,514	1,514
Other assets	L+R	13,502	13,502	10,332	10,332
Cash and cash equivalents	L+R	134,559	134,559	120,507	120,507
Liabilities due to banking business – clients	AC	724,816	724,816	577,610	577,610
Liabilities due to banking business – banks	AC	27,466	27,466	22,089	22,089
Purchase price liability Feri Finance AG	AC	91,764	91,764	83,591	83,591
Liabilities due to commercial agents	AC	70,910	70,910	80,508	80,508
Advance payments received	AC	35,331	35,331	46,504	46,504
Trade accounts payable	AC	19,103	19,103	19,923	19,923
Liabilities due to companies in which the Group holds an interest	AC	1,314	1,314	1,175	1,175
Share-based payments (convertible debentures)	AC	1,005	1,005	1,014	1,014
Liabilities due to banks	AC	124	124	7	7
Other liabilities	AC	25,312	25,312	12,662	12,662
AGGREGATED IN LINE WITH IAS 39 CATEGORIES					
Loans and receivables	L+R	1,052,137	1,057,321	892,586	898,981
Held to maturity	HtM	13,963	13,863	11,916	11,824
Financial liabilities, measured at amortised cost	AC	987,866	987,866	845,083	845,083

The investments represent equity instruments of non-consolidated companies. They are not traded on an active market. The carrying amount of investments as at December 31, 2007 was € 3,629 thsd (previous year: € 3,222 thsd). There is no indication of fair values being lower than carrying amounts.

Cash and cash equivalents, trade receivables, receivables from companies in which the Group holds an interest and other assets have mainly short remaining terms. Therefore their carrying amounts on the balance sheet date are almost identical to the fair value. The same applies to the trade accounts payable and the liabilities due to companies in which the Group holds an interest.

The fair values of other non-current receivables and held to maturity financial investments due after one year correspond to the present values of the payments related to the assets, taking into account the current interest rate parameters that reflect market and partner-based changes to terms and conditions, and expectations. The fair values of liabilities due to banks and other financial liabilities are calculated as the present values of the payments associated with the debts, based on the applicable yield curve.

The next table shows the net gains or losses from financial instruments in line with the categories of IAS 39.

All figures in €'000	2007	2006
Net gains or losses from financial instruments of the category		
Loans and receivables (L+R)	29,785	24,212
Available for sale (AfS)	3,630	1,250
Fair value through profit and loss (FVPL)	119	–72
Held to maturity (HtM)	577	199
Amortised cost (AC)	–21,586	–13,966
Held for trading (HfT)	22	335

Net gains or losses include: interest income and interest costs, dividend income, impairment losses, write-ups, reversals of impairment losses, sales proceeds, subsequent income from financial instruments which have already been written off, income and expenses due to the measurement at fair value.

For financial instruments not measured at fair value through profit and loss, interest income of € 38,260 thsd and interest charges of € 21,586 thsd were accrued in the last financial year (previous year: € 30,358 thsd of interest income, € 13,966 thsd of interest charges).

For impairment losses we refer to the note for the items "Receivables from the banking business" and "Receivables and other assets". There were no impairment losses for financial instruments held to maturity and available for sale in the last financial year (previous year: € 0 thsd). With regard to commission income and expenses not included in the calculation for determining the effective interest rate, we refer to the notes on income and expenses due to the banking business.

For the "loans and receivables" designated as at "fair value through profit and loss", the maximum credit risk corresponds to the carrying amount of these financial instruments. There are no credit derivatives that serve to lower the credit risk. The change in the fair value is solely due to the changes in market conditions. As in the previous year, there are no changes in the fair value due to the credit standing.

Derivative business

In order to fix the interest flows for the financing of individual construction phases of the Wiesloch building project completed in 2004, MLP took out two interest rate swaps (payer swaps) in 1999. After the premature redemption of the loans, the open interest position resulting from the purchase of two reverse swaps with identical amounts and terms was closed. In addition, three interest rate swaps were concluded by MLP FDL AG with a total value of € 5,000 thsd. The interest rate swaps do not serve speculative purposes, but are rather taken out to hedge interest risks (interest-dependent fair value risk of originated fixed interest-bearing loans). They are not included in a hedge-accounting relationship.

All figures in €'000	Nominal Dec 31, 2007	Fair value Dec 31, 2007	Nominal Dec 31, 2006	Fair value Dec 31, 2006
Interest rate swap 1	30,000	–1,370	30,000	–2,376
Interest rate swap 2	20,000	–979	20,000	–1,667
Interest rate swap 3	20,000	–911	20,000	–731
Interest rate swap 4	30,000	–1,323	30,000	–1,064
Interest rate swap 5	1,000	33	1,000	2
Interest rate swap 6	1,500	67	1,500	24
Interest rate swap 7	2,500	184	2,500	110
TOTAL	105,000	–4,299	105,000	–5,702

The face values of derivative financial instruments stated in the table correspond to the purchasing/selling values or contract values of hedged items which are economically connected with the swaps. They are shown gross (even if offsetting transactions exist). They do not necessarily represent the amounts that MLP could generate in future through a closing transaction.

As at December 31, 2007, the accumulated fair value of the interest derivatives was –€ 4,299 thsd (previous year: –€ 5,702 thsd). The incurred carrying amounts of the individual derivatives are based on the market value on the balance sheet date. The instruments with a positive market value totalling € 284 thsd (previous year: € 136 thsd) are disclosed under "Receivables and other assets", and instruments with a negative market value of a total of € 4,583 thsd (previous year: € 5,838 thsd) are reported under "Liabilities". The changes in fair value of derivatives of € 22 thsd (previous year: –€ 335 thsd) were recorded in the financial result.

[37] Notes to the consolidated cash flow statement

The cash flow statement illustrates the cash flows of a financial year separated into operating, investing and financing activities.

The **cash flow from operating activities** results from cash flows that cannot be defined as investing or financing activities. This is determined on the basis of the Group earnings (total). As part of the indirect determination of the cash flow, the changes in balance sheet items due to operating activities are adjusted by effects from changes to the scope of consolidation and currency translation. Therefore the changes in the respective balance sheet items cannot be aligned with the corresponding values in the published consolidated balance sheets. Cash flow from operating activities has fallen by € 4,037 thsd compared to the previous year to € 83,423 thsd.

In addition to changes in the fixed assets, cash flow from **investing activities** comprises the acquisition of MLP Hyp GmbH (previous year: Feri Group). These cash flows also include payments in connection with the sale of MLP Private Finance plc., MLP Private Finance Correduria de Seguros S.A., MLP Private Finance AG, and the sale of Feri Fund Market Information Ltd., FI Datenservice GmbH and the insurance companies. The acquired net assets of the Feri Group are disclosed in note 8.

The **financing activities** show the cash-related equity capital changes and loans used and paid back.

The cash flow statement also includes cash inflows and outflows of discontinued operations. These are shown separately as an "of which" item.

Financial resources are cash and cash equivalents and have a term to maturity of not more than three months. Cash equivalents are short-term financial investments which can be converted into cash at any time and which are only subject to minor value fluctuation risks. The cash and cash equivalents disclosed in the balance sheet have been reduced by € 17 thsd (previous year: € 17 thsd) which are intended for committed subsidies or are subject to other restraints.

All figures in €'000	Dec 31, 2007	Dec 31, 2006
Cash and cash equivalents:		
Consolidated balance sheet	134,559	120,507
Committed subsidies/restraints on disposal	–17	–17
	134,543	**120,490**
Liabilities to banks due on demand	–124	–7
CASH AND CASH EQUIVALENTS	**134,419**	**120,483**

The receivables from banks outside the brokerage business are not included in cash and cash equivalents as they are to be attributed to the current business activities of the banking business segment (previously MLP Bank AG).

[38] Notes on Group reporting by segment

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

The business segments are mainly 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.

The determination of the reportable strategic business segments is based on the potential opportunities and risks in the markets in which the MLP Group transacts business.

The MLP Group is structured into the following primary business segments:

- Consulting and sales
- Banking
- Wealth management
- Internal services and administration

The **consulting and sales** segment consists of consulting services for academics and other discerning clients, particularly with regard to insurance, investments, occupational pension schemes and financing of all kinds, as well as the brokering of contracts concerning these financial services. With 2,613 consultants and a comprehensive range of services, the company currently caters for approximately 721,000 clients in the named segments. In order to offer clients innovative and tailor-made financial plans, products used include those available on the market from third parties and from the Feri Group. Outside the core market in Germany, MLP also offers services abroad in Austria and the Netherlands. Up to the third quarter of 2007, MLP was also represented by subsidiaries in Spain and Great Britain.

The consulting and sales segment, focussing on the brokerage business, is made up of MLP Finanzdienstleistungen AG, Wiesloch, BERAG Beratungsgesellschaft für betriebliche Altersversorgung und Vergütung mbH, Bremen, BERAG Versicherungs-Makler GmbH, Bremen, MLP BAV GmbH, Wiesloch, MLP Finanzdienstleistungen AG (previously MLP Vermögensberatung AG), Vienna, Austria, and MLP Hyp GmbH, Schwetzingen.

MLP Private Finance plc., London, Great Britain, and MLP Private Finance Correduria de Seguros S.A., Madrid, Spain (previous year: MLP Private Finance AG, Zurich, Switzerland), which previously belonged to this segment, are disclosed separately as discontinued operations in the consulting and sales segment. The previous year's figures were adjusted accordingly. You can find further notes on discontinued operations in note 39.

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. This segment comprises the business segments focussing on the banking business of MLP Finanzdienstleistungen AG (previously MLP Bank AG), Wiesloch.

The business operations of the **wealth management** segment cover wealth and investment consulting. This segment consists of Feri Finance AG für Finanzplanung und Research, Bad Homburg v.d. Höhe, Feri Wealth Management GmbH, Bad Homburg v.d. Höhe, Feri Institutional Advisors GmbH, Bad Homburg v.d. Höhe, and Feri Rating & Research GmbH, Bad Homburg v.d. Höhe.

MLP AG, Wiesloch constitutes the **internal services and administration** segment. The main internal services and activities are combined in this segment.

The information supplied concerning the individual segments is based on standardised accounting and valuation methods which were also applied for establishing the consolidated figures of the Group's financial statements.

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

Intrasegment supplies and services are settled in principle at normal market prices. In the case of intra-group allocations, an appropriate general overhead surcharge is levied on the direct costs actually incurred.

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

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

	2007	2006
CONTINUED OPERATIONS		
Consulting and sales	1,491	1,422
Banking	125	132
Wealth management	246	40
Internal services and administration	9	10
	1,871	**1,604**
DISCONTINUED OPERATIONS		
MLP Private Finance plc., London, Great Britain	22	37
MLP Private Finance Correduria de Seguros S.A., Madrid, Spain	9	16
MLP Private Finance AG, Switzerland	–	10
	31	**63**
TOTAL	**1,902**	**1,667**

Employees in the discontinued operations were included in the calculation pro rata temporis up to the date of deconsolidation.

In the previous year, the employees of the wealth management segment were included in the calculation pro rata temporis from the point in time of its initial consolidation.

All segments perform their economic activities predominantly in Germany. The consulting and sales segment also has minor operations in Austria and the Netherlands. This segment was also active in Great Britain and Spain up to the third quarter of 2007.

As the Group chiefly confines its business activities to Germany – the proportion of foreign revenue in the period under review and in the previous year is less than 3 % – a geographic (secondary) breakdown of the segments is not required.

[39] Discontinued operations/disposal groups

The income statement reported in the previous year has been adjusted following the discontinuation of the business segments in Great Britain and Spain (see note 3).

The adjustment has only led to a reclassification of the expenses and income of MLP Private Finance plc., London, Great Britain and MLP Private Finance Correduria de Seguros S.A., Madrid, Spain, from continuing operations to earnings from discontinued operations. The reclassification has not altered the net profit (total) or the earnings per share (Group).

The discontinued operations are MLP Private Finance plc., London, Great Britain, MLP Private Finance Correduria de Seguros S.A., Madrid, Spain, MLP Private Finance AG, Zurich, Switzerland, MLP Lebensversicherung AG, Heidelberg, and MLP Versicherung AG, Heidelberg. The business operations of the subsidiaries MLP Private Finance plc. and MLP Private Finance Correduria de Seguros S.A. were sold in the third quarter of 2007, and deconsolidated in the fourth quarter. In the financial year 2006, the operative business of the Swiss subsidiary was discontinued and the company was deconsolidated. The insurance companies were sold and deconsolidated in 2005.

By valuing the assets of discontinued operations at less than the carrying amount and fair value less costs of disposal, MLP achieved the following results:

All figures in €'000	2007	2006
MLP Private Finance plc., London	3,277	–
MLP Private Finance Correduria de Seguros S.A., Madrid	173	–
MLP Private Finance AG, Zurich	–	421

The deconsolidated net assets break down as follows:

All figures in €'000	2007	2006
Property, plant and equipment	1	–
Receivables and other assets	497	54
Cash and cash equivalents	965	680
Provisions	–	–280
Liabilities	–1,187	–267
	276	**187**

Income statement of discontinued operations

All figures in €'000	2007	2006
Income from brokerage business	2,122	4,616
Other income	117	1,140
TOTAL INCOME	2,239	5,756
Expenses for brokerage business	–63	–477
Personnel expenses	–2,902	–4,404
Depreciation/amortisation	–125	–302
Other expenses	–4,294	–8,429
EARNINGS BEFORE INTEREST AND TAX (EBIT)	–5,144	–7,856
Other interest and similar income	87	66
Other interest and similar expenses	–	–11
FINANCE COST	87	55
EARNINGS BEFORE TAX (EBT)	–5,057	–7,801
Income taxes	–1	–
EARNINGS FROM DISCONTINUED OPERATIONS AFTER TAX	–5,058	–7,801
Earnings from the sale of operations before tax	–9,432	3,315
Income taxes	597	–227
EARNINGS FROM THE SALE OF OPERATIONS AFTER TAX	–8,835	3,088
NET EARNINGS FROM DISCONTINUED OPERATIONS AFTER TAX	–13,893	–4,713

INCOME FROM BROKERAGE BUSINESS

Income from brokerage business dropped from € 4,616 thsd to € 2,122 thsd. This was due to the discontinuation of the operative business of the foreign companies in Great Britain and Spain. In addition to the income from the companies in Great Britain and Spain, the previous year value also includes the operating result from our former Swiss subsidiary.

PERSONNEL EXPENSES

Personnel expenses consist of the company's ongoing personnel costs from the start of the financial year up to the time of deconsolidation.

OTHER EXPENSES

The other expenses in 2007 are a result of the operative business of the companies in Great Britain and Spain. They mainly consist of allowances for bad debts due from commercial agents, costs of premises, and audit and consultancy costs.

EARNINGS FROM THE SALE OF OPERATIONS BEFORE TAX

The earnings from the sale of operations disclosed in the past financial year comprises –€ 4,786 thsd relating to the sale and deconsolidation of the companies in Great Britain and Spain.

The earnings of –€ 4,643 thsd disclosed for the two insurance companies in the last financial year result from the reversal of non-utilised provisions which were set up in connection with the sale of the two companies in 2005, and from an anticipated decrease in the purchase price.

INCOME TAXES (EARNINGS FROM THE SALE OF OPERATIONS)

The income taxes result from the reversal of deferred tax liabilities in connection with the deconsolidation of the companies in Great Britain and Spain and insurance companies which have already been closed down.

EARNINGS PER SHARE

The earnings per share of the discontinued operations is disclosed in note 44.

NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

This balance sheet item mainly comprises shares in funds held for sale. On September 3, 2007 and October 29, 2007, MLP endowed the special assets “ZinsPlus OP”, “Vermögensmanagement Rendite OP” and “Vermögensmanagement Chance OP”. These special assets endowed in euros are “mixed funds” according to the German Investment Act (InvG) and are managed by Oppenheim Kapitalanlagegesellschaft mbH. The ISINs/security identification numbers are DE000A0MUWS7/A0MUWS, DE000A0MUWU3/A0MUWU and DE000A0MUWV1/A0MUWV.

In the reporting period unrealised gains of € 43 thsd and unrealised losses of € 386 thsd were recognised directly in the equity “Securities marked to market”.

[40] Risk management policy and hedging strategies

As a financial services provider, MLP is exposed to various financial and other risks. It is MLP’s corporate policy to identify and minimise these risks through a group-wide risk management and monitoring system.

MLP is significantly influenced by **performance-related risks**. In particular, this affects developments in winning and keeping clients, the number of consultants, the level of margins and the acceptance of the products we sell. To monitor these risks, we use monitoring and control instruments with which we can make trends in operating results transparent and, with the inclusion of simulation calculations, can derive necessary controlling measures.

At MLP, **financial risks** include the default risk, the interest risk, the liquidity risk and other price risks. There is no substantial foreign exchange risk, country risk and no other market price risks. There are no group risks.

Default risks arise from the advances granted to consultants, the commission receivables from product partners and loan receivables of MLP Finanzdienstleistungen AG's own commitments. The default risk is reflected in the financial instruments' carrying amounts capitalised in the balance sheet (in particular originated loans and receivables as well as derivative financial instruments with a positive market value). Receivables from the banking business are secured with customary banking collaterals.

MLP counters these risks by means of efficient receivables management and strict criteria when selecting our business partners. Loans are granted using a standardised Group loan strategy under application of the usual credit assessment standards for the market based on a scoring approach. Accounts that are regarded as carrying risk are adjusted accordingly. The strict creditworthiness requirements of our capital investment directive reduce the counterparty default risks for securities acquired within the scope of capital investment management.

Financial instruments subject to a variable interest rate expose MLP to a **cash flow-relevant interest risk**. For fixed interest-bearing financial instruments, the interest risk relates to the fair value of the financial instruments (fair-value-relevant interest risk).

Available-for-sale securities include fixed income securities of € 4,997 thsd (previous year: € 11,526 thsd). The company management believes an ad-hoc change in the market interest rate level of +/– 50 basis points is realistic. If the market interest rate level had been higher (lower) by 50 basis points on December 31, 2007, the market value of fixed interest-bearing financial instruments would have been reduced by € 164 thsd or increased by € 179 thsd respectively (previous year: each reduced or increased by € 35 thsd). As these fixed income securities are classified as "available for sale," changes to the fair value are thus included in shareholders' equity, meaning that any change to the market interest rate level would have had no effect on the net profit. For this reason the notional change in the market interest rate level would have reduced or increased shareholders' equity by € 164 thsd or € 179 thsd respectively (previous year: reduced or increased by € 35 thsd).

The Group faces a further interest risk from the incongruities of the terms of interest between loans granted by MLP and the products which refinance them. These maturity transformation risks, which result from the incongruency in the terms of interest of granted loans and those of the refinancing of these loans, are continuously monitored and evaluated in compliance with supervisory requirements (stress scenarios). In order to reduce the cash-flow-relevant interest risk, we use derivative financial instruments (interest rate swaps).

If the market interest rate level had been 50 basis points higher (lower) on December 31, 2007,

- the time value of the fixed interest-bearing loans and fixed interest-bearing refinancings, which have been designated as at "fair value through profit and loss," would have been reduced by € 5 thsd or increased by € 13 thsd. The net profit would thus have increased by € 54 thsd or by € 3 thsd.

The changes in market value of loans in the category "Fair value through profit and loss" are purely due to changes in interest rates. MLP bases the selection process of these loans on a very good credit rating of the debtor. Credit-dependent fair value adjustments have not arisen.

Liquidity risk: Ensuring solvency at all times is the core function of the Group treasury. MLP funds its business operations from current cash flow. The fundamental principles of liquidity management and planning are defined in the internal capital investment directives. Liquidity management is performed by means of daily scheduling based on defined planning horizons, taking into account possible cash flow scenarios, new business planning, investment planning and other capital transactions. The controlling of financial instruments (securities) of the cash reserve in our inventory is based on the present value of our cash and cash equivalents and their potential development in various interest scenarios. Appropriate short- and medium-term credit lines have been agreed with a number of banks to safeguard against a short-term liquidity shortfall.

The tables below show the maturity structure of financial liabilities with contractually fixed terms to maturity:

Total cash flow (redemption and interest) in €'000 as at Dec 31, 2007	Due on demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Liabilities due to banking business – clients	718,890	24,760	280	749	744,679
Liabilities due to banking business – banks	3,531	2,049	10,013	17,930	33,523
Purchase price liability Feri Finance AG	–	–	107,299	–	107,299
Liabilities due to commercial agents	66,439	3,434	1,037	–	70,910
Trade accounts payable	–	19,086	17	–	19,103
Liabilities due to savings deposits	–	9,045	–	–	9,045
Liabilities due to banks	124	–	–	–	124
Interest derivatives	–	–	4,583	–	4,583
Other liabilities	265	53,417	–	–	53,682
TOTAL	789,249	111,792	123,230	18,679	1,042,949

Total cash flow (redemption and interest) in €'000 as at Dec 31, 2006	Due on demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Liabilities due to banking business – clients	567,405	12,051	289	772	580,517
Liabilities due to banking business – banks	867	776	10,161	16,498	28,302
Purchase price liability Feri Finance AG	–	–	17,967	83,591	101,558
Liabilities due to commercial agents	74,259	4,153	2,096	–	80,508
Trade accounts payable	95	19,812	16	–	19,023
Liabilities due to savings deposits	–	8,464	–	–	8,464
Liabilities due to banks	–	7	–	–	7
Interest derivatives	–	–	–	5,838	5,838
Other liabilities	314	57,827	2,201	–	60,342
TOTAL	642,940	103,090	32,730	106,699	885,459

Other market risks for financial instruments result from changes such as stock exchange prices for equity instruments. As at December 31, 2007, MLP has shareholdings of € 3,629 thsd (previous year: € 3,222 thsd) and available-for-sale securities of € 46,896 thsd (previous year: € 34,763 thsd). Available-for-sale securities include fixed income securities of € 4,997 thsd (previous year: € 11,526 thsd) and variable interest-bearing securities of € 15,944 thsd (previous year: € 20,028 thsd). The remaining available-for-sale securities of € 25,954 thsd (previous year: € 3,209 thsd) are not fixed interest-bearing. The investments are shares in non-consolidated subsidiaries, whose equity instruments have no market price and whose fair value cannot be reliably determined. The shares are thus valued at their cost of acquisition.

[41] Disclosures on capital

Another primary objective of capital management is to ensure that the legal solvency regulations for banking and financial services businesses, which prescribe a minimum amount of shareholders' equity backing, are fulfilled. With regard to the compliance with statutory solvency regulations as per § 2a (6) of the German Banking Act (KWG), MLP evaluates its capital adequacy on a consolidated basis. The relevant banking group includes MLP AG, Wiesloch, MLP Finanzdienstleistungen AG, Wiesloch (previously MLP Bank AG, Wiesloch), Feri Finance AG, Bad Homburg v.d. Höhe, Feri Institutional Advisors GmbH, Bad Homburg v.d. Höhe, Feri Wealth Management GmbH, Bad Homburg v.d. Höhe, and MLP Finanzdienstleistungen AG, Vienna (previously MLP Vermögensberatung AG, Vienna). As a deposit-taking bank, MLP Finanzdienstleistungen AG, Wiesloch is a holding institution according to the German Banking Act (KWG).

The following means and measures for controlling and adjusting the capital structure are available to MLP: (i) transferring to the statutory reserve; (ii) issuing new shares; (iii) buying back and retiring treasury stock.

As MLP Finanzdienstleistungen AG is authorised to provide financial services (investment and acquisition brokerage), as a finance holding group MLP has been obliged to back its weighted risk assets with at least 8 % equity (equity ratio) from June 2006. The backing of risk assets with core capital (tier 1 capital) generally requires a minimum ratio of 4 %. These requirements have not changed in the financial year 2007. The same applies for MLP's internal processes, objectives and measures for capital management.

In line with Principle I of the Deutsche Bundesbank which covers the equity of institutions, MLP bases its weighting of risk assets on the intended values as at December 31, 2006. In this respect, MLP exercises the transitional provision of § 64h of the German Banking Act (KWG). Instead of the standardised approach for credit risk in line with the German Solvency Regulation (SolvV – the regulation governing the capital adequacy of institutions, groups of institutions and financial holding groups) of December 14, 2006, the requirements of Principle I covering the principles of equity of financial institutions were used in the version published on October 29, 1997, last amended in compliance with the announcement of July 20, 2000.

The core capital is made up of the following equity items of the relevant groups of institutions in line with § 10 of the German Banking Act (KWG): share capital, capital reserves, statutory reserve, reserve for treasury stock. The following reduce core capital: intangible assets, treasury stock, investment carrying amounts in companies belonging to the relevant groups of institutions, goodwill.

As in the previous year, MLP has fulfilled all legal requirements relating to the minimum shareholders' equity backing during the financial year 2007. The relationship between the weighted risk assets and core capital is illustrated below.

All figures in €'000 or %	2007	2006
CORE CAPITAL	185,227	185,350
Tier 2 capital	250	–
Tier 3 capital	–	–
EQUITY	185,477	185,350
WEIGHTED RISK ASSETS	704,688	682,663
EQUITY RATIO (EQUITY/RISK ASSETS) MIN. 8%	26.32 %	27.15 %
CORE CAPITAL RATIO (CORE CAPITAL/RISK ASSETS) MIN. 4%	26.28 %	27.15 %

MLP's tier 2 capital solely consists of the contingency reserves according to § 340f of the German Commercial Code (HGB).

[42] Other financial commitments

Payments for operating leases include rental charges for PC hardware, notebooks and copiers. The leases have a term of 36 months subject to a purchase option in favour of the lessee. This expenditure for the financial year amounted to € 41,322 thsd (previous year: € 46,184 thsd).

On the balance sheet date, the financial commitments were as follows:

All figures in €'000	Due 2008	Due 2009–2012	Due from 2013	Total
Rent of offices	14,641	39,990	3,721	58,351
Outsourcing IT technology	31,987	120,631	22,311	174,930
Rent	1,060	5,059	9,595	15,714
Sponsorship	572	355	–	927
Other rents	1,202	1,808	–	3,009
Maintenance/licence contracts	2,100	2,186	–	4,286
Purchase commitments	1,676	–	–	1,676
Other obligations	417	659	–	1,076
TOTAL	**53,654**	**170,687**	**35,627**	**259,968**

The income from subletting notebooks to MLP consultants amounts to € 4,918 thsd (previous year: € 4,616 thsd).

[43] Contingent assets and liabilities and other liabilities

As it is composed of companies from different business segments, MLP is exposed to a variety of legal risks. These include, in particular, risks in the fields of warranty, taxes and 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 unexpected decisions, which has not been fully covered by allowances for losses or insurance and which is liable to have a material impact on the business and its results. In MLP's opinion, decisions producing a major negative effect on the assets, financial position and income at the Group's expense are not anticipated with regard to the currently pending legal actions.

On the balance sheet date there are liabilities on account of sureties and warranties of € 19,438 thsd (previous year: € 16,804 thsd) and irrevocable credit commitments of € 8,584 thsd (previous year: € 10,629 thsd).

MLP Finanzdienstleistungen AG has committed itself to provide MLP Private Finance AG, Zurich with liquid funds, whenever necessary, until the liquidation proceedings have been completed.

PURCHASE PRICE ADJUSTMENTS IN CONNECTION WITH THE ACQUISITION OF FERI FINANCE AG

As the purchaser of 56.586 % of the shares in Feri Finance AG, MLP AG was granted the right (call option) to purchase the remaining stake of 43.414 % in Feri Finance AG. MLP exercised the call option on October 29, 2007. The purchase price (fixed purchase price component) to be paid by MLP AG for the remaining 43.414 % stake is € 47.8 million and is due on the date of the actual transfer of the shares in April 2011.

Depending on the future economic development of Feri Finance AG and the development of funds under management at MLP, the fixed purchase price component may rise due to a variable purchase price component of up to € 98.0 million. As in the previous year, MLP anticipates that this variable component of the purchase price will come to € 40.0 million. The variable purchase price component is due at the earliest on the date of actual transfer of the shares in April 2011.

For further details, please refer to notes 4 and 8.

PURCHASE PRICE ADJUSTMENTS FROM THE SALE OF MLP LEBENSVERSICHERUNG AG AND MLP VERSICHERUNG AG

Alongside an acquisition commission for the brokering of contracts for Heidelberger Lebensversicherung, MLP has agreed an additional purchase price adjustment clause with Clerical Medical International Holdings B.V., which is calculated on the basis of the annual volume of business brokered. This will be claimed for the last time in 2008. In 2008, MLP expects this purchase price adjustment clause to provide a similar income to that recorded in 2007 (2007: € 11,295 thsd; 2006: € 8,640 thsd).

The purchase contract signed between MLP AG and Gothaer Allgemeine Versicherung AG, Cologne on the sale of MLP Versicherung AG contains a purchase price adjustment clause which, in the worst case, allows for a maximum reduction in the purchase price of € 7.25 million in 2010. Given the current situation, we do not expect any repayment.

[44] Earnings per share

The calculation for the basic and diluted earnings per share for the total earnings for continuing and discontinued operations is based on the following data:

All figures in €'000	2007	2006
Basis of the basic earnings per share (net profit)	62,146	71,818
Effect of the potential share dilution: Interest on convertible debentures (after tax)	106	32
BASIS OF THE DILUTED EARNINGS PER SHARE	**62,252**	**71,850**

All figures in units	2007	2006
Weighted average number of shares for the basic earnings per share	99,832,590	103,557,397
Effect of the potential share dilution: Convertible debentures	1,214,207	1,328,738
WEIGHTED AVERAGE NUMBER OF SHARES FOR THE DILUTED EARNINGS PER SHARE	**101,046,797**	**104,886,135**

The basic earnings per share for continuing and discontinued operations is € 0.62 (previous year: € 0.69), the diluted earnings per share amounts to € 0.61 (previous year: € 0.69).

The calculation for the basic and diluted earnings per share for the total earnings for continuing operations is based on the following data:

All figures in €'000	2007	2006
Basis of the basic earnings per share (net profit)	76,039	76,531
Effect of the potential share dilution: Interest on convertible debentures (after tax)	106	31
BASIS OF THE DILUTED EARNINGS PER SHARE	**76,145**	**76,562**

All figures in units	2007	2006
Weighted average number of shares for the basic earnings per share	99,832,590	103,557,397
Effect of the potential share dilution: Convertible debentures	1,214,207	1,328,738
WEIGHTED AVERAGE NUMBER OF SHARES FOR THE DILUTED EARNINGS PER SHARE	**101,046,797**	**104,886,135**

The basic earnings per share for continuing operations is € 0.76 (previous year: € 0.74), the diluted earnings per share amounts to € 0.75 (previous year: € 0.73).

The calculation for the basic and diluted earnings per share for the net earnings from discontinued operations is based on the following data:

All figures in €'000	2007	2006
Basis of the basic earnings per share (net profit)	–13.893	–4.713
Effect of the potential share dilution: Interest on convertible debentures (after tax)	0	0
BASIS OF THE DILUTED EARNINGS PER SHARE	**–13.893**	**–4.713**

All figures in units	2007	2006
Weighted average number of shares for the basic earnings per share	99,832,590	103,557,397
Effect of the potential share dilution: Convertible debentures	1,214,207	1,328,738
WEIGHTED AVERAGE NUMBER OF SHARES FOR THE DILUTED EARNINGS PER SHARE	**101,046,797**	**104,886,135**

The basic earnings per share for the earnings from discontinued operations is –€ 0.14 (previous year: –€ 0.05), the diluted earnings per share amounts to –€ 0.14 (previous year: –€ 0.04).

[45] Corporate bodies of MLP AG

EXECUTIVE BOARD

Dr Uwe Schroeder-Wildberg, Heidelberg
Chairman
Responsible for planning and strategy, human resources, communication, legal affairs, audit, IT, controlling, accounting, taxes, treasury and general administration

Dr Wulf Böttger, Essen
Responsible for sales and marketing until September 4, 2007

Gerhard Frieg, Heidelberg
Responsible for product management and purchasing

Nils Frowein, Frankfurt
Chief Financial Officer until June 30, 2007

Muhyddin Suleiman, Rauenberg
Responsible for sales and marketing since September 4, 2007

SUPERVISORY BOARD

Manfred Lautenschläger, Gaiberg
Chairman

Gerd Schmitz-Morkramer, Munich
Vice Chairman

Dr Peter Lütke-Bornefeld, Everswinkel
Chairman of the Board of
Kölnische Rückversicherungs-Gesellschaft AG

Johannes Maret, Burgbrohl
Entrepreneur

Maria Bähr, Sandhausen
Employees' representative
Departmental head at MLP Finanzdienstleistungen AG

Norbert Kohler, Oftersheim
Employees' representative
Team leader at MLP Finanzdienstleistungen AG

Mandates in other statutory Supervisory Boards of companies based in Germany	Membership in comparable domestic and foreign control bodies of commercial enterprises
Feri Finance AG, Bad Homburg v.d. Höhe (Chairman)	Deutsche Bank AG, Mannheim (Advisory Board) Fuchs Petrolub AG, Mannheim (Advisory Board) MLP Finanzdienstleistungen AG, Vienna, Austria (Chairman) MLP BAV GmbH, Wiesloch (Chairman)
–	–
Feri Finance AG, Bad Homburg v.d. Höhe	MLP BAV GmbH, Wiesloch BERAG Beratungsgesellschaft für betriebliche Altersvorsorge und Vergütung mbH, Bremen (Chairman) MLP Hyp GmbH, Schwetzingen
Feri Finance AG, Bad Homburg v.d. Höhe (until June 30, 2007)	MLP BAV GmbH, Wiesloch BERAG Beratungsgesellschaft für betriebliche Altersvorsorge und Vergütung mbH, Bremen (Deputy Chairman) MLP Finanzdienstleistungen AG, Vienna, Austria – all until June 30, 2007
Feri Finance AG, Bad Homburg v.d. Höhe	–

Mandates in other statutory Supervisory Boards of companies based in Germany	Membership in comparable domestic and foreign control bodies of commercial enterprises
MLP Finanzdienstleistungen AG, Wiesloch (Chairman)	Universitätsklinikum Heidelberg, Heidelberg
Merck Finck Treuhand AG, Frankfurt am Main (Chairman) bmp AG, Berlin (Chairman) YOC! AG, Berlin (Chairman)	Ernst Max von Grunelius Stiftung, Frankfurt (Chairman) Taurus Investment Holding, Boston, USA (Chairman)
Europa Rückversicherung AG, Cologne until July 3, 2007 VPV Lebensversicherungs-AG, Stuttgart Delvag Rückversicherungs-AG, Cologne	Group companies: General Reinsurance Corporation (Holding), 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 Holdings Limited, London, Great Britain
DAB Bank AG, Munich	Gebrüder Rhodius KG, Burgbrohl (Chairman) The Triton Fund, Jersey, USA (Investment Committee Member) Xchanging Ltd., London, Great Britain (Non-Executive Director) Basler Fashion Holding GmbH, Goldbach (Chairman of the Advisory Board) BEX Beteiligungs GmbH, Bad Oeynhausen (Chairman of the Advisory Board) CET Beteiligungs GmbH, Vienna, Austria (Chairman)
MLP Finanzdienstleistungen AG, Wiesloch	–
MLP Finanzdienstleistungen AG, Wiesloch	–

[46] Related party disclosures

RELATED COMPANIES

Within the scope of its ordinary business, MLP AG and its consolidated subsidiaries have business relations to a large number of companies. This also includes non-consolidated subsidiaries. All business dealings are concluded at conditions and terms customary in the industry and which as a matter of principle do not differ from delivery and service relationships with other companies.

All related companies included in the consolidated financial statements are stated in the list of holdings (note 6).

RELATED PERSONS

Within the scope of the ordinary business, legal transactions were made between the Group and members of the Executive Board and the Supervisory Board. The legal transactions concern the conclusion of insurance policies or business regarding payment transactions and private wealth management. The legal transactions were completed under standard market or employee conditions.

As at December 31, 2007, members of the corporate bodies had current account debits and surety credits of € 12 thsd (previous year: € 7 thsd). The surety credits make up 1 % of this (previous year: 1 %) and the current account debits 7.5 % (previous year: 7.2 %).

The total remuneration for members of the Executive Board amounted to € 4,120 thsd. € 2,153 thsd of this makes up the fixed portion of remuneration and € 1,510 thsd is the variable portion of remuneration. Furthermore, payments allocated to pension provisions totalled € 457 thsd. Retired Board members received € 2,023 thsd. As of December 31, 2007, this group had pension provisions totalling € 8,711 thsd.

The members of the Supervisory Board received non-performance-related remuneration of € 353 thsd for their activities in 2007. In addition, € 7 thsd was used as compensation for expenses.

For the detailed structuring of the remuneration system and the remuneration of the Executive Board and Supervisory Board, please refer to the remuneration report in the “Corporate Governance” section. The remuneration report is part of the management report.

[47] MLP AG shareholders

	Ordinary shares No. of shares		Proportion of the share capital %	
	Dec 31, 2007	Dec 31, 2006	**Dec 31, 2007**	Dec 31, 2006
Manfred Lautenschläger	12,991,597	17,316,597	11.94	15.92
Other members of the Supervisory Board	52,532	22,532	0.05	0.02
Executive Board	181,463	177,839	0.17	0.16
MLP AG (treasury stock)	9,648,609	8,863,109	8.87	8.15
Other shareholders	85,938,088	82,401,326	78.98	75.75
TOTAL	**108,812,289**	**108,781,403**	**100.00**	**100.00**

[48] Disclosures pursuant to §§ 21 (1), 22 of the German Securities Trading Act (WpHG)

Mr Manfred Lautenschläger, Germany, informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that his share of the voting rights in MLP AG, Wiesloch, Germany dropped below the threshold of 15 % on December 7, 2007, and amounted to 11.94 % on this day (12,991,597 votes). This share comprises 9.56 % (10,404,995 votes) of Manfred Lautenschläger Beteiligungen GmbH attributable to him in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

Mr Manfred Lautenschläger, Germany, informed MLP AG in line with § 41 (4a) sentence 1 of the German Securities Trading Act (WpHG) that his share of the voting rights in MLP AG, Wiesloch was 15.92 % (17,316,597 votes) on January 20, 2007. 13.54 % of these (14,729,995 votes) are attributable to him in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG). Of the total number of attributable shares, 9.40 % (10,229,995 votes) were held by Manfred Lautenschläger Beteiligungen GmbH and 4.14 % (4,500,000 votes) by Manfred Lautenschläger Stiftung gGmbH.

Manfred Lautenschläger Beteiligungen GmbH, Gaiberg, Germany, informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany dropped below the threshold of 10 % on December 7, 2007, and amounted to 9.56 % (10,404,995 votes) on this date.

M.L. Stiftung gGmbH, Gaiberg, Germany informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the threshold of 3 % on December 7, 2007, and amounted to 4.14 % (4,500,000 votes) on this day. This share comprises 4.14 % (4,500,000 votes) of Manfred Lautenschläger Stiftung gGmbH attributable to it in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

Angelika Lautenschläger Beteiligungen Verwaltungs GmbH, Gaiberg, informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Heidelberg exceeded the threshold of 10 % on July 8, 2003 and is now 10.91 %. This corresponds to 11,857,781 votes.

Mrs Angelika Lautenschläger, Germany, informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that her share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on December 7, 2007, and amounted to 5.97 % (6,500,000 votes) on this day. This share comprises 4.14 % (4,500,000 votes) of M.L. Stiftung gGmbH attributable to her in line with §§ 22 (1) 1 sentence 1 no. 1, and 22 (1) sentence 2 of the German Securities Trading Act (WpHG). 4.14 % (4,500,000 votes) of the shares held by Manfred Lautenschläger Stiftung gGmbH are attributable to M.L. Stiftung gGmbH in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

On behalf of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG, Charlottenstraße 47, 10117 Berlin, Regionalverbandsgesellschaft mbH, Berlin informed us on August 9, 2007, in line with §§ 21 (1) and 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG), that their share of the voting rights in MLP AG exceeded the thresholds of 3 % and 5 % on August 8, 2007, and amounted to 6.07 % (6,595,082 votes) on this day. The aforementioned votes belong to Landesbank Berlin AG, Berlin. 100 % of Landesbank Berlin AG, Berlin is owned by Landesbank Berlin Holding AG, Berlin. Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG holds a stake of 80.95 % in Landesbank Berlin Holding AG, Berlin. In line with § 22 (1) sentence 1 no. 1 in conjunction with § 22 (1) sentence 3 of the German Securities Trading Act (WpHG), a share of 6.07 % (6,595,082 votes) of the aforementioned votes are thus attributable to Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG via Landesbank Berlin AG, Berlin, and Landesbank Berlin Holding AG, Berlin.

Regionalverbandsgesellschaft mbH Berlin has also informed us in line with §§ 21 (1) and 22 (2) sentence 1 no. 1 of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG exceeded the thresholds of 3 % and 5 % on August 8, 2007, and amounted to 6.07 % (6,595,082 votes) on this day. The aforementioned votes belong to Landesbank Berlin AG, Berlin and 6.07 % (6,595,082 votes) is attributable to Regionalverbandsgesellschaft mbH, Berlin through Landesbank Berlin Holding AG, Berlin and Erwerbsgesellschaft der S-Finanzgruppe mbH & CO. KG, Berlin in line with § 22 (1) sentence 3 of the German Securities Trading Act (WpHG), as Regionalverbandsgesellschaft mbH is the sole general partner and owner of all voting rights of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG.

The State of Berlin, Berlin, Germany informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights held indirectly through Landesbank Berlin Holding AG's investment in MLP AG, Alte Heerstraße 40, 69168 Wiesloch, Germany, dropped below all thresholds on August 8, 2007 and is now 0 % of the voting rights. This corresponds to 0 votes.

Termühlen Beteiligungen Verwaltungs GmbH, Im Talblick 9, 69251 Gaiberg informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Alte Heerstraße 40, 69168 Wiesloch dropped below the thresholds of 5 % and 3 % on May 22, 2007 and now amounts to 1.56 %. This corresponds to 1,700,000 votes.

Dr Bernhard Termühlen, 24357 Fleckeby, informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that his share of the voting rights in MLP AG, Alte Heerstraße 40, 69168 Wiesloch dropped below the thresholds of 5 % and 3 % on May 22, 2007 and is now 1.56 %. This corresponds to 1,700,000 votes. This share comprises 1.56 % of the voting rights (1,700,000 votes) of Termühlen Beteiligungen Verwaltungs GmbH attributable to him in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

FMR LLC, Boston, Massachusetts 02109, USA informed us in a corrective notification that it is the legal successor to the FMR Corp., Boston, Massachusetts, USA with effect from October 1, 2007 and has taken over all rights and duties. FMR LLC has also informed us that on October 1, 2007 it held 3.01 % of the voting rights (3,279,650 shares) in MLP AG, Wiesloch, Germany and thus exceeded the threshold of 3 %. The votes are attributable to FMR LLC in line with §§ 22 (1) sentence 2 in connection with 22 (1) sentence 1 no. 6 of the German Securities Trading Act (WpHG).

However, FMR LLC, Boston, Massachusetts 02109, USA, informed us on October 23, 2007 in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany dropped below the threshold of 3 % on October 17, 2007 and is now 2.86 % (3,114,053 shares). The votes are attributable to FMR LLC in line with §§ 22 (1) sentence 2 in connection with 22 (1) sentence 1 no. 6 of the German Securities Trading Act (WpHG).

Harris Associates Inc., Chicago, Illinois 60602, USA informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany dropped below the threshold of 10 % on December 4, 2007 and is now 9.98 % (this corresponds to 10,851,355 shares). All of these voting rights are attributable to Harris Associates Inc. in line with §§ 22 (1) sentence 1 no. 6 in connection with 22 (1) sentence 2 of the German Securities Trading Act (WpHG).

Harris Associates Inc., Chicago, Illinois 60602, USA also informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany dropped below the threshold of 10 % on December 4, 2007 and is now 9.98 % (this corresponds to 10,851,355 shares). All of these voting rights are attributable to Harris Associates L.P. in line with § 22 (1) sentence 1 no. 6 of the German Securities Trading Act (WpHG).

Harris Associates Inc., Chicago, Illinois 60602, USA informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the threshold of 10 % on November 22, 2007 and is now 10.25 % (this corresponds to 11,156,355 shares). These voting rights are attributable to Harris Associates Inc. in line with §§ 22 (1) sentence 1 no. 6 in connection with 22 (1) sentence 2 of the German Securities Trading Act (WpHG).

Harris Associates L.P., Chicago, Illinois 60602, USA also informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the threshold of 10 % on November 22, 2007 and is now

10.25 % (this corresponds to 11,156,355 shares). These voting rights are attributable to Harris Associates L.P. in line with § 22 (1) sentence 1 no. 6 of the German Securities Trading Act (WpHG).

In line with § 21 (1) of the German Securities Trading Act (WpHG), MLP AG declares that due to the purchase of treasury stock in line with § 71 (1) no. 8 of the German Stock Corporation Act (AktG), it exceeded the threshold of 5.0 % of treasury stock on July 31, 2006, and that its share of treasury stock now amounts to 5.0216 %. This corresponds to 5,455,509 of treasury stock.

[49] Auditor's fees

The fees in connection with services of the auditing firm Ernst & Young AG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart (auditor), in the financial year 2007 (including expenses and statutory value added tax) amounted to:

All figures in €'000	2007	2006
Audit	1,308	1,335
Other certification and assessment services	88	12
Tax advisory services	193	93
Other services	386	257
TOTAL	1,975	1,697

The item "Audit" contains the fees paid for the audit of the consolidated financial statements and for the audit of the other legally stipulated financial statements of MLP AG and its subsidiaries. This item also includes fees for audit work performed in the context of meeting submission obligations and compliance with other legal requirements.

[50] Events after the balance sheet date

As scheduled, MLP AG finished its share buyback programme, which began on November 8, 2007, on January 30, 2008. A further 1.2 million treasury shares with a total value of € 11.5 million (excluding incidental acquisition expenses) were purchased after the end of the reporting period. After the conclusion of this programme, treasury stock amounts to 9.94 % of the share capital.

Following the authorisation by the Annual General Meeting, the Executive Board of MLP AG has decided on February 19, 2008 to decrease the company's share capital by retiring 1,957,656 ordinary bearer shares in line with § 71 (1) no. 8 of the German Stock Corporation Act (AktG). Pursuant to § 71 (1) no. 8 sentence 6 of the German Stock Corporation Act (AktG), the capital decrease shall take place by retiring the company's own shares bought back between November 11, 2007 and January 30, 2008 for the purpose of reducing the share capital. The retirement of shares is subject to a further resolution by the Board.

To strengthen the occupational pension provision segment, MLP acquired the TPC Group GmbH, Hamburg on February 29, 2008.

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

[51] Release of consolidated financial statements

The Executive Board drew up the consolidated financial statements on March 19, 2008 and will present them to the Supervisory Board for publication on March 26, 2008.

Wiesloch, March 19, 2008

MLP AG

Executive Board

Dr Uwe Schroeder-Wildberg

Gerhard Frieg

Muhyddin Suleiman

AUDIT OPINION

"We have audited the consolidated financial statements prepared by the MLP AG, Wiesloch, comprising the income statement, the balance sheet, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the Group management report for the business year from 1 January to 31 December, 2007. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a sentence 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German Generally Accepted Standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW; Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a sentence 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Stuttgart, March 20, 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Prof. Dr Pfitzer	Skirk
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

RESPONSIBILITY STATEMENT

"To the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group management report gives a fair view of the performance of the business including business results and the overall position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Wiesloch, March 19, 2008

MLP AG

Executive Board

Dr Uwe Schroeder-Wildberg Gerhard Frieg

Muhyddin Suleiman

GLOSSARY A–Z

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.

The buyer of a **CALL OPTION** has the right to buy a financial instrument at a predetermined price and in a predetermined quantity within a certain period or at a given point in time.

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.

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 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.

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.

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 March 31, 2004 is not amortised but is subject to an impairment review. If necessary, an impairment loss is recognised (impairment only approach).

The company holds **HELD TO MATURITY SECURITIES** with the intent and ability to hold these securities to maturity.

INTEREST RATE SWAPS are used to exchange payment obligations that are denominated in the same currency but subject to different interest terms (fixed/variable).

INTERNATIONAL ACCOUNTING STANDARDS (IAS) and **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)** are accounting standards promulgated by the International Accounting Standards Board (IASB), which is responsible for issuing IASs/IFRSs. Since 2002, the standards issued by the IASB are known as "IFRS"; the standards issued previously were called "IAS".

The buyer of a **PUT OPTION** has the right to sell a financial instrument at a predetermined price and in a predetermined quantity within a certain period or at a given point in time.

SEGMENT REPORTING is financial information based on the consolidated financial statements, reported by business segment and region.

FINANCIAL CALENDAR 2008

May 7, 2008
Results for the first quarter of 2008

May 16, 2008
Annual General Meeting 2008, Mannheim

August 13, 2008
Results for the second quarter of 2008

November 12, 2008
Results for the third quarter of 2008

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OUR PROMISE

- MLP is the leading independent financial adviser for academics and other discerning clients. Our aim is to build on this position.

- We provide our clients with expert, comprehensive high-grade advice throughout their lives.

- Through our insistence on quality, our independence and our market position, we set high standards in client consulting and consistently provide top-quality service.

- With individually tailored financing concepts from MLP, our clients are able to reach their goals concerning health and old-age provision, insurance cover, financial investments or loans and mortgages.

- The focus on academics and other discerning clients forms the basis for our high productivity. This guarantees excellent earning power which we aim to increase continually in a sustainable manner.

- Our employees are our company's basis. Their careful selection, intensive training and development is therefore of great importance to us.

- Transparency and credibility linked with fairness, in the sense of responsibility for each other, mark the relationships between clients, employees and the company.

- Our employees think and act in an entrepreneurial manner. Performance-related remuneration allows them to share in MLP's success.

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

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