

rience. Individuality

Annual Report 2010

Security. Individuality. Clarity. Knowledge. Clarity. Experience. Requirements

Committed to your requirements.

Knowledge. Security

# Our Promise

## MLP's corporate mission

- MLP is by far the leading independent financial and investment adviser in Germany for academics and other discerning clients.
- We are committed to providing the highest quality and excellent services that will impress our clients.
- Our individually tailored and holistic financial plans enable our clients to achieve their objectives in and around the fields of health and old-age provision, insurance cover, wealth management, financing and banking.
- We strive to build on and expand our market position and sustainably increase our company value – for the benefit of our clients, employees and shareholders.
- “Performance” and “trust” are at the heart of our company values. They shape our relationships with one another and with all of our stakeholders.
- Our consultants and employees represent our company's greatest asset and we place great emphasis on their selection and further development.
- We encourage and expect entrepreneurial thinking and action from our consultants and employees, whose participation in our company's success forms part of our promise.
- We unite successful entrepreneurship with social commitment.

# MLP Group

## MLP key figures – multi-year overview

All figures in € million	2010	2009	2008	2007	2006	2005 <sup>1</sup>	2004 <sup>2</sup>
<b>Continuing operations</b>							
Total revenue	522.6	532.1	595.2	629.8	588.5	563.9	622.8
Revenue	497.3	503.8	552.3	588.2	554.2	522.2	592.2
Other revenue	25.3	28.4	42.9	41.6	34.4	41.7	30.6
Earnings before interest and tax (EBIT)	47.0	42.2	56.2	113.9	95.1	71.8	88.3
EBIT margin (%)	9.0%	7.9%	9.4%	18.1%	16.2%	12.7%	14.2%
Earnings from continuing operations	34.1	27.2	30.7	77.5	76.5	42.5	43.0
Earnings per share (diluted) in €	0.32	0.25	0.30	0.77	0.73	0.39	0.39
<b>MLP Group</b>							
Net profit (total)	34.1	24.2	24.6	62.1	71.8	199.7	50.3
Earnings per share (diluted) in €	0.31	0.22	0.24	0.62	0.69 <sup>6</sup>	1.84 <sup>6</sup>	0.46 <sup>6</sup>
Dividend per share in €	0.30 <sup>3</sup>	0.25	0.28	0.50	0.40	0.30 <sup>4</sup>	0.22
<b>Cash flow</b>							
Cash flow from operating activities	91.0	72.5	81.0	23.4	87.5	184.8	526.6
<b>Capital expenditure</b>							
Capital expenditure	3.9	4.0	12.2	16.2	20.0	16.7	25.3
<b>Shareholders' equity</b>							
Shareholders' equity	428.4	418.5	425.9	339.7	324.9	455.2	289.6
Equity ratio	28.5%	28.4%	27.8%	23.9%	25.6%	38.5%	9.4%
Balance sheet total	1,505.4	1,475.5	1,534.0	1,424.2	1,270.2	1,182.0	3,086.2
<b>Key figures</b>							
Clients <sup>5</sup>	774,500	785,500	728,000	701,000	666,000	634,000	592,000
Consultants <sup>5</sup>	2,273	2,383	2,413	2,535	2,481	2,348	2,368
Branch offices <sup>5</sup>	192	238	241	251	246	265	274
Employees	1,672	1,900	1,986	1,819	1,558	1,417	1,386
<b>Arranged new business<sup>5</sup></b>							
Old-age provisions (premium sum in € billion)	5.0	5.1	6.6	6.8	6.8	6.3	10.9
Loans and mortgages	1,219.0	1,119.0	919.0	1,162.0	1,195.0	997.0	777.0
Assets under management in € billion <sup>7</sup>	19.8	17.0	14.0	12.7	–	–	–

<sup>1</sup> Adjusted due to the sale of the subsidiary MLP Private Finance AG.

<sup>2</sup> Adjusted due to the sale of the subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG.

<sup>3</sup> Subject to the approval of the Annual General Meeting on June 10, 2011.

<sup>4</sup> Plus an extra dividend of € 0.30 per share.

<sup>5</sup> Continuing operations.

<sup>6</sup> Basic.

<sup>7</sup> Calculated according to the method of the German Association of Investment and Asset Management (BVI).

[Table 01]

## MLP – The leading independent consulting company

MLP is Germany's leading independent consulting company. Supported by comprehensive research, the Group provides a holistic consulting approach that covers all economic and financial questions for private and corporate clients, as well as institutional investors. The key aspect of the consulting approach is the independence of insurance companies, banks and investment firms. The MLP Group manages total assets of more than € 19.8 billion and supports more than 774,500 private and more than 4,000 corporate clients. The financial services and wealth management consulting company was founded in 1971 and holds a full banking licence.

The concept of the founders, which still remains the basis of the current business model, is to provide long-term consulting for academics and other discerning clients in the fields of old-age pension provision, wealth management, health insurance, non-life insurance, loans and mortgages and banking. Those with assets above € 5 million are looked after by the subsidiary Feri Family Trust. Moreover, the Group provides consulting services to institutional investors via Feri Institutional Advisors GmbH. Supported by its subsidiary TPC and the joint venture HEUBECK-FERI Pension Asset Consulting GmbH, MLP also provides companies with independent consulting and conceptual services in all issues pertaining to occupational pension schemes and asset and risk management.

# Committed to your requirements.

As an independent finance broker, MLP is only accountable to its clients and their wishes. Therefore, not only does focussing on the individual needs of the client form part of our consulting philosophy – in fact we are legally obliged to support our clients' interests at all times.

For this reason our high standards in quality regularly undergo a reality check: what distinguishes high-quality financial advice on an eye-to-eye level with the client? What do private clients, corporate clients and institutional investors want? And what services must a full-scope consulting firm offer in an increasingly complex investment and product arena?

We have surveyed six of our customers on these issues. Their differing expectations and our responses to them are reflected in this year's annual report.

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## The Executive Board



**Manfred Bauer**  
Member of the Executive Board  
MLP AG

Product management and  
purchasing

Appointed until  
April 30, 2015



**Muhyddin Suleiman**  
Member of the Executive Board  
MLP AG

Sales

Appointed until  
September 3, 2012



**Dr. Uwe Schroeder-Wildberg**  
Chairman and CEO MLP AG

Strategy,  
Group planning and controlling,  
Legal affairs, Communication,  
HR, Internal audit, Marketing

Appointed until  
December 31, 2012



**Ralf Schmid**  
Member of the Executive Board  
MLP AG, Chief Operating Officer

Information technology (IT),  
Group purchasing,  
IT business services,  
Group quality management,  
Group business organization,  
Group infrastructure  
management

Until March 31, 2011



**Reinhard Loose**  
Member of the Executive Board  
MLP AG, Chief Financial Officer

Accounting, Controlling, Taxes,  
Treasury, Risk management

Since February 1, 2011

Appointed until  
January 31, 2014





*To our  
shareholders*

*Dear Shareholders,*

The German economy celebrated an amazing comeback in 2010. After suffering a drop of 4.7 % in 2009, economic performance increased by 3.6 % in 2010. The employment market enjoyed benefits from this unexpectedly fast recovery, with the number of unemployed dropping sharply and the number of employment contracts reaching new record levels.

Our company partially benefited from this positive macroeconomic development. We were able to record significant increases in revenue in our segments of non-life insurance, wealth management and, in particular, health insurance. The discussion on the future and, above all, the financial viability of the German healthcare system supported the excellent development in the health insurance segment. In light of the ever diminishing benefits and increasing premiums at the statutory health insurance funds, more and more clients are now starting to believe that they can get more stable and secure provision by making the switch to private health insurance.

Yet despite these successes, the financial and economic crisis also had a negative effect on our business development in 2010. One area in which the effects of the crisis are still hurting us is in the continuing uncertainty and caution among our clients when it comes to investing in long-term saving schemes. This had an effect on revenue in the old-age provision segment, which remained behind the previous year's figure. At € 522.6 million, total revenue did not quite reach the same level as in the previous year.

**MLP AG**

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These two different developments make it clear that our comprehensive consulting approach is not only in the interests of our clients, it also has a positive effect on business development, particularly during difficult market phases. Moreover, it also reflects the success of our efforts in the last few years to establish wealth management as one of the main pillars in our business model. Together with our subsidiary Feri Finance AG, which we acquired in 2006, we already generated some 17 % of commission revenue in the wealth management segment in 2010. The development of our assets under management also remained positive in the last financial year. At almost € 20 billion, we now rank among the largest independent asset managers in Germany. The fact that our assets under management also increased during the crisis serves to underline the trust of our clients in our expertise in this field, even in troubled times.

One of our goals for 2010 was to once again sustainably improve the results of our company's operations following the financial and economic crisis. We greatly surpassed our € 10 million target of planned reduction in fixed costs. This helped us improve our return before interest and tax (EBIT margin) from 7.9 % in 2009 to 9.0 % in 2010. The Group's net profit also increased significantly from € 24.2 million to € 34.1 million. Since both the equity capital backing and liquidity of the Group enjoyed further improvement, we will continue our dividend payout policy of the previous years. The Executive Board and Supervisory Board will therefore propose an increase in the dividend per share from € 0.25 to € 0.30 at the Annual General Meeting on June 10, 2011. Just as in 2009 and 2010, we will once again pay out virtually 100 % of our profits to our shareholders.

Experience gained during the financial and economic crisis has left profound scepticism among private clients when it comes to long-term saving processes. This is further reinforced by fears of inflation due to the euro debt crisis and expansive monetary policy of the leading central banks. At the same time, the demographic shift that our society is experiencing is making sound occupational and private old-age provision more urgent than ever. The crisis also led to a change in investment behaviour. Private investors are now much more acutely aware that higher expected returns are also accompanied by a greater risk. There is an increasing need for intelligent wealth management concepts that are based on the individual risk appetite of each respective investor.

These developments back up our basic philosophy, according to which we orient our strategy: the need for high-grade, independent financial consulting is increasing and our clients have a right to individual advice that is tailored specifically to their personal requirements. We therefore quite intentionally entitled our annual report to read “Committed to your Requirements”. A title which gives a very clear indication of how we will focus our efforts over the course of the next few years. Our goal is to further expand our already excellent client focus one step at a time. In future, this will be the benchmark for all strategic and operative measures. We are already on the right track, as underlined by the awards we received for excellent client consulting in the last financial year, for example from the consumer portal “WhoFinance”. We are keen to continue along this path.

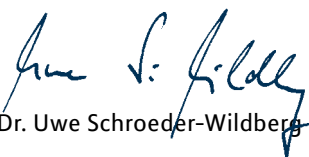
One topic that has been extremely important in the last few years and will remain a key issue for us in future is the regulation of the financial services sector. MLP supports the demand for better quality in private client consulting, an area where the legislator is absolutely right. The demographic shift and the financing problems this brings for the contribution-funded social security system in Germany have forced German citizens to assume more responsibility for their own old-age and health provision over the last ten years. Within the scope of regulatory policies, it is therefore logical for the legislator to make sure that clients can expect high-grade consulting in these sectors, allowing them to meet their individual goals of sufficient old-age provision and health insurance cover in the event of illness. The inadequacies in private client consulting that became obvious in several parts of the financial industry during the financial crisis once again clearly underline the need for action here. Over the last two years, MLP has been actively involved in the discussion on how bad advice can be avoided and the quality of financial consulting improved. At the beginning of this year, new investor protection legislation was passed and further changes have been announced. However, these new laws will unfortunately fail to achieve the original goal of a considerable improvement of consulting quality in the market. Instead of providing a uniform legal framework in which financial consulting firms can operate within Germany, it defines more individual rules and exceptions to the rules. To genuinely improve investor protection in Germany, any legislation would have to meet the following three basic conditions. Firstly, we need a uniform consulting law that applies to all market members. Secondly, we need clearly defined job profiles that allow clients to know what kind of advice they can expect. And thirdly, we desperately need a uniform supervisory body for all players in the market. We will continue to push for the implementation of these measures in the interest of our clients.

In the last financial year, MLP benefited from the changes it had successfully implemented over the last few years to become a well-established, full-scope consulting firm for private and corporate clients, as well as institutional investors. Our key strategic focuses will remain the same over the course of the next few years. Our objectives are to achieve organic growth in our core markets, to continue our system of consistent cost management to secure the company's profitability and to achieve external growth through acquisitions, if and when we find suitable opportunities.

MLP celebrates its 40th anniversary in 2011. In this period, and especially in the last five years, the financial services market has undergone considerable changes. Not only have we moved with these changes, we have played a key role in shaping them with our commitment to independent consulting. Forty years after years after its foundation, not only is MLP a recognised expert in old-age provision, the largest independent asset management company in Germany by far and one of the leading consulting firms for occupational pension provision – the company above all fulfils what has always been the mission of our company founder Manfred Lautenschläger: to be the benchmark for high-quality and independent financial and investment consulting for discerning clients.

I would be delighted to have you on board with us during this exciting time and I would also like to thank you on behalf of my colleagues on the Executive Board for the trust you showed in our company in the last financial year.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Uwe S. Schroeder-Wildberg'.

Dr. Uwe Schroeder-Wildberg

## The Supervisory Board



Dr. Peter Lütke-Bornefeld  
Chairman

Elected until 2013



Dr. h.c. Manfred  
Lautenschläger  
Vice Chairman

Elected until 2013



Dr. Claus-Michael Dill

Elected until 2013



Johannes Maret

Elected until 2013



Maria Bähr  
Employees' Representative

Elected until 2013



Norbert Kohler  
Employees' Representative

Elected until 2013

## Report by the Supervisory Board

In the financial year 2010, 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.

During the course of the previous financial year, the Supervisory Board paid particular attention to the economic development, financial situation, prospects and further strategy of the company, and supported the Executive Board in this regard. The focus of its work in 2010 was to accompany the Executive Board in the company's strategic alignment and implementation of further measures to increase cost efficiency. The Supervisory Board also worked intensively on finding suitable successors for vacant Executive Board posts.

The Supervisory and Executive Boards met regularly 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, risk management and compliance. The Supervisory Board was able to confirm the correctness of the company management by the Executive Board.

The Supervisory Board met for six regular meetings in the financial year 2010, all of which were attended by all members in person. The Supervisory Board was informed of particularly important or urgent projects outside of the regular meetings. Where necessary, resolutions were also passed as circular resolutions.

In addition to this, five meetings of the Personnel Committee and two meetings of the Audit Committee also took place, and were each attended by all committee 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**

In the Supervisory Board meeting on January 8, 2010, the strategy and the budget for the financial year 2010 were discussed. Following preparations in meetings of the Audit Committee, the meeting of the Supervisory Board on March 24, 2010 focused on the audit and approval of the financial statements and the consolidated financial statements as at December 31, 2009. 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 both the financial statements and the consolidated financial statements as at December 31, 2009. Furthermore, due to stipulations of

the Appropriateness of Management Board Remuneration Act (VorstAG), a new Executive Board remuneration system was passed, which was then applied to appointments and re-appointments of members to the Executive Board from this point onwards.

In a circular resolution, which was discussed and prepared in the meeting on March 24, 2010 and then passed in April 2010, Mr. Manfred Bauer was appointed as a full member of the Executive Board at MLP AG with effect from May 1, 2010. Mr. Bauer assumed responsibility for "Product Management and Purchasing".

The regular Supervisory Board meeting on May 10, 2010 focused primarily on discussing the results and business development from the first quarter of 2010.

The results of the second quarter, the business development in the first half of the year, reporting on the internal audit, compliance and risk controlling (including report on the materiality concept, risk strategy and risk-bearing capacity concept) were all on the agenda of the regular Supervisory Board meeting on August 10, 2010.

The results of the third quarter were the primary focus of the November meeting. The intention to appoint Mr. Reinhard Loose as the company's Chief Financial Officer was also drafted. In a subsequent circular resolution, Mr. Loose was then appointed as a member of the Executive Board with effect from February 1, 2011.

At the meeting on December 15, 2010, discussions focused on the resolution regarding the Declaration of Compliance as per § 161 of the German Stock Corporation Act (AktG), alongside adherence to the regulations of the German Corporate Governance Code. Thorough reporting was also provided in the field of corporate governance. The strategy and the budget for the financial year 2011 were also addressed in detail.

#### **Supervisory Board committees**

The Supervisory Board was regularly informed of the work carried out by its committees in 2010.

The Personnel Committee convened five times in the reporting period. A selection of candidates to assume Executive Board positions for product management and product purchasing and finances also formed part of the meetings. Once the selection process was complete, the meetings focused on preparations for the appointment of Mr. Bauer with effect from May 1, 2010 and Mr. Loose with effect from February 1, 2011 as full members of the Executive Board, checking the appropriateness of Executive Board remuneration and pension commitments in light of the introduction of the Appropriateness of Management Board Remuneration Act (VorstAG) and long-term succession planning in the Executive Board.



The Audit Committee held two regular meetings in the financial year 2010. Representatives of the auditor were also present during these meetings. In the presence of the auditors and the Chairman of the Executive Board, the Audit Committee discussed the financial statements of MLP AG and the MLP 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 reports on the work of the internal audit and on legal and regulatory risks and risks to reputation.

The following members of the Supervisory Board were in 2010 also members of the Audit, Personnel and Nomination Committee:  
 Dr. Peter Lütke-Bornefeld  
 Dr. h.c. Manfred Lautenschläger  
 Dr. Claus-Michael Dill  
 Johannes Maret

### 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 15, 2010 in particular to in-depth discussions on the amendments to the German Corporate Governance Code ratified on May 26, 2010.

Based on the new regulations of the German Corporate Governance Code, the Supervisory Board must also pay attention to diversity in the composition of the Executive Board and in particular aim for an appropriate consideration of women. The Supervisory Board addressed the issue of diversity regarding the Executive Board in the financial year 2010. It has decided to address this topic again and in even more detail in the financial year 2011, and to modify existing selection processes as necessary and/or take further measures directed at attaining an appropriate consideration of women also within the Executive Board, taking into account the company's specific situation. The selection procedure used when appointing Mr. Loose to the company's Executive Board was already set up in such a way that appropriate consideration was given to women.

The Supervisory Board is also to stipulate concrete objectives regarding its composition, which, while considering the company's specific situation, take into account the company's international operations, any potential conflicts of interest, an age limit to be specified for members of the Supervisory Board and diversity. These concrete objectives should, in particular, stipulate an appropriate degree of female representation. The Supervisory Board has decided to commission the Nomination Committee with the task of checking the nomination process employed to date, in particular in view of the concept of diversity.

In the meeting held on December 15, 2010, the Supervisory Board examined the efficiency of its actions based on an evaluation form made available to the members of the Supervisory Board in good time prior to the meetings. On this occasion, the Supervisory Board also reviewed the information flow between the Committees and the Supervisory Board, the need for and content of training measures, as well as the timeliness and sufficient reporting content of reporting by the Executive Board to the Supervisory Board. Measures aimed at increasing efficiency were analysed.

At the same meeting, MLP AG's Supervisory Board also assured itself that the company 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 previous financial year and will in future continue to comply strictly with the recommendations of the Government Commission on the German Corporate Governance Code (version dated May 26, 2010). In December, 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 2010 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 Declaration of Compliance from December 15, 2010, can be found in the Corporate Governance report of the Executive and Supervisory Boards in this annual report. All relevant information is also available on our homepage at [www.mlp-ag.de](http://www.mlp-ag.de).

#### **Audit of the annual financial statements and consolidated financial statements for 2010**

The financial statements of MLP AG as at December 31, 2010 and the management report of MLP AG have been compiled by the Executive Board pursuant to the German Commercial Code (HGB). The consolidated financial statements and the group management report were drafted as per § 315a of the German Commercial Code (HGB) in line with international financial reporting standards (IFRS) as applied in the EU. The financial statements and management report of MLP AG as at December 31, 2010, as well as the Group financial statements and Group management report were audited in line with the principles of the German Commercial Code (HGB) and IFRS by Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, which issued an unqualified auditors' opinion. The auditor performed the audit in compliance with the generally accepted German standards for the audit of financial statements determined by the Institut der Wirtschaftsprüfer (IDW – German Institute of Auditors).

The financial statements, together with the management report, 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 in detail and reported to the Supervisory Board on its audit. The auditor also reported on the key results of the audit and on the fact that there were no significant weaknesses in either the internal monitoring system or the risk management system. The Audit Committee also examined the risk management system, the accounting processes and the effectiveness of the internal monitoring, risk management and auditing systems, as well as the relationship to the auditor, the proposals for selection of the auditor, the auditor's remuneration, the audit assignment and monitoring of the auditor's independence, as well as the additional services performed by the auditor. The Supervisory Board also checked and discussed the documentation and reports in detail. The audit reports provided by Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, were made available to all members of the Supervisory Board and were examined in full at the Supervisory Board meeting on March 22, 2011 in the presence of the auditor, who reported on the most important results of the audit. At this meeting, the Executive Board explained the financial statements of MLP AG and of the Group, the risk management system, the accounting processes and the effectiveness of the internal monitoring, risk management and audit system, as well as giving 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 on March 22, 2011, 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.

On the basis of its own review, the Supervisory Board agreed with the Executive Board's proposal to pay out a dividend of € 0.30 per share for the financial year 2010. Both the liquidity situation and budget of the company, as well as the shareholders' interest in the results, were included in its considerations.

The Supervisory Board would like to thank the Executive Board, the Management of the respective Group companies, as well as all employees and all consultants working at the various companies within the MLP Group for their commitment and achievements in the financial year 2010.

Wiesloch, March 2011  
The Supervisory Board



Dr. Peter Lütke-Bornefeld  
Chairman



## Experience.

“My consultant should have enough experience to be able to understand and answer my financial questions in a context that considers aspects of my professional life.

Consultants can only offer me the kind of full-scope advice I need when they know and understand all the circumstances of my life and what is required of my professional group – starting with my medical studies, continuing through an international internship, all the way to setting up my own practice. Only then do I feel I am in good hands.”





## Consulting at eye level.

To meet the goals, wishes and requirements of clients as effectively as possible, MLP has focussed on the needs of selected professional groups since its foundation forty years ago. Initially concentrating on solicitors, over time MLP also included economists, engineers, technicians and above all physicians in its target group. Our consultants focus on clients with a similar professional background to their own, as this allows them to understand the requirements and circumstances of their clients based on their own experience.

Sarah Eich | 24  
Medical student and MLP Medical Excellence winner 2010  
MLP client – supported and advised by Nadine Bräuning in Kaiserslautern,  
Germany

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# 40 years of MLP – Milestones in the company’s history



## 1971

Eicke Marscholke and Manfred Lautenschläger found Marscholke, Lautenschläger & Partner. The company’s goal is to offer financial consulting to solicitors directly after their state bar examinations.



## 1972

Alongside solicitors, MLP also adds physicians and dentists to its expanding target client group.

## 1974

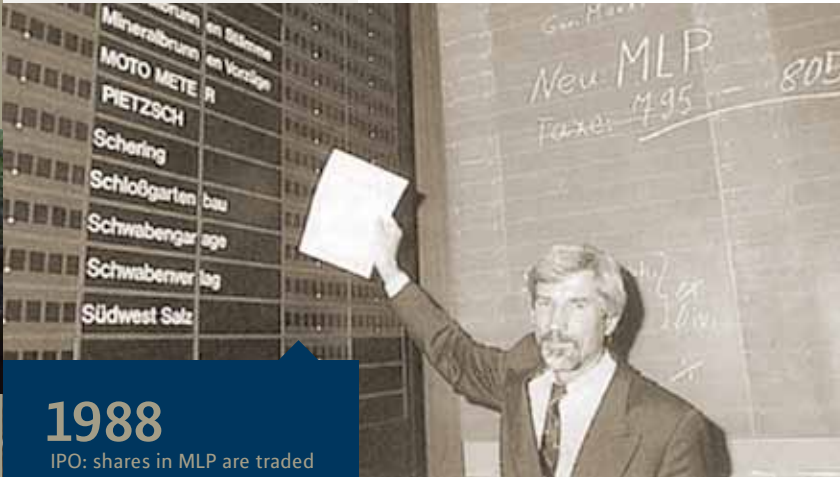
Düsseldorf becomes the first office to be opened outside Heidelberg.

## 1984

Change of corporate form from a German “GmbH” private limited company to an “AG” public limited company.

## 1985

MLP adds economists and engineers to its target client group.



## 1988

IPO: shares in MLP are traded for the first time on the regulated market of the Stuttgart stock exchange.



## 1990–1993

MLP is voted “Company of the Year” by “Manager Magazin” four times in succession.

## 1992

Relocation to Heidelberg-Emmertsgrund.

## 1995

The 50th office is opened in Aachen.

## 1998

“Manager Magazin” votes MLP “Company of the year” for the 5th time.

The 100th office is opened in Ravensburg.

## 1999

Founder Manfred Lautenschläger passes on the role of Chairman of the Executive Board to Bernhard Termühlen.

The MLP Corporate University is founded for continuous qualification and training of consultants.



## 1997

MLP is included in the DAX 100, Germany’s leading index.





## 2001

Relocation to the present company HQ in Wiesloch.

## 2002

The public prosecutor and the media accuse MLP of "intransparent accounting". The most difficult years in MLP's history are to follow.

## 2003

Chief Financial Officer Uwe Schroeder-Wildberg employs a more conservative approach in reporting the company's income and financial position and records a loss for the first time ever.

## 2004

MLP establishes its occupational pension provision business segment.



Uwe Schroeder-Wildberg takes over the role of Chairman of the Executive Board from Bernhard Termühlen.

## 2005

MLP strengthens its independence by selling its own insurance subsidiaries.

## 2006

MLP expands its wealth management activities with a holding in Germany's leading independent wealth management company, Feri Finance AG.

# 2007

MLP Finanzdienstleistungen AG receives a full banking licence.

## 2008

The occupational pension provision segment is strengthened by the acquisition of TPC, a Hamburg-based corporate consultant for occupational provision.

MLP successfully defends itself against the takeover attempt by the life insurance company Swiss Life and thereby permanently secures its independence. The altered shareholder structure reduces the free float, and MLP is therefore to be listed on the SDAX in 2010.

## 2009

Increase of market share among dentists through acquisition of the finance broker ZSH.

# 2010

MLP impresses in numerous competitions, receiving a "Grade A" from the "Who Finance" online portal, being voted the second best mortgage lender in Germany by the "€uro" magazine and winning first place in the private banking ranking of the Otto Beisheim School of Management.





Dr. h.c. Manfred Lautenschläger  
(MLP founder and Vice Chairman  
of the Supervisory Board)

# “A very personal business”

Interview: Melanie Contoli and Stefan Wimmer  
Photography: Sabine Kress

How far has MLP come in forty years and what will the future hold? Founder Manfred Lautenschläger and Chairman of the Executive Board Uwe Schroeder-Wildberg talk about the wild years during the company's infancy, overcoming “puberty” and the challenges it faces in the field of financial consulting.





Dr. Uwe Schroeder-Wildberg  
(Chairman and CEO)

**MR. LAUTENSCHLÄGER, WHEN YOU FOUNDED MLP BACK IN 1971, DID YOU EVER THINK THAT YOUR IDEA WOULD STILL BE GOING FROM STRENGTH TO STRENGTH SOME FORTY YEARS LATER?**

[Manfred Lautenschläger] Definitely not. For me, founding the company was an adventure. Having said that, my partner Eicke Marschollek and I were convinced that the concept of providing independent financial advice to academics would work and could fill a gap in the market. We really enjoyed helping and advising people right from the start. However, I never could have imagined that our two-man team would one day become a listed company.

**SO WHAT WAS IT LIKE IN THE BEGINNING?**

[Lautenschläger] Back then, it was extremely difficult establishing contact with clients. There was no such thing as e-mail and only a few people in our first target group – trainee solicitors – even had their own telephone. We therefore announced our visits in a letter and simply set off in my beaten up old VW Beetle. Without the Beetle, we never could have done business.

[Schroeder-Wildberg] My first car was also a Beetle, which I bought for two hundred German marks. For me it symbolises reliability and longevity – a great 4-wheeled companion.

**ON THE TOPIC OF LONGEVITY: MLP HAS SHAPED THE HISTORY OF FINANCIAL CONSULTING IN GERMANY MORE THAN ALMOST ANY OTHER COMPANY. HOW DO YOU EXPLAIN THIS SUCCESS?**

[Schroeder-Wildberg] The success factors of MLP are the same today as they were back then: a clear focus on a target group, independence from product partners and high consulting quality. In many cases, our consultants have studied the same subjects as their clients. This offers an excellent understanding of their wishes and requirements. Added to this is the fact that MLP has never been interested in selling a “product of the week”, as banks often do, but has always focused on analysing its clients’ requirements and developing individual solutions.

[Lautenschläger] Financial consulting is a very personal business. The personality of our consultants therefore plays a key part. They need the capacity to see the bigger picture and must be able to meet their clients at eye level. Only then will clients also be willing to accept critical comments, for example on their present provision plan. However, our long-term approach has certainly also contributed to the company’s success. MLP looks after its clients from their time at university all the way to retirement. That may sound easy, but MLP is the only company to truly live out this consulting philosophy. Of course, many very similar business models have emerged over the past decades. But most of these are no longer important players or have disappeared altogether.

## WHERE WOULD YOU SAY MLP STANDS TODAY?

[Schroeder-Wildberg] Although our core philosophy, set up when the company was founded, remains the basis of everything that we do, we have developed MLP significantly over the years. Today, we are a well-established and diversified consulting firm for private and corporate clients, as well as institutional investors such as pension funds, foundations or church associations. The times have long gone when all our efforts were focused on advice to private clients only. For example, we now play in the “champions league” in terms of occupational pension provision. With the acquisition of a majority holding in Feri Finance AG, we have also won an experienced and renowned partner in the field of wealth management. To put it in a nutshell, I know of no other provider in Germany that can offer its clients a range of consulting services that comes even close to MLP’s comprehensive offer.

[Lautenschläger] MLP has also obtained a full banking licence, meaning that we operate to the strictest regulatory requirements. At the same time we also became registered brokers. In simple terms, this means that MLP does not operate on behalf of one or more insurers. Instead, we select the right product for each client from the entire scope of offers in the market, acting as an advocate for our clients. But allow me to also answer your question with the metaphor of a child growing up. In the last few years, MLP has not only grown out of its infancy, but after forty years of business it has also overcome the difficult time of puberty.

[Schroeder-Wildberg] Today we face great challenges. The world of investment has become significantly more complex, the variety of products on offer has risen enormously and

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In the last few years, MLP has not only grown out of its infancy, but after 40 years of business it has also overcome the difficult time of puberty”



the fluctuations in the capital markets have increased sharply. We have had to overcome the second financial crisis within a decade, which has clearly generated a certain degree of uncertainty among clients. Our task is to provide answers to the complex issues and questions of this time – for example to the consequences of currency fluctuations – and ensure that our clients get the intensive support they need in such a difficult environment.

## SO HOW IS MLP GETTING TO GRIPS WITH THESE TOPICS?

[Schroeder-Wildberg] The key lies in the qualifications and further training of our consultants, which go far beyond the legally stipulated level. For example, we give our consultants the opportunity to train towards a Certified Financial Planner degree at the Corporate University – the highest internationally recognised degree for financial consultants. Our consultants also receive targeted support from experts at our company HQ. As such, the product selection process at MLP has developed into a unique and extremely professional system over the decades – a system in which we also assess the service quality of our product partners and then further develop products together with them.

[Lautenschläger] The consultants are our best market researchers in this field, as they have the direct link to clients. We can then take their experiences and integrate them directly in the discussions and meetings with our product partners.

## WHERE DO YOU CONSIDER THE FUTURE CHALLENGES TO LIE?

[Schroeder-Wildberg] The topic of demography will have a key influence in all facets of our society and, of course, also our everyday work, over the next few years and decades. We will see an enormous population decrease in Germany, whose effects on society are hard to envisage from today’s perspective.





[Lautenschläger] Our social welfare system will be put to a hard test. Back in the days of Adenauer's pension reform in 1957, there were five people in employment for each pensioner. Today, this figure has fallen to below two and by the year 2050 the ratio is set to be one-to-one. Added to this is the fact that we currently have a retirement age of 65 but an average life expectancy of around 80. It is therefore vital for the pension age to be raised to 67, especially when we consider how much longer people are living and how much healthier they are thanks to advances in the fields of medicine, as well as greater awareness in terms of nutritional and lifestyle decisions.

[Schroeder-Wildberg] Many people want to use their retirement to travel, play sport and maintain their standard of living as much as possible. In some cases, they are keen to start something completely new or pass on their experience to others. However, turning dreams of this kind into a reality requires sufficient financial resources. We are sad to say that many young people today seem reluctant to enter into long-term provision contracts – despite being more than aware of the need for extra provision in the face of ever dwindling state benefits. In future this will no longer remain a personal issue, but also become a problem for the whole of society. The goal must now be to master this challenge together with politicians.

**WHILE WE ARE ON THE SUBJECT OF POLITICS, NUMEROUS LEGISLATIVE INITIATIVES FOR IMPROVING INVESTOR PROTECTION ARE CURRENTLY EMERGING FROM BERLIN AND BRUSSELS. WHAT DOES MLP MAKE OF THEM?**

[Schroeder-Wildberg] The goal of the initiatives to improve consulting quality in the market is absolutely right. We are in full support of this and are even leading the way in many fields, including questions of transparency or documentation of consulting. Yet to really make a difference for consumers, I would like to see this go even further, with far greater motivation and courage to implement changes. We need a uniform consulting law in Germany

“  
We want to  
be a front  
runner in  
the market  
at all times.  
”



and the introduction of legally protected job profiles with strict training and qualification requirements.

[Lautenschläger] A well-trained financial consultant plays a hugely important role for clients. An MLP consultant is today at the same level as a barrister or tax consultant. It is therefore important for the legislator to protect the career of the independent financial consultant. Only then will a client be able to instantly tell the difference between a simple middleman and a genuinely independent, qualified consultant.

**WITH ITS FULL BANKING LICENCE, OCCUPATIONAL PENSION PROVISION AND PROFESSIONAL WEALTH MANAGEMENT, MLP HAS ACHIEVED A GREAT DEAL IN THE LAST FEW YEARS. WHAT ELSE IS ON THE AGENDA?**

[Lautenschläger] Coming back to our earlier metaphor, once we have passed puberty, we still have our best years ahead of us. We have a lot planned and have created excellent foundations on which we can now build thanks to the further developments of the last few years. I feel certain that MLP will have many more anniversaries to celebrate and will be able to reflect on many successful years.

[Schroeder-Wildberg] As the saying goes, standing still means moving backwards and we want to be a front runner in the market at all times. We strive to become a little better every day and prepare ourselves for future challenges in the field of financial consulting before they happen.

## Review of 2010

### COMPANY AND PERSONNEL NEWS

#### Manfred Bauer appointed as new member of the MLP Executive Board

Manfred Bauer, formerly Chairman of the Executive Board at Gothaer subsidiary Janitos Versicherung AG, has been the Product Management and Purchasing Executive at MLP since May 2010. Bauer had already worked in various management positions at MLP between 1989 and 2005, most recently as Chairman of the Executive Board at MLP Versicherung AG. He takes over from Gerhard Frieg, who has moved to the Talanx Group. MLP sold MLP Versicherung AG to the Gothaer Group in 2005 to strengthen its own independence.



#### Reinhard Loose is new Chief Financial Officer of MLP

From Madrid to Wiesloch: Reinhard Loose (45) took up the reins as new Chief Financial Officer of MLP in February 2011. The father of four had previously been CEO of Daimler's financial services subsidiary Mercedes-Benz Financial Services in Madrid since 2007, where he was responsible for all finance, leasing and insurance companies belonging to Daimler AG and Mercedes-Benz Bank AG in Spain. The graduate in business management began his career at Deutsche Bank before taking up other roles, including as the member of the Executive Board of Mercedes-Benz Bank AG in Stuttgart responsible for the private and corporate clients business.



#### MLP again voted one of the most attractive employers in Germany

MLP continues to rank among the "Top Employers" in Germany. This is the fourth time in succession that the independent financial and investment consulting firm has received this award. MLP therefore enjoys a position within an elite group of firms whose company and work culture have been confirmed as exceptional. MLP received excellent ratings, in particular in the categories of market position and image, work-life balance and remuneration. The Corporate Research Foundation Institute (CRF), one of the leading research companies in the field of employer financing and employer branding, has been awarding the "Top Employer" awards every year since 1991.



### CONSULTING AND PRODUCTS

#### Consulting quality: MLP a frequent sight on winners' podiums

MLP also impressed at numerous competitions in 2010. Indeed, clients awarded MLP a grade "A" not once but twice on the online review portal "WhoFinance.de". This allowed the independent financial and investment consulting firm to secure second place in the overall assessment. In addition to this, the magazine "Euro" rates MLP as the second best mortgage lender in Germany. Prior to this, MLP won first place in a survey of the private banking segment performed by the Otto Beisheim School of Management – beating the private banks Merck Finck and Berenberg Bank. The survey, published by the investor magazine BÖRSE ONLINE, examined some 61 providers.



#### MLP Corporate University: Top-class training and further education

Prominently staffed: since the beginning of the year, the Academic Advisory Board of the MLP Corporate University (CU) has also comprised top economics expert Wolfgang Franz and the Vice-President of the German Rectors' Conference (HRK) Wilfried Müller as its members. Professor Rupert Huth, former Vice-President of the HRK, remains Chairman of the Committee. Alongside the Executive Board, the Academic Advisory Board is the second governing body of the MLP Corporate University and assists in the development of training concepts and in cooperations with universities and associations among other tasks.



## TRANSPARENCY AND CLIENT FOCUS

### New product information sheets at MLP

In February 2010, MLP introduced product information sheets which show the opportunities, risks and functionality of the respective investment concept at a glance and also provide a detailed breakdown of the costs. The new documents complement the information which MLP clients receive through documentation of product selections and regular reports on their investments. With this step, MLP has implemented the recommendation of Germany's Federal Ministry for Food, Agriculture and Consumer Protection, which presented a sample information sheet. You can find further information sheet samples on the website at [www.mlp-beratungsqualitaet.de](http://www.mlp-beratungsqualitaet.de) (German only).



### MLP makes product selection process transparent

As an independent financial and investment consulting firm, MLP is not tied to specific products or partners. Instead, it selects these carefully and systematically from the diverse offers in the market. Each product is put through its paces in a four-stage process that tests objective and measurable quality criteria before being included in the MLP product portfolio. MLP also operates a similarly strict approach when selecting product partners. The experiences of MLP consultants and the ability of product partners to provide the market with innovative, high quality products all form part of this process. MLP first presented the process to the general public in detail in 2010 with a film on the website at [www.mlp-beratungsqualitaet.de](http://www.mlp-beratungsqualitaet.de) (German only).



### Highest standard of training: MLP consultants train for the qualification of Certified Financial Planner

Since March 2010, MLP has been offering its consultants the opportunity to prepare for the certification as Certified Financial Planners (CFP). The CFP qualification is the highest internationally recognised training standard for financial consultants. With its CLIP accreditation from the European Foundation of Management Development, the company-owned MLP Corporate University ranks among the best corporate academies in Europe. Subject to the accreditation by the Financial Planning Standards Board Germany (FPSB e. V.), MLP consultants are offered the opportunity to train for this qualification. MLP consultants must first complete "in-house" studies to gain the internal title of Financial Planner. They then work through the remaining open modules for certification to CFP either at the European Business School in Oestrich-Winkel, Germany, or the Frankfurt School of Finance & Management in Frankfurt, Germany.

## COMMUNICATION AND SERVICES

**MLP Health Report: German healthcare system lagging behind in international comparison**

With a keen eye on the latest reforms in the German healthcare system, MLP published the 5th MLP Health Report at the end of 2010. This representative and highly regarded survey of citizens and physicians was once again drawn up in cooperation with the Allensbach Institute and with the support of the German Medical Association. In this survey, the core questions were also asked in comparing countries for the first time. This led to several key findings, including that the Dutch, Swiss and Swedish give a better rating to their healthcare provision and worry less about treatment needed when they are ill. In Germany, the latest healthcare reform has received particularly strong criticism. Indeed, some 75 % of citizens and 93 % of physicians doubt whether the system's financing can be sustained in the long term. At the same time, private patients feel significantly better looked after than statutory insurance policy holders.



Presentation of the MLP Health Report in Berlin (from right to left): Dr. Uwe Schroeder-Wildberg, Chairman of MLP's Executive Board, Prof. Renate Köcher, Allensbach Institute, Dr. Frank Ulrich Montgomery, German Medical Association

**Feri EuroRating Awards presented**

The MLP subsidiary Feri and the news channel n-tv again honoured the best mutual funds on the German, Austrian and Swiss markets in November 2010. The award winners not only offered better performance than the market as a whole within their group, with a sound ratio of opportunity and risk, they also impressed with their professional fund management. Funds in a total of 15 categories were honoured, including nine share categories, four pension categories and one mixed fund category. The jury also awarded a particularly innovative fund concept in the special category "Fund Innovations".

**MLP client magazine: New Internet presence launched**

In March, MLP launched a dedicated online presence for its client magazine FORUM. The aim here is to offer readers a clear structure with links to the latest economic, financial and consumer topics. This will allow MLP to react even more quickly to current events and provide information to a broader public. Alongside the contents of the magazine, readers can also find the latest articles in and around the topics of old-age and healthcare provision, insurance, investment and consumer protection at [www.forum-mlp.de](http://www.forum-mlp.de) (German only).





### MLP with multimedia homepage

MLP presented its new multimedia Internet presence in August 2010. The homepage now also includes numerous multimedia facilities, such as applications for smartphones and an expanded service for clients, journalists and investors. MLP explains complex financial concepts in a clear and easily comprehensible way at [www.mlp.de](http://www.mlp.de). Thanks to the site's intuitive navigation and a clear page structure, users can quickly find the topics that interest them. As such, the new Internet presence forms the perfect interface between face-to-face consulting and digital media.



### “Zeit” Conference: Responsibility for universities and students

The second “Universities & Education” conference organized by the German weekly magazine “Zeit”, held in July and again co-organised by MLP, was a particular highlight on the university calendar. Around 220 participants made their way to the Chamber of Commerce and Industry/Stock Exchange building in Frankfurt am Main, Germany, and took the opportunity to learn about and discuss current challenges, in particular in the field of university and science management. The theme running through the top-class keynote speeches, podium discussions and workshops was the term “responsibility”.



### German Association of Colleges and Universities (DHV) becomes new partner

In October, MLP expanded its network of successful partnerships with Germany's universities even further. The financial and investment consulting company signed a three-year cooperation agreement with the German Association of University Professors and Lecturers (DHV) in mid-October. This involves MLP taking over some important functions, including patronage of the annual DHV Symposium. DHV general manager Michael Hartmut described the long-term cooperation as “an important step for the strengthened cooperation of our association with the economy”.

## UNIVERSITY AND CAREER

### MLP publishes University Press Pocketbook

To promote university and scientific journalism, MLP got together with the kress media service to publish the second edition of the “MLP University Press Pocketbook”. Alongside a section dedicated to scheduling and statistics, the book includes the contact details of over 1,200 of the most important journalists and communicators in Germany's university landscape. Prof. Annette Schavan, Federal Minister of Education and Research, contributed the opening greeting.





## Individuality.

“A consultation should not focus on the interests of the consultant or the product provider, but rather concentrate on the individuality of the client.

If not apparent beforehand, the financial crisis certainly made it very clear that many banks prefer to focus on the profit interests of product providers and sales staff, rather than the needs of their clients. However, a consultant that approaches me with the intention of giving me individual and personal advice acts more like a solicitor, representing the interests of his client.”



Prof. Dr. Markus Buchberger | 42

Solicitor specialising in labour law and representative of the sports law teaching department at the RheinAhrCampus in Remagen, Germany  
MLP client – supported and advised by Ralf-Peter Lachmann in Bochum, Germany

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## As a finance broker, MLP is committed to no-one except its clients.

Only fully independent consultants with no third-party interests are capable of examining and catering to the individual wishes and requirements of clients. MLP does not broker products from one or more specific partners, but rather examines the full scope of offers in the market to find the best concepts and providers, backed up by external ratings and experts. To this end, MLP is also registered as an independent insurance broker in the Register of Insurance Brokers. Unlike representatives or multiple agents, who are tied to the products of one or more insurers, by law, we are therefore always on the side of our clients.



# Management Report

## OVERALL ECONOMIC SITUATION

### Framework conditions

Factors affecting business development

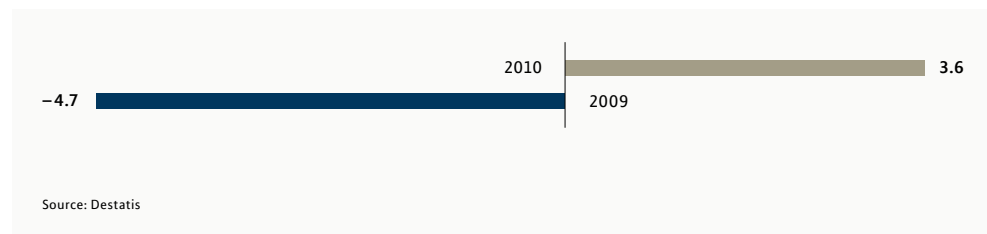
MLP is comfortably Germany's leading independent consulting firm for questions of old-age and health provision, as well as wealth management. We generate almost all of our revenue in our domestic market of Germany and can use individual economic indicators to draw conclusions about our business development. These include the development of economic activity, the employment market, the savings rate, net income and consumer confidence in Germany.

### National economic climate

Strong economic growth in Germany

The global economy was largely able to recover in 2010 from the setbacks caused by the financial and economic crisis. The International Monetary Fund (IMF) reported global economic growth of 4.8 % (2009: -2.3 %). The Eurozone recorded growth of 1.7 %. The German economy proved to be the driving force behind this economic recovery, achieving growth of 3.6 % after having shrunk by 4.7 % in the previous year due to the financial and economic crisis. This growth was driven by strong increases in exports and investments by companies, but it also benefited from increases in private consumption throughout the year. This is documented by the Consumer Sentiment Index of the German Consumer Research Association (GfK), which saw a sharp upturn at the end of the year.

### Economic growth in Germany (all figures in %)



[Figure 01]

Employment market enjoys significant upturn

The recovery in the German economy stimulated the demand for manpower considerably in the reporting year. More and more skilled personnel were sought and there was a pronounced downward trend in short-time work. The unemployment rate improved to 7.2 % compared to 8.2 % in the previous year. The chances of gaining employment increased above all for academics and other skilled personnel, i.e. MLP's main target client group. The proportion of those unemployed with academic education was just 3.4 % in 2010.

Savings rate and net income both increase

Due to the sound economic development, the improved situation on the employment market and also tax reliefs, the net income of households increased by 3.4 % in 2010. This is the strongest increase in 17 years. The savings rate, i.e. the percentage of disposable income not spent on consumption but instead saved, increased to 11.5 % last year (2009: 11.2 %). This corresponds to a per capita savings rate of € 190 per month, which is some € 10 more than in the previous year. The total savings volume reached around € 93 billion.

Looking at the overall picture of the economic data presented, significant economic growth, reduced unemployment, an increase in net income and the savings rate plus a friendly consumer climate all contributed to a good framework for 2010. This also had a positive effect on our business development in the sectors of wealth management, health insurance and non-life insurance.

General statement of the Executive Board on the overall economic framework conditions

In our daily consulting experience, however, people were far more reluctant to sign old-age provision contracts with long-term payment plans compared to the previous year. Our business development in this field is closely linked to people's expectations about the future. The only people signing long-term old-age provision contracts are those that feel confident they can close future gaps in provision by committing their funds now rather than spending them and those who are sure they can meet the associated long-term payment obligations. However, due to experiences during the financial and economic crisis, all of these conditions were non-existent in Germany in 2010. Many citizens in Germany are even cutting down on their old-age provision saving contributions. You can find more information on this in the "Industry situation" chapter on page 33 et seq.

Set against this background, the Executive Board sees the loss of trust in long-term saving processes, caused by the financial and economic crisis, as the primary cause for the drop in revenue in the old-age provision segment in 2010.

#### National economic influencing factors on MLP's business development in 2010

Positive economic development	++
Falling unemployment rate	++
Increasing net income	+
Increasing savings rate	+
Friendly consumer climate	-

Extremely positive ++, positive +, neutral 0, negative -, extremely negative --

[Table 02]

## INDUSTRY SITUATION AND COMPETITIVE ENVIRONMENT

To be able to assess the future prospects of our consulting firm, it makes sense to examine the markets in which we generated 91 % of our commission revenue over the past financial year. We will show how the framework conditions for old-age provision, for healthcare provision and for wealth management changed in 2010. This will be followed by information on the competitive environment and the consequences resulting from this for MLP.

Our most important markets

**Old-age provision**

Statutory pension no longer adequate

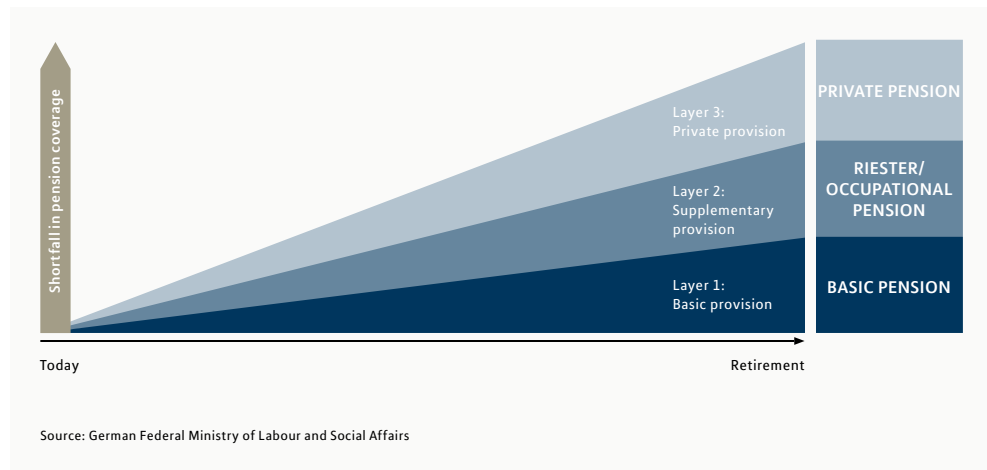
Anyone living in Germany is doubtless pleased about the ever increasing life expectancy of the country's citizens. As reported by the German Federal Statistical Office, the average life expectancy for boys born in 2010 is around 77 years. Girls have an even better life expectancy at more than 82 years. While this development is clearly seen as positive by the individual, it presents serious issues for the social security system. The German pay-as-you-go pension system is funded by contributions and requires a balanced ratio between workers paying premiums and pensioners drawing benefits. However, a drop in the proportion of working people to retired people caused by falling birth rates and increasing life expectancies amongst the population at large represents a fundamental problem for the financing of this solidarity-based system and future pensioners will see quite pronounced cuts in the money they receive. The state is therefore encouraging its citizens to assume responsibility and provide for their own old age. This is being supported by tax incentives.

Three-layer model of old-age provision in Germany

The old-age provision system in Germany is made up of three distinct layers:

1. Basic provision: Statutory pension and basic pension
2. Supplementary pension provision: Riester pension and occupational pension
3. Private pension and life insurances

**Three-layer model of old-age provision in Germany**



[Figure 02]

We provide our clients with comprehensive advice on both private and occupational pension provision and offer the corresponding old-age provision products for all three layers.

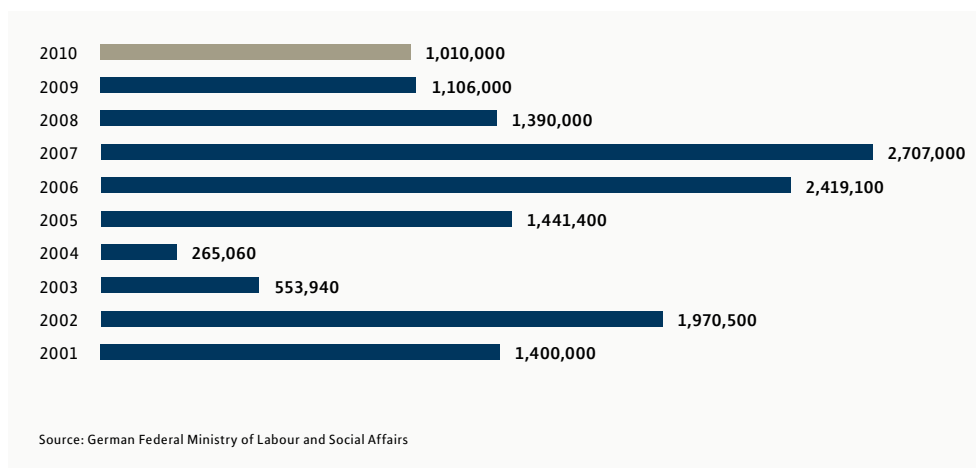


Based on a similar model to the statutory pension, the basic pension offers the opportunity to build up a state-supported private old-age pension. Although the basic concept allows investors to offset a large proportion of their payments against tax, this form of private old-age provision has not enjoyed much popularity to date. Since April 2010, all contracts recognised as basic pension agreements for tax purposes also have to be state-certified. This new requirement has generated significant additional administration expenses at insurance companies and annoyed many policy holders, when existing contracts had to be amended to comply with the certification process.

Development in the market

Despite the associated tax incentives offered by the German Citizens Relief Act, new business with basic pension policies therefore remained well below the previous year's level. Up to the reporting date on December 31, 2010, around 206,800 new contracts had been signed, which represents a drop of 11.7%. The development of new Riester pension contracts, which around 14.1 million German citizens now have in place, also continued to drop off as anticipated. Some 8.7% fewer Riester contracts eligible for tax breaks were signed last year than in the previous year. The total number of new contracts came to 1.01 million.

#### Concluded new Riester contracts – comparison 2001-2010



[Figure 03]

According to data published by the German Insurance Association (GDV e.V.), the life insurance sector collected gross premiums of € 63.26 billion (+10.8%) up to September 30, 2010. Although there was a slight downward trend in regular premiums (-1.3%), single-premium business increased by more than 50%, totalling € 19.82 billion.

Single-premiums instead of regular premium payments

Despite tax incentives, clients were therefore less willing than expected to sign new provision contracts with long-term premium schedules in the reporting year.

Despite the difficult framework conditions, we were able to maintain our market share in old-age provision with regular premiums. According to provisional figures provided by the German Insurance Association (GDV e.V.), our market share in the business with regular premiums in the reporting year was 3.81% (2009: 3.87%).

MLP able to maintain market share in regular premiums

Occupational pension provision in a holding pattern

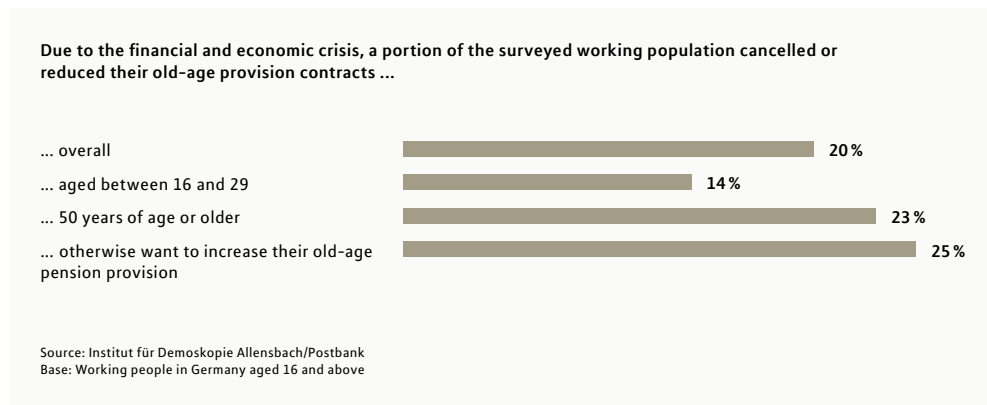
Occupational pension provision faced similar, difficult framework conditions in 2010. While many companies did recognise that offering employees occupational pension products is an important element of a future-oriented personnel policy, they were busy dealing with other things following the financial crisis. Despite this, new business enjoyed positive development, although around one quarter of all new business could be attributed to the single-premium business.

Competition among providers of occupational pension provision solutions in Germany was also intense in 2010. Foreign consultants, especially from the US, dominated the business with corporate clients. At the same time, savings and high street banks actively approached their private clients to discuss the topic of occupational pension provision. MLP is established in the field of occupational pension provision with its companies TPC THE PENSION CONSULTANCY GmbH and HEUBECK-FERI Pension Asset Consulting GmbH. We are the leading German-based independent consultants for occupational pension provision models.

Old-age provision market damaged by the financial and economic crisis

Overall, it is fair to say that the financial and economic crisis has left deep scars among the public and reduced their willingness to invest money in old-age provision products. In an old-age provision survey commissioned by Postbank and performed by the Allensbach Institute, 44% of those surveyed said that they were actively considering options for their own old-age provision. At the same time, however, some 20% of those surveyed admitted to reducing or even cancelling existing old-age provision contracts in 2010.

**Reduction in old-age provision in Germany**



[Figure 04]

So while MLP's main target group of academics and other discerning clients do consider qualified consulting in the field of old-age provision to be important (we are being asked for advice more than ever), they are currently not particularly willing to commit to new long-term payment obligations. In the field of old-age provision, we therefore recorded a 7.3% decline in commission revenue.

**Health provision**

The health insurance market in Germany was again dominated by public discussions on the need for reforms to the healthcare system in the reporting year. In light of the demographic shift and increasing medical advances, the performance of the contribution-funded system of statutory health insurers has long since reached its limits. There is a broad consensus in society that reforms are simply unavoidable. For this reason the legislator agreed to some amendments to the present system in the last year.

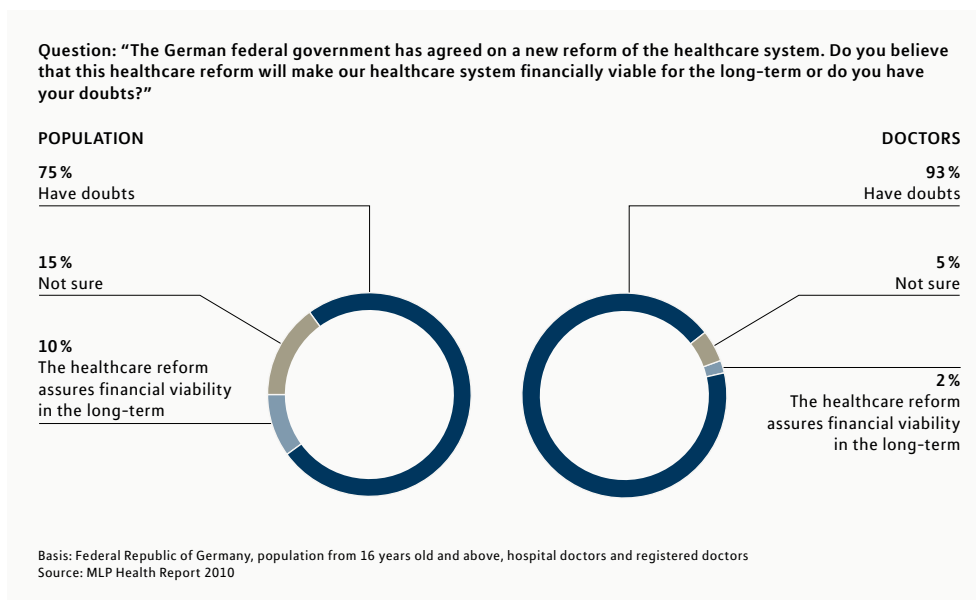
Reforms unavoidable

The following initial steps came into force from January 1, 2011

- The general premium rate of the statutory health insurance funds is to be increased from 14.9 % to 15.5 %
- The 3-year waiting period for entry into a private health insurance fund is to be reduced to 1 year
- The additional premium of the statutory health insurance funds is to be financed by taxes where the premium exceeds 2 % of the policy holder’s income

However, only a fraction of German citizens believe that the reform introduced in 2010 will be enough to stabilise the state healthcare system in view of its precarious financial situation. The MLP Health Report, published in autumn 2010, underlines this. According to this report, some 75 % of German citizens and 93 % of German physicians do not believe that the measures implemented can secure the financing of the healthcare system in the long term. The majority of German citizens also believe that the premiums are likely to be repeatedly increased and the scope of benefits cut. The chapter “Forecast” (see page 104 onwards) gives an indication of what effects the reform is likely to have on the healthcare provision market in future.

**Financial viability of the German healthcare system**



[Figure 05]

Growth segment of private health insurance

As a result of the perceived problems in the state healthcare system, the number of those with private health insurance in Germany again increased by around 50,000 to 8.86 million by mid-2010 (December 31, 2009: 8.81 million). With a 6 % increase in revenue from fully comprehensive private health insurance premiums and a 2.2 % increase in premiums from long-term insurance policies, the health insurance sector was one of the most profitable areas of the insurance market. Income from premiums came to € 31.3 billion in total.

Supplementary insurance remains in demand

Due to the cutbacks in the list of medical services covered by the statutory health insurance funds, more and more people also signed supplementary insurance policies. Option tariffs, premium relief schemes and supplementary dental insurance policies all proved very popular.

As a holistically-oriented consulting firm, we kept our clients up-to-date with events in the healthcare market. Since we had already secured many clients' access to private health insurance in previous years via option tariffs, many were then able to make the switchover to private health insurance last year.

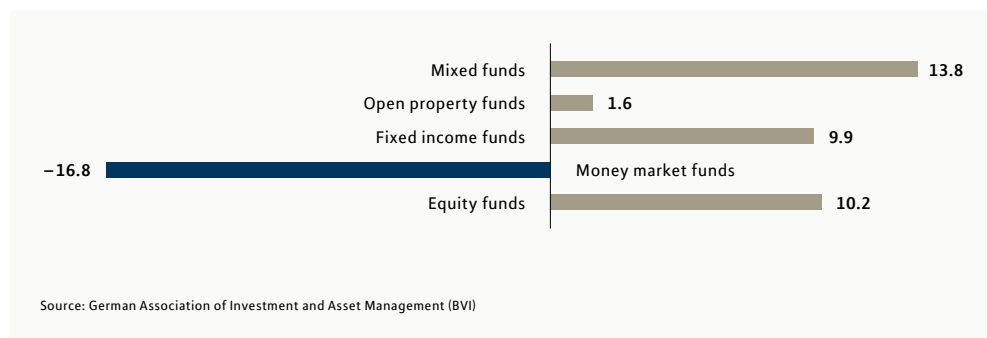
Our revenue in the field of health insurance increased by a total of 31.8 % to € 61.3 million.

**Wealth management**

Monetary assets in Germany hit new record level

The monetary assets in Germany reached the new record level of just under € 5 trillion last year. This is the highest level since Germany's reunification. Some € 87.1 billion new investment capital was channelled into the investment fund sector. Assets under management in mutual funds, special funds and assets outside of investment funds reached a level of € 1,829.6 billion. Fixed income funds, equity funds and mixed funds proved particularly popular. The increased risk propensity of investors was highlighted by the inflow of funds into mutual equity funds. Money market funds, on the other hand, suffered cash outflows due to the low interest rate.

**Inflow in/outflow from different types of mutual funds in Germany 2010 (in € billion)**



[Figure 06]

MLP's wealth management generated significant inflows of funds from both private and institutional investors in 2010. Our investment specialists once again succeeded in effectively exploiting the opportunities on the financial and investment markets for our clients while complying with their agreed risk requirements. As such, forms of investment hit particularly hard by the crisis, such as shipping funds or open-end real estate funds, were reduced in clients' portfolios in good time. This prudent investment policy led to impressive performance and thereby new wealth management mandates.

Significant increase in assets under management

At the end of the year, the level of assets under management by MLP reached € 19.8 billion. This is our highest ever level of assets under management. MLP was able to reinforce its position as the leading independent consulting firm in the market for wealth management in Germany and increase its market share in 2010. While assets under management in the market as a whole increased by 7% according to the figures of the German Association of Investment and Asset Management (BVI), we were able to record a 16% increase here. As such, our market share reached 1.1% (1.0%).

### Competition

Following the experiences gained during the financial and economic crisis, the legislator continued to work on winning back and boosting the confidence of market members in the capital markets. One new ruling introduced in January of last year is that institutes such as banks are now required to provide their clients with advisory reports following investment advisory services.

Focus on consumer and investor protection

As an independent consulting firm, we welcome the growing awareness for investor protection and actively support this development. Last year, we were therefore also among the first financial services providers to voluntarily start offering clients the product information sheets that consumer protection organisations have been demanding for some time. Our product information sheets supplement the information that our clients receive from their MLP client consultants in face-to-face meetings and also provide a summary of the features offered by individual forms of investment.

The legislator is not relying solely on voluntary initiatives from the financial sector to create greater transparency in investment advisory services. To this end, the "act on strengthening investor protection and improving the functionality of the capital market" has been established. This new law introduces new requirements for financial services providers. You can find more information on this in the Forecast section on page 104 et seq.

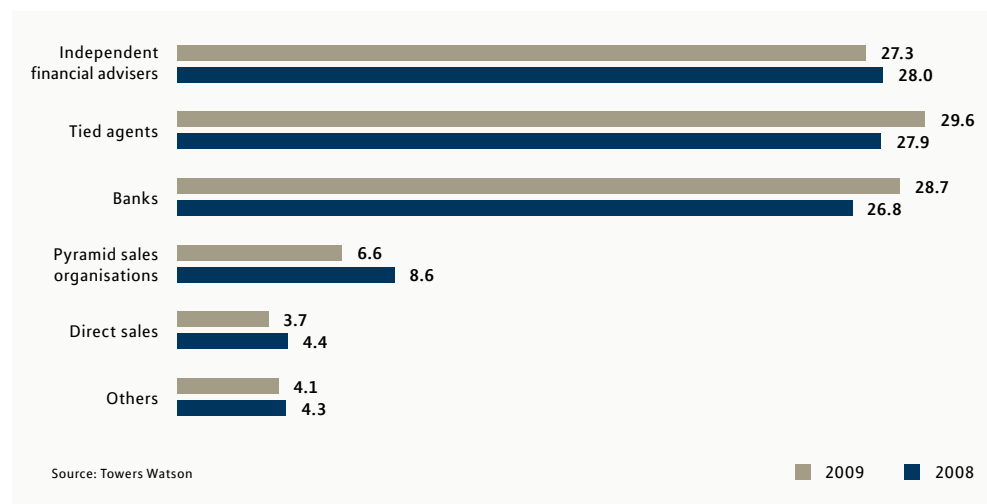
Further regulations

The competitive situation in the German financial services market did not see any major changes in 2010. The market continues to be characterised by cut-throat competition. Banks, insurance companies, pyramid sales organisations and independent financial consultants are all competing for clients. The market is very heavily fragmented. The pressure for consolidation, already reported last year and caused by the extensive legal regulations of the last few years, continued in 2010. Small-scale brokers were particularly hard hit by the ever stricter legal requirements. The total number of providers dropped again.

Market shares of the various sales channels virtually unchanged

According to the latest survey by the corporate consulting firm Towers Watson, independent financial consultants – the field in which our company also operates – represented the third largest sales channel in the brokered new life insurance business in 2009. This sales channel achieved a new business market share of 27.3%. At 29.6% and 28.7% respectively, the exclusive agents of insurance companies and banks only enjoyed a slightly higher market share. With a view to the future, forecasts are predicting above-average growth for our sales channel (see also Forecast on page 104).

#### Market shares of various sales channels for life insurance products in Germany 2008 and 2009 (all figures in %)



[Figure 07]

#### Industry-specific influencing factors on business development of MLP

	Influence on business development in the industry 2010	Influence on MLP's business development in 2010
Effect of the financial and economic crisis on old-age provision	--	--
Trend towards more private provision in the field of healthcare	+	+
Effect of the financial and economic crisis on wealth management	-	-
Increased intensity of competition between sales channel for financial services	0	+

Extremely positive ++, positive +, neutral 0, negative -, extremely negative --

[Table 03]



BUSINESS MODEL AND STRATEGY

**Business model: Independent consulting firm**

We are the leading independent consulting firm for private and corporate clients, as well as institutional investors in Germany. Based on highly regarded research, we advise our clients in all questions of old-age provision, investment, healthcare provision, insurance and financing. Our strategic competitive advantage is based on our independence and holistic client consulting approach. Our consultants focus their actions on the lasting benefit for our clients. This sets us apart from our competitors, creates added value for our clients and has made us into an established brand in the German financial services industry.

The core of our business model is our independence.

**MLP – The consulting company**



[Figure 08]

Clear target group in the  
consumer business

Since MLP was founded in 1971, independence has been an elementary component of our business model. The basic maxim of the founders has proven itself in the company's 40-year history. Our business model initially focuses on pitching to young clients. Indeed, our consultants often get to know their later clients during their studies and then maintain contact over decades, becoming reliable financial coaches for whole families. In fact, client relations across generations are not uncommon at our consulting firm. Our main target group of academics and other discerning clients appreciates our consulting philosophy, based on long-term cooperation and trust, and uses the financial knowledge of our consultants for issues ranging from wealth planning, right up to insurance cover for the unexpected financial setbacks that life can throw our way.

Discerning clients demand  
top consulting quality

We are fully aware that our discerning clients constantly question our advice in light of ever changing framework conditions. As such, we can only be successful in the long term if our consultants constantly add to and adapt their knowledge to meet the ever stricter requirements. Qualifications and further training are of strategic importance at MLP. You can find lots of information on the Corporate University in the chapter entitled Client support (page 73 et seq.).

We wholeheartedly and intensively support the efforts of the German legislator for greater transparency in the financial services sector. Since our client consultants already work according to ten consulting guidelines when advising private clients, we were also able to fully integrate the new guidelines of the Association of German Banks (BdB) to strengthen investor confidence into our consulting approach. We also hand out product information to our clients which keeps them up to date with the costs and main features of product categories. Our commitment to greater transparency is noted and appreciated by our clients, who then recommend us to others. By the end of 2010, our client base totalled 774,500 people (previous year: 785,500).

We have grown together with the requirements of our clients and can now also support wealthy clients with capital assets in excess of € 5 million in collaboration with the asset investment specialists at our subsidiary Feri Family Trust. The group company Feri Institutional Advisors GmbH is also available to institutional investors. And for issues pertaining to occupational pension provision, remuneration, asset management and risk management, we support businesses together with our subsidiary TPC and joint venture HEUBECK FERI Pension Asset Consulting GmbH, the latter of which specialises in complex occupational pension provision products. MLP also continues to hold a full banking licence.

## Strategy

As an independent consulting firm, MLP is anchored in Germany's financial services market. Our goal is to achieve profitable growth through our clear positioning. In this endeavour, we concentrate on targeted growth segments in the field of financial consulting. In the private client sector, we offer our old-age provision, healthcare provision and wealth management services to academics and other discerning clients. In addition to this, we support institutional investors and corporate clients in the fields of occupational pension provision and remuneration, as well as asset and risk management.

We primarily target organic growth in the areas of old-age provision, healthcare provision and wealth management (see also Forecast, page 104 et seq.). However, we are also open to inorganic growth when opportunities arise. Basic acquisition objectives in this regard can be to increase our sales force and the level of funds we manage for clients. However, we pay strict attention to ensuring that any potential company acquisition not only makes sense in terms of price and calculated synergy potential, but also that the company in question fits in with MLP's corporate culture. Acquisitions could well be made over the course of the next few years, in particular by our subsidiary Feri Finance AG. This applies both to the field of wealth management for wealthy private clients and business with institutional clients. We did not make any acquisitions in the last financial year.

We are not currently planning any strategic financing measures for the foreseeable future. Through the increase in capital stock in 2008, the Group's financial resources and liquidity are now both excellent, meaning that no extraordinary financing would be necessary for any acquisitions we wish to make (please also refer to the chapter "Financial position", page 59 et seq.).

To complement our strategy, we have operated a strict system of cost management the last two years. Based on this, we succeeded in reducing our fixed costs by € 28.7 million in the financial year 2009. In the reporting year, we were not only able to meet our target of saving a further € 10 million, but greatly exceed it at € 16.4 million. We are keen to continue our cost-conscious use of resources and continuously increase the efficiency of our organisation (see also Forecast, page 104 et seq.).

Successful  
cost management

Our subsidiary Feri Finance AG is a good example of a successful acquisition. The internationally renowned wealth management experts look after more than a thousand institutional clients and a large number of family estates in the category of € 5 million upwards.

Successful cooperation  
with Feri

Through its cooperation with Feri, MLP has entered the top segment of investment consulting and can today offer its private clients wealth management services at the highest level. Indeed, we have now opened up wealth management strategies that were previously only available to rich investors to the entire bandwidth of our client base.

This was only a logic consequence, as the number of MLP's wealthy clients is growing consistently. Around 40% of our clients are today 40 or older and are now increasingly requesting wealth management services within the scope of their life planning.

Demand for wealth  
management services  
on the increase

### Legal corporate structure

Our consulting firm operates in a holding structure. Here, the subsidiaries MLP Finanzdienstleistungen AG and Feri Finance AG, Bad Homburg vor der Höhe, are arranged under the umbrella of MLP AG. The rating, research and wealth management specialist Feri advises wealthy private investors and institutional investors both in Germany and abroad. As agreed, MLP will increase its majority holding in the company from 56.6 % in the reporting year to 100 % in 2011.

MLP Finanzdienstleistungen AG has a full banking licence and bundles private client consulting with the branch offices and internal services. The sales-oriented subsidiaries and joint ventures, such as TPC THE PENSION CONSULTANCY GmbH in Hamburg, ZSH GmbH Finanzdienstleistungen and MLP Hyp GmbH in Schwetzingen, which is operated together with the mortgage broker Interhyp, are also based here.

No significant changes to the Group structure are currently being considered.

### Organisation and administration

Our registered office is in Wiesloch in the German state of Baden-Württemberg. The Executive Board was made up of four members in 2010. As at March 31, 2010, Gerhard Frieg, Product Management and Purchasing Executive, left the committee at his own request. Mr. Frieg has taken up a new professional challenge. The Supervisory Board has placed responsibility for Product Management and Product Purchasing in the hands of the new member of the Executive Board, Manfred Bauer, who took up office on May 1, 2010. In November 2010, Reinhard Loose was also appointed Chief Financial Officer by the Supervisory Board. He is scheduled to take up office on February 1, 2011. Until this time, the responsibilities of the Chief Financial Officer will be borne by the Chairman of the Executive Board. The Supervisory Board, which is required to monitor the Executive Board under German law, comprised six members.

Nationwide network of  
offices

We generated virtually 100 % of our revenue in our domestic market of Germany last year. We offer our clients a nationwide network of consulting units. The total number of offices as at the reporting date December 31, 2010 was 192 (2009: 238). The total number of consultants on the reporting date was 2,273 (2009: 2,383).

The majority of MLP's client consultants are registered as free commercial agents and work exclusively for our consulting firm. They are paid on a commission basis.

MLP locations in Germany



[Figure 09]

Research and development

Since our consulting firm is a service provider, we are not engaged in any research or development.

EXPLANATORY REPORT ON THE DISCLOSURES PURSUANT TO § 176 (1)  
OF THE GERMAN STOCK CORPORATION ACT (AKTG), § 289 (4), § 315 (4)  
OF THE GERMAN COMMERCIAL CODE (HGB)

### Composition of capital

As at December 31, 2010, the company's share capital amounts to € 107,877,738 and is divided into 107.877.738 ordinary bearer shares with a nominal value of € 1 per share.

### Restrictions on voting rights or on the transfer of shares

There are no restrictions on voting rights or on the transfer of MLP AG's shares.

### Capital stakes

The German Securities Trading Act (Wertpapierhandelsgesetz) requires any investor whose share of voting rights reaches, exceeds or falls below certain thresholds as the result of purchases, disposals or otherwise, to notify the company and the German Federal Financial Supervisory Authority (BaFin) thereof. The lowest threshold for the duty of notification to apply is 3%. Any stakes that reach or exceed 10% of voting rights must be recorded in this explanatory report. MLP AG has been notified of two shareholders which directly or indirectly exceeded 10% of the voting rights:

	Number of shares*	Shareholding*
Dr. h.c. Manfred Lautenschläger <sup>1</sup>	25,205,534 <sup>1</sup>	23.36%
Angelika Lautenschläger Beteiligungen Verwaltungs GmbH	22,618,932	20.97%

\* MLP AG's status as at December 31, 2010.

<sup>1</sup> In accordance with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG), 22,618,932 voting rights (=20.97% of the share capital of MLP AG) held by Angelika Lautenschläger Beteiligungen Verwaltungs GmbH are attributable to Dr. h.c. Manfred Lautenschläger.

[Table 04]

### Shares with special control rights

Shares which confer special control rights have not been issued.

### System of control of any employee share scheme where the control rights are not exercised directly by the employees

Insofar as MLP AG issues shares to employees within the scope of the employee participation programme, these shares are transferred to the employees directly. Said employees can then exercise the control rights granted by the shares issued directly in line with the legal requirements and the company's articles of association.



### **Legal stipulations and provisions in the articles of association regarding the appointment and replacement of members of the Executive Board**

The appointment and replacement of members of the Executive Board are governed by §§ 84 and 85 of the German Stock Corporation Act (AktG). 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.

### **Amendments to the company's 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. However, the Supervisory Board is authorised, pursuant to § 21 of the company's articles of association, to make amendments to the company's articles of association that affect the version.

### **Authority of the Executive Board to issue or buy back shares**

Based on a resolution passed at the Annual General Meeting on May 20, 2010, the Executive Board is authorised to increase the company's share capital by up to € 22,000,000 in total by issuing new ordinary bearer shares in exchange for cash or non-cash contributions on one or more occasions until May 19, 2015, subject to the consent of the Supervisory Board. With the consent of the Supervisory Board, it is also authorised to exclude the subscription right of shareholders to take part in share issues in exchange for non-cash contributions.

If the share capital is increased in exchange for cash contributions, the shareholders are to 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 as per § 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 exercised (authorised capital).

A resolution passed by the Annual General Meeting of May 20, 2010 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 18, 2011. No shares were bought by the company on the basis of this authorisation up to December 31, 2010.

### **Significant agreements to which the company is a party that take effect in the event of a change of control of the company following a takeover bid**

In connection with the acquisition of a 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 had purchased at least 51 % of the entire share capital of MLP AG by December 31, 2010 and had exercised 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.

### **Settlement agreements between the company and Executive Board or employees in the event of a takeover bid**

The contracts of employment between the company and the Chairman of the Board, Dr. Uwe Schroeder-Wildberg, and Executive Board members Manfred Bauer, Muhyiddin Suleiman and Ralf Schmid 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. In the case of Mr. Bauer, the remuneration to be paid in the event of a “change of control” corresponds to no more than twice the average remuneration, based on the total remuneration of the last full financial year prior to termination of his contract and the total anticipated remuneration for the year still in progress when his contract is terminated. Dr. Schroeder-Wildberg’s and Mr. Ralf Schmid’s contracts of employment each run to December 31, 2012. Mr. Suleiman’s contract runs to September 3, 2012 and Mr. Bauer’s contract runs to April 30, 2015. Should the contract be terminated in the two years prior to its regular end date, compensation will only be due pro rata temporis.

## COMPANY OBJECTIVES AND CORPORATE MANAGEMENT

### **Company objectives**

Executive Board targets  
sustainable added value

The Executive Board at MLP is committed to the aim of sustainably increasing company value and recording profitable growth. To achieve this, we operate a system of active value management. The objective here is to allow all shareholders, clients and employees to share in our company’s long-term added value. To this end, we exercise great care in our efforts to continually strengthen the strategic competitive advantages and success factors described in the “Business model” chapter. This helps ensure that the “MLP” brand – our most important intangible asset – will continue to grow in significance.

As an independent consulting firm with a holistic consulting approach, we bear great responsibility. The client is at the heart of everything we do and we must therefore also ensure that all Group units live out this holism. We place great emphasis on the satisfaction of our clients to ensure future company development.

Our corporate management focuses on the following questions:

1. How can the Executive Board ensure that all employees and consultants feel committed to the strategic goals at Group level and work towards these every day?
2. How can operative goals be set for the individual units based on the Group's strategic goals?

To help ensure that all business units make their contribution to filling the main company objectives with life, the strategic Group goals are broken down at unit level. Here, all planning and control systems of our integrated controlling approach are tailored to the requirements of an organisation with independent finance brokers. We use internally gathered monetary and non-monetary data, as well as data from the business environment, to steer our company towards its goals. After all, benchmark data from the sector environment (cross-selling quotas, sales strategies, communication campaigns) and the results of market research can also help further boost the potential and success factors of our own company. Strategic planning and strategic controlling are based on a holistic system of management to keep on top of opportunities and risks.

#### **Corporate management**

Alongside other controlling tools, since last year we have also been controlling the profit contributions of value drivers in the company in accordance with the "ISA" approach. The Integrated Strategic Agenda (ISA) approach uses a uniform process with standardised formats across all management levels to record all goals that build one on the other within the stipulations of the Group strategy.

Integrated strategic  
controlling

With ISA, the top company goals are broken down at unit level and converted into measurable operating targets. Here, the departments work on the strategic challenges and strategic success factors they have identified. On the basis of all strengths and weaknesses identified individual departmental goals are derived and operating targets to be met formulated. At the end of the process, key performance indicators are used to measure whether the targets they set themselves have been met.

ISA therefore makes targeted use of personal responsibility within the Group units. This stimulates motivation among employees and facilitates realistic planning. After all, who better to judge the relevant determinants of long-term success of the individual units than the units themselves? For the Executive Board, the combined use of ISA with other controlling tools provides a clear insight into the monetary flows within the company, while also providing structural early indicators for controlling the Group.

A sales organisation obviously requires a powerful and capable system of sales controlling. At our offices we therefore record all insurance policy applications and wealth management mandates to the day. Target/actual comparisons between the predicted business volume and the business actually generated, as well as actual/actual comparisons of the business transactions of various periods, provide the management with an up-to-date daily flow of information. Building on this, management reports from controlling offer pooled information that supports decision-making processes. This in turn secures the Executive Board's capacity to act at all times.

**Cost controlling** In light of the difficult sales revenue development situation in the field of old-age provision, great emphasis was also placed on cost controlling in 2010. MLP monitors costs in work areas just as precisely as income, with cost managers appointed in all departments. These cost managers plan the anticipated costs for the next 15 months on a quarterly basis in forecast accounts. Any cost deviations that might occur must be reported to the responsible member of the Executive Board.

The Executive Board's goal is to increase the value of our company as comprehensively as possible in the long term. However, this also requires a realistic reflection of the relevant risks. These need to be detected and assessed early on to ensure that the management can implement suitable counter-measures in good time. The same also applies to opportunities. MLP secures opportunity/risk management in an integrated approach. Risks and opportunities are systematically recorded, assessed and reported to management when and where they occur. Guidelines and a comprehensive system of internal reporting ensure that all regulatory requirements for risk management and controlling are met at the Group companies. Regular risk reports also highlight the risk-bearing ability and present the risk burden of individual units. The respective division leaders are responsible for appropriate handling of risks. Since they are also responsible for results, there is a close interaction between risk management and operative controlling. You can find further details on this in the Risk and disclosure report on page 85 et seq.

### Selected key controlling figures

	2009	Target for 2010	Actual figure achieved in 2010	Growth	Medium-term target	Long-term target
Total revenue in € million	532.1	No external disclosed target	522.6	-1.8%	Growth	Growth
EBIT (continuing operations) in € million	42.2	No external disclosed target	47.0	11.4%	Growth	Growth
EBIT margin	7.9%	No external disclosed target	9.0%	-	15% in 2012	Growth
Number of consultants	2,383	No external disclosed target	2,273	-4.6%	Growth	Growth
Productivity (revenue per consultant) in €	198,000	No external disclosed target	204,000	3.0%	Growth	Growth
Number of clients	785,500	Growth	774,500	-1.4%	Growth	Growth
Assets under Management in € billion	17.0	Growth	19.8	16.5%	Growth	Growth

[Table 05]

### Key figures and early indicators used by corporate controlling

The most important target and control variables at MLP are total revenue and EBIT (earnings before interest and tax). As we have a less capital intensive business model and our corporate financing largely does not depend on borrowed capital, it is safe to assume that profitable growth or increases in the EBIT margin will bring about greater company value.

Central control variables:  
revenue and EBIT

We can draw conclusions on future revenue from various business indicators. The key indicators here are our client base, revenue per client, number of contracts per client (so-called cross-selling quota) and the development of assets under management at our Group companies.

We also keep a close eye on the key performance indicator of “brokered new business”. Not only does brokered new business form the basis for calculating the commission revenue we receive from our product partners, this key variable also gives an indication of how the operative success of our business is developing during the year. With reference to MLP’s core fields of expertise, brokered new business in the field of old-age provision is classed as new business with life, pension and disability insurances. In the field of healthcare provision it is classed as the annual health insurance premium per client, in financing it is classed as the loan sum and in the field of wealth management it is classed as new client deposits.

Alongside monetary early indicators, consultant turnover is important for us. Since our goal is to win and then keep the best consultants in the sector for our consulting firm in the long term, we are keen to limit the staff turnover rate to between 12 % and a maximum of 15 % per year. We strengthen connections between our consultants and the company through sector-leading qualification and further training offers at our Corporate University, excellent income prospects and outstanding sales support. In 2008, we then further boosted consultant loyalty through the introduction of a client support commission and a participation programme. In the last financial year, consultant turnover was 16 % (2009: 16 %).

Consultant turnover

### Early indicators

	2009	Target for 2010	Actual figure achieved in 2010
Arranged new business in old age provisions in € billion	5.1	No external disclosed target	5.0
Arranged new business in loans and mortgages in € million	1,119	No external disclosed target	1,219
Fluctuation of consultants	16 %	12 % - 15 %	16 %

[Table 06]

### Comparison of the actual and forecast development of business

Qualitative  
revenue forecast

We did not make any quantitative forecasts for our revenue development at the start of 2010. This was due to the continuing uncertainty following the financial and economic crisis. However, we had decided that we would provide a qualitative forecast. We expected to see stable revenue progression for 2010 in our old-age and health provision segments. In the field of wealth management, we expected increasing revenue. Our forecast was accurate here, as we recorded a 9.6 % growth in revenue. In the old-age provision segment, however, we did not achieve our predicted figures. Revenue for the year as a whole was 7.3 % below the previous year. The passing of the German healthcare reform in mid-2010 had a positive effect on our business development in the health insurance segment. After completion of the third quarter of 2010, we therefore altered our forecast in anticipation of increasing revenue. Overall, we recorded a 31.8 % increase in revenue.

Quantitative  
cost forecast

To improve the company's results of operation, our goal in the financial year 2010 was to reduce the fixed cost base (personnel expenses, depreciation and impairments, other operating expenses) by a further € 10 million. By implementing cost cutting measures totalling € 16.4 million, we were able to surpass this goal significantly.

### Fulfilment of objectives in 2010 and medium-term target figures

	2009	Target 2010	Actual figure achieved in 2010	Medium-term target
Revenue old-age provision	€ 311.1 million	Stable	€ 288.3 million	Growth
Revenue health insurance	€ 46.5 million	Increasing	€ 61.3 million	Growth
Revenue wealth management	€ 71.6 million	Increasing	€ 78.5 million	Growth
Fixed costs	€ 295.5 million	€ -10 million	€ 279.1 million	€ 259 million in 2012
Results of operations (operating EBIT margin)	7.9 %	Improvement	9.0 %	15 % in 2012
Finance cost	€ -2.5 million	No significant change	€ 0.0 million	No external disclosed target
Tax rate	31.5 %	32 % - 33 %	27.6 %	approx. 30 %

[Table 07]

## REMUNERATION REPORT

The total remuneration of the Executive Board is made up of the following elements: 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 information on individualised payments are disclosed in the remuneration report in the "Corporate Governance" section of this annual report from page 126 onwards. This remuneration report is part of the management report.



## RESULTS OF OPERATIONS

### Significant events that affect business

In the last financial year, the regulatory amendments in the German healthcare system had a significant influence on revenue development in our health insurance segment. The ongoing discussion regarding the financial viability of Germany's healthcare system and the healthcare reform passed mid-year (please also refer to the section "Forecast" on page 104) motivated many clients to cover any potential health risks by taking out private full-coverage health insurance or signing supplementary health insurance policies. From the second quarter of 2010, we recorded significant, double-digit revenue growth in this segment. This allowed us to achieve a 31.8% increase in revenue for the year as a whole.

Effects of the financial and economic crisis have left their mark

The positive development in our wealth management segment also had a significant influence on business development. As the financial and economic crisis drew to a close, we succeeded in generating inflows into funds from both private and institutional investors. Our assets under management reached a new record level of € 19.8 billion (€ 17.0 billion) at the end of 2010. Revenue in this segment also increased continuously throughout the year. We recorded 9.6% growth in revenue for the year as a whole.

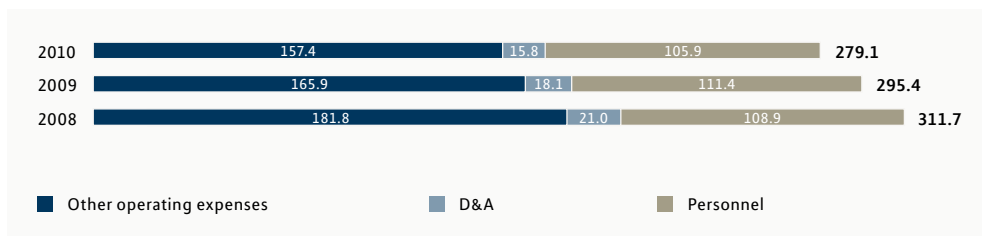
These two positive developments were offset against significant weaknesses in the field of old-age provision. Here, our revenue fell by 7.3% year-on-year. The uncertainty caused by the financial crisis, coupled with fears that inflation would see a sharp increase due to the fiscal measures of governments and central banks to combat the financial crisis and the reduction in guaranteed interest for life and pension insurance policies in Germany, continued to give many clients cause to put off investments into long-term old-age provision plans.

Overall, we were able to maintain our commission revenue at the same level as the previous year. However, due to the lower interest rate compared to the previous year, our interest income saw a € 6.2 million decline. Since our other revenue also displayed a downward trend, total revenue declined by 1.8% to € 522.6 million.

Despite the slight downward trend in total revenue, we succeeded in significantly improving the Group's profit situation. We persistently continued the cost-cutting programme we introduced back in 2009 in the last financial year, greatly surpassing our 2010 target of reducing fixed costs by € 10 million. Indeed, we were able to reduce personnel expenses, depreciation and impairments, as well as other operating expenses by € 16.4 million.

Successful cost management facilitates increased earnings

### Development of fixed costs from 2008 to 2010 (in € million)



[Figure 10]

Finance cost shows a significant improvement

Another factor helping to improve the results of operations was the significant improvement in our finance cost. Having suffered a minus of € 2.5 million here in the previous year, we broke even in the reporting period. This is primarily due to the decline in other interest and similar expenses from € 10.3 million to € 6.3 million. Among other things, the interest charges for tax liabilities, the interest charge associated with the purchase price liability for outstanding shares in Feri Finance AG and the dividends paid to the remaining Feri Finance AG shareholders all saw reductions.

The improvement in earnings from discontinued operations was another factor that had a positive influence on the Group's net profit position. We were able to improve earnings by € 3.0 million to € 0.0 million. In the previous year, we still had to absorb the operating losses of our business units in Austria and the Netherlands.

### Company management's general statement on business

Company management satisfied with development

Following the sharp downturn due to the effects of the financial and economic crisis, business started to pick up in the financial year 2010. Although total revenue again saw a slight decline, we were able to significantly improve the company's profit situation. Through continuation of our cost-cutting programme, we surpassed our target of reducing fixed costs for the financial year 2010 by € 6.4 million. At € 34.1 million, net profit was therefore some 40.9 % above the previous year (€ 24.2 million). This means that we were able to successfully increase the Group's earning potential and dividend payout capability. Overall, we are satisfied with the company's development in a challenging environment.

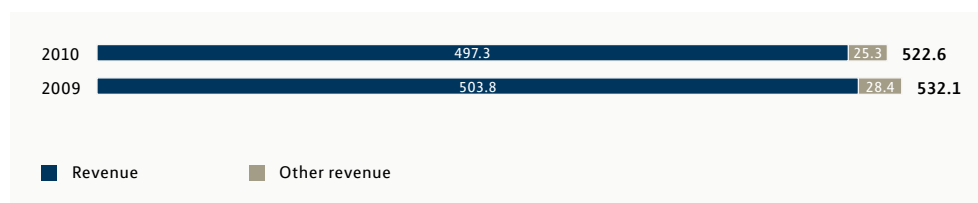
Excellent competitive position

We believe that the ongoing process of consolidation in the German financial services market has further improved our position in the core markets of old-age provision, health care and wealth management. Our full-scope approach as an independent consulting firm for private and corporate clients as well as institutional investors puts us in an excellent competitive position. Added to this are our outstanding equity base and liquidity, which will help us further improve our competitive position following the let up in the financial and economic crisis.

### Analysis of the change in revenue (continuing operations)

In the last financial year, our total revenue fell by 1.8% to € 522.6 million. At the same time, other revenue decreased from € 28.4 million to € 25.3 million. From the financial year 2010 onwards, we now state income from the re-insurance of pension obligations netted against the corresponding insurance expenses.

### Total revenue from continuing operations (in € million)



[Figure 11]

Revenue also declined from € 503.8 million reached in the previous year to € 497.3 million in the last financial year. This can be attributed to the lower interest income. Compared to the previous year, the general interest rate in the reporting year once again displayed a downward trend, consequently we generated less income by investing our clients' money. Yet we were still able to maintain our commission revenue, which at € 472.2 million (€ 472.4 million) reached around the same level as the previous year. However, development in the most important segments was mixed. While we enjoyed significant increases in the areas of health insurance, wealth management and non-life insurance, commission from the brokering of old-age provision solutions saw a downward trend (please also refer to the chapter "Significant events that affect business" on page 53).

### Breakdown of revenue from commissions and fees and interest income from continuing operations

in € million	2010	2009	Change in %
Old-age provision	288.3	311.1	-7.3%
Wealth management	78.5	71.6	9.6%
Health insurance	61.3	46.5	31.8%
Non-life insurance	27.9	26.5	5.3%
Loans and mortgages	12.2	12.6	-3.2%
Other commissions and fees	4.0	4.1	-2.4%
<b>Total commissions</b>	<b>472.2</b>	<b>472.4</b>	<b>0.0%</b>
Interest income	25.2	31.4	-19.7%
<b>Total</b>	<b>497.3</b>	<b>503.8</b>	<b>-1.3%</b>

[Table 08]

### Order situation

MLP is a pure service provider. The company offers a comprehensive consulting service for private and corporate clients as well as institutional investors that addresses every economic and financial issue. In contrast to a production company, an organisation operating under this business model is unable to calculate a key performance indicator comparable to order intake or order backlog that can be used to estimate future revenue or earnings.

### Analysis of the results of operations and the change in key items in the income statement (continuing operations)

Commission expenses are the largest single expense item. Performance-linked commission payments to our sales force are recorded here. We increased these payments by 3.3 % over the past financial year to € 188.7 million, thereby recording a commission result of € 283.5 million (€ 289.8 million).

Interest expenses fell from € 12.3 million to € 9.1 million. The further downward trend in interest rates compared to the previous year was the cause of this. This also meant that our net interest income declined, reaching a level of € 16.1 million (€ 19.1 million).

Improved gross  
profit margin

Gross profit was € 324.8 million (€ 337.2 million) in the reporting period. The decline is attributable to the sharp reduction in revenue from the interest rate business and the fall in other revenue. The higher commission expenses also contributed to the decline. The gross profit margin fell from 63.4 % to 62.2 %.

We were able to significantly reduce personnel expenses by € 5.5 million from € 111.4 million to € 105.9 million. In the course of our cost-cutting programme, we have reduced the average number of employees from 1,900 to 1,672. We made use of the natural course of employee turnover in our workforce here and were largely able to avoid forced redundancies. We expect personnel costs to fall even further in the current financial year.

Depreciation and impairment fell from € 18.1 million to € 15.8 million.

Sustainable  
cost reductions

The success of our consistent cost management approach is underlined by the development of other operating expenses, which saw a 5.1 % drop to € 157.4 million. Through targeted process optimisation we were able to achieve significant savings in terms of rent and leasing costs, consulting services, as well as expenses for representation and advertising (you can find further details on the targets of the cost cutting programme in the chapter "Significant events that affect business" on page 53).

The structure of the individual expense items did not change significantly during the reporting period.

### Breakdown of expenses

in € million	2010	in % of total expenses	2009	in % of total expenses	Change in %
Commission expenses	188.7	39.6 %	182.6	37.2 %	3.3 %
Interest expenses	9.1	1.9 %	12.3	2.5 %	-26.0 %
Personnel expenses	105.9	22.2 %	111.4	22.7 %	-4.9 %
Depreciation and amortisation	15.8	3.3 %	18.1	3.7 %	-12.7 %
Operating expenses	157.4	33.0 %	165.9	33.8 %	-5.1 %
<b>Total</b>	<b>476.9</b>		<b>490.3</b>		<b>-2.7 %</b>

[Table 09]

Business development at MLP Hyp GmbH was very pleasing. We have a 49.8% stake in this company, which is operated as a joint venture together with the mortgage broker Interhyp. Our allotted earnings from the company more than tripled, increasing from € 0.4 million to € 1.3 million (“Earnings from shares accounted for using the equity method”).

Earnings before interest and tax (EBIT) reached € 47.0 million (€ 42.2 million) in the last financial year.

EBIT increases  
by 11.4 %

### EBIT from continuing operations (in € million)



[Figure 12]

We also achieved a significant year-on-year improvement in our finance cost, reducing it from € -2.5 million to € 0.0 million (for an explanation, please refer to the section “Significant events that affect business” on page 53). At 18.6 %, earnings before tax (EBT) therefore enjoyed a significantly greater improvement than EBIT. EBT was € 47.1 million, compared with € 39.7 million in the same period of the previous year. The tax rate fell from 31.5 % to 27.6 %. Income tax expenditure remained virtually unchanged in the reporting year at € 13.0 million (€ 12.5 million).

Earnings from continuing operations reached € 34.1 million (€ 27.2 million). As such, earnings per share (diluted) increased from € 0.25 to € 0.32.

Table 10 provides an overview of the earnings structure and the development of earnings and margins.

#### Structure and changes in earnings from continuing operations

in € million	2010	2009	Change
Total revenue	522.6	532.1	-1.8%
Gross profit	324.8	337.2	-3.7%
Gross profit margin (%)	62.2%	63.4%	-
EBIT	47.0	42.2	11.4%
EBIT margin (%)	9.0%	7.9%	-
Finance costs	0.0	-2.5	-
EBT	47.1	39.7	18.6%
EBT margin (%)	9.0%	7.5%	-
Income tax	-13.0	-12.5	4.0%
Net profit	34.1	27.2	25.4%
Net margin (%)	6.5%	5.1%	-

[Table 10]

#### Discontinued operations

Discontinued operations include the business activities discontinued at our subsidiaries in Switzerland, Great Britain and Spain in 2006 and 2007. In addition, we decided to focus on our activities in the private client segment of our core market of Germany. We therefore sold/terminated our business activities in Austria and the Netherlands with effect from December 31, 2009 and January 15, 2010 respectively and now also record these as discontinued operations.

Earnings from discontinued operations enjoyed significant improvement in the financial year 2010. Following a loss of € 3.0 million in the previous year, we were able to record a break-even result for 2010 (please refer to the section "Significant events that affect business" on page 53 for notes on the reasons responsible for this development).

#### Group

Net profit  
enjoys 40.9% boost

Overall we were able to achieve Group net profit of € 34.1 million (€ 24.2 million) in the reporting period. The basic earnings per share are therefore € 0.32 (€ 0.22), while the diluted earnings per share are € 0.31 (€ 0.22).

## Net Profit

in € million	2010	2009	Change in %
Continuing operations	34.1	27.2	25.4 %
Discontinued operations	0.0	-3.0	>100 %
<b>Group</b>	<b>34.1</b>	<b>24.2</b>	<b>40.9 %</b>
Earnings per share in € (basic)	0.32	0.22	45.5 %
Earnings per share in € (diluted)	0.31	0.22	40.9 %
No. of shares in million (diluted)	108.3	108.8	-0.5 %
No. of shares in million (basic)	107.9	107.9	0.0 %

[Table 11]

## Appropriation of profits

In the last financial year, we paid our shareholders € 0.25 per share in the form of a regular dividend for the financial year 2009. The total dividend was therefore € 27.0 million, which equates to a distribution rate of around 100 % based on earnings from continuing operations. Based on the company's excellent equity capital backing and liquidity, we therefore maintained our dividend payout policy operated in 2009 into 2010.

We did not purchase any treasury stock during the reporting period.

As the Group's equity capital backing and liquidity remain excellent, the Executive and Supervisory Boards will propose a dividend of € 0.30 per share to the Annual General Meeting on June 10, 2011. This corresponds to a total dividend of € 32.4 million and once again represents a distribution rate of almost 100 %.

Dividend increases  
to € 0.30

## FINANCIAL POSITION

### Aims of financial management

The financial management of the MLP Group is performed by the central Treasury department in cooperation with the Controlling and Risk Management departments. 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 using the various financial instruments and optimise Group-wide cash management. In addition, we implement rolling liquidity planning with a time horizon of 15 months.

In the reporting period there were no significant liabilities or receivables in foreign currencies, as we generate almost 100 % of total revenue in the Eurozone. Thus, it is not necessary for us to hedge net items in foreign currencies by means of hedging instruments. You can find details on the financial risks in the notes to the consolidated financial statements, note 39 "Financial risk management", on page 224.

No significant liabilities  
or receivables in foreign  
currencies



### Financing analysis

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

Excellent  
equity base

We expect that both regulatory changes and the financial and economic crisis will lead to a consolidation of our sector over the next few years. Provided we can identify suitable take-over targets, we want to play an active part in this consolidation. And our excellent equity base is a good prerequisite for this. Shareholders' equity increased in the reporting period from € 418.5 million to € 428.4 million. Factors which had a significant influence on this development were dividend payments for the financial year 2009 of € 27.0 million and the net profit for the financial year 2010 of € 34.1 million. In spite of the higher statement of financial position total, the equity ratio went up marginally from 28.4 % to 28.5 %. The equity capital backing therefore remains excellent.

At present we are not using 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. Total liabilities due to clients and financial institutions from the banking business of € 835.7 million (€ 771.1 million) mainly concern client deposits which have no financing function for the Group. These liabilities are offset by receivables from clients and financial institutions from the banking business of € 828.5 million (€ 811.7 million).

As provisions only account for 3.5 % (3.6 %) of net assets, they have no significant financing function for the MLP Group.

Group largely financed by  
shareholders' capital

The other liabilities dropped from € 211.8 million to € 177.7 million. Here, current liabilities were € 170.0 million (€ 145.8 million). These are essentially liabilities from operating activities, with the exception of the purchase price liability from the acquisition of Feri Finance AG in 2006 amounting to € 51.4 million (€ 52.8 million), not due before April 15, 2011. This has been recognised as a current liability since the financial year 2010. This also explains the reduction in long-term liabilities, which stood at € 7.7 million (€ 66.0 million) on the reporting date. Current liabilities are offset on the assets side of the statement of financial position by cash and cash equivalents of € 50.5 million (€ 55.0 million), financial assets of € 252.7 million (€ 192.4 million), as well as other current receivables and other assets of € 106.2 million (€ 110.4 million).

Further disclosures on the structure of our liabilities and provisions can be found in the notes on pages 198-200.

Other financial  
commitments

As at the reporting date, financial commitments from rental and leasing agreements of € 16.3 million were in place for the financial year 2011. These mainly constitute liabilities from the renting of our offices, as well as leasing of motor vehicles and office machines. These can result in potential total liabilities of € 54.1 million up to the year 2015.

## Capital expenditure

MLP generally finances capital expenditures from current cash flow. At € 3.9 million (€ 4.0 million), the total investment volume remained virtually unchanged year-on-year. Overall, capital expenditure in the Group has been following a consistent downward trend since 2006. This reflects the re-alignment of the Group. Since the sale of our subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG in 2005, our business activities have focussed purely on providing services. This business model is less capital intensive and therefore requires only minimal capital expenditure. Following the sale of the subsidiaries, in 2006, we began a comprehensive investment programme to expand our IT structure as a way of providing better support for our consulting and operating processes. With our IT systems having reached a performance level considered to be pioneering in the German financial services sector, this capital expenditure has also been reduced since 2009.

Business model requires only minimal capital expenditure

The majority of the funds we invested in the last financial year were in the financial services segment (€ 3.0 million). The investments were focused on continuous improvement in the quality of the consulting and client service we provide (see also the chapter “Client support”). Alongside capitalisable investments we use other resources for these projects, which are recognised as expenses in the income statement.

In the Feri segment, we invested € 0.9 million in intangible assets and operating and office equipment in the reporting year.

## Capital expenditures

in € million	2010	2009	2008	2007	2006
<b>Intangible assets</b>	<b>2.3</b>	<b>2.4</b>	<b>8.1</b>	<b>11.5</b>	<b>17.5</b>
Goodwill	–	–	1.0	–	–
Software (developed internally)	0.5	0.5	0.5	0.5	0.1
Software (purchased)	0.3	0.4	1.2	2.0	0.5
Other intangible assets	–	–	0.4	0.1	0.1
Payments on account and assets under construction	1.4	1.5	5.0	8.9	16.8
<b>Property, plant and equipment</b>	<b>1.6</b>	<b>1.6</b>	<b>4.1</b>	<b>4.7</b>	<b>2.5</b>
Land, leasehold rights and buildings	0.1	0.2	0.4	0.8	0.6
Investment property	–	–	–	0.3	0.2
Other fixtures, fittings and office equipment	1.1	1.2	2.2	2.6	1.6
Payments on account and assets under construction	0.4	0.2	1.5	1.0	0.1
<b>Total capital expenditures</b>	<b>3.9</b>	<b>4.0</b>	<b>12.2</b>	<b>16.2</b>	<b>20.0</b>

[Table 12]

### Capital expenditures 2009 and 2010 broken down by segments

in € million	Capital expenditure		Change in %
	2010	2009	
Financial services	3.0	3.0	0.0 %
Feri	0.9	0.8	12.5 %
Holding	0.0	0.2	-100 %
<b>Total</b>	<b>3.9</b>	<b>4.0</b>	<b>-2.5 %</b>

[Table 13]

### Liquidity analysis

Significant increase in cash flow from operating activities

Cash flow from operating activities in continuing operations was € 94.2 million (€ 76.4 million). This corresponds to 18.0 % of total revenue. Here, significant cash flows result from the deposit business with our clients and from the investment of these funds. The change in receivables and liabilities due to clients in the banking business results in a positive change of € 108.4 million, which is mainly broken down into an increase in the deposit business with our clients by € 68.9 million in the current financial year. In the same period of the previous year we suffered a downturn in the client deposit business.

Other significant cash flows result from the negative change in receivables and liabilities due to banks in the banking business of € 92.1 million, which are mainly attributable to a decline in receivables from banks by € 13.2 million (previous year: € -107.4 million).

Cash flow from investing activities of continuing operations changed from € 43.1 million to € -59.9 million. Time deposits which became due in the previous year were not reinvested.

Our cash flow from financing activities of continuing operations comprises the dividend payment of € 27.0 million for the financial year 2009 and the cash outflow for the redemption of loans payable. Cash flow from financing activities changed overall from € -30.3 million to € -29.6 million.

**Simplified statement of cash flows (continuing operations)**

in € million	2010	2009
<b>Cash and cash equivalents at beginning of the period</b>	<b>123.6</b>	<b>38.0</b>
Cash flows from operating activities	94.2	76.4
Cash flows from investing activities	-59.5	43.1
Cash flows from financing activities	-29.6	-30.3
<b>Changes in cash and cash equivalents</b>	<b>5.1</b>	<b>89.2</b>
Inflows/outflows due to divestments	-3.3	-3.6
<b>Cash and cash equivalents at the end of period</b>	<b>125.5</b>	<b>123.6</b>

[Table 14]

As at the reporting date of December 31, 2010, the MLP Group had around € 223 million (€ 210 million) in cash holdings. 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 also have lines of credit amounting to around € 65.8 million over the short and medium term (one and three years), which were not drawn on in the reporting period.

Liquidity further improved

No liquidity squeeze occurred in the reporting period, nor is any such shortfall expected. There are no limitations which restrict the availability of funds.

Weighted capital costs are not currently of relevance for the MLP Group, as the Group is financed almost exclusively through shareholders' equity.

Capital costs

**NET ASSETS****Analysis of the asset and liability structure**

As at December 31, 2010, the statement of financial position total of the MLP Group was € 1,505.4 million. This represents an increase of 2.0 %.

Increase in statement of financial position total

Due to depreciation and impairment, intangible assets declined from € 156.1 million to € 148.2 million, "property, plant and equipment" declined from € 78.8 million to € 74.4 million and "investment property" declined from € 11.4 million to € 11.2 million.

Receivables from clients and from financial institutions in the banking business increased in total by 2.1 % to € 828.5 million. These loans are essentially re-financed through the deposits of our clients (liabilities due to clients in the banking business). Around 72 % of receivables have a maturity of up to one year.

We were able to further increase our financial assets quite considerably. This was essentially due to shifting of short-term funds into longer term forms of investment in the reporting period. After hitting € 192.4 million in the previous year, our financial assets reached a level of € 252.7 million on the reporting date.

Financial assets substantially increased

Tax refund claims saw a marked decline, reaching a level of € 11.8 million (€ 33.1 million) on the reporting date.

The item "Other accounts receivable and other assets" essentially contains commission receivables from insurance companies resulting from the brokerage of insurance products. Since business development in the fourth quarter was weaker compared to the previous year, commission receivables at the end of the year were also lower, reaching € 122.0 million (€ 132.1 million).

Cash and cash equivalents fell slightly from € 55.0 million to € 50.5 million.

#### Assets as at December 31, 2010

in € million	2010	2009	Change in %	In % of total 2010
Intangible assets	148.2	156.1	-5.1%	9.8%
Property, plant and equipment	74.4	78.8	-5.6%	4.9%
Investment property	11.2	11.4	-1.8%	0.7%
Shares accounted for using the equity method	2.9	2.0	45.0%	0.2%
Deferred tax assets	3.3	3.0	10.0%	0.2%
Receivables from clients in the banking business	343.5	313.5	9.6%	22.8%
Receivables from banks in the banking business	485.0	498.2	-2.6%	32.2%
Financial investments	252.7	192.4	31.3%	16.8%
Tax refund claims	11.8	33.1	64.4%	0.8%
Other accounts receivable and other assets	122.0	132.1	-7.6%	8.1%
Cash and cash equivalents	50.5	55.0	-8.2%	3.4%
<b>Total</b>	<b>1,505.4</b>	<b>1,475.5</b>	<b>2.0%</b>	<b>100.0%</b>

[Table 15]

Increased return  
on equity

The Group's equity capital backing remains excellent. Shareholders' equity increased from € 418.5 million to € 428.4 million. Despite the higher statement of financial position total, this means that we were able to increase the equity ratio marginally from 28.4 % to 28.5 %. Based on the net profit of € 34.1 million (€ 24.2 million), we achieved a return on equity of 8.0 % (5.8 %). Provisions fell slightly from € 52.4 million to € 52.0 million.

Deposit business  
expanded

The deposits of our clients (liabilities due to clients in the banking business) increased by 9.2 % to € 819.3 million. This increase is largely attributable to short-term deposits held in bank accounts, credit cards and instant access savings accounts. We further reduced liabilities due to banks from € 20.8 million to € 16.4 million.

Other liabilities also fell by € 34.1 million to € 177.7 million. This item is mainly attributable to current liabilities due to our consultants and branch managers which consist of open commission claims and a purchase price liability resulting from the acquisition of Feri Finance AG in 2006 (please also refer to the section “Financial position” on page 59).

### Liabilities and shareholders' equity as at December 31, 2010

in € million	2010	2009	Change in %	In % of total 2010
Shareholders's equity	428.4	418.5	2.4 %	28.5 %
Provisions	52.0	52.4	-0.8 %	3.5 %
Deferred tax liabilities	10.6	10.7	-0.9 %	0.7 %
Liabilities due to clients from the banking business	819.3	750.3	9.2 %	54.4 %
Liabilities due to banks from the banking business	16.4	20.8	-21.2 %	1.1 %
Tax liabilities	1.1	9.0	-87.8 %	0.1 %
Other liabilities	177.7	211.8	-16.1 %	11.8 %
Liabilities in connection with non-current assets held for sale and disposal groups	-	2.0	-100.0 %	0.0 %
<b>Total</b>	<b>1,505.4</b>	<b>1,475.5</b>	<b>2.0 %</b>	<b>100.0 %</b>

[Table 16]

### General statement on the economic situation

The corporate management considers the Group's economic situation to be positive, both at the end of the reporting period and at the time of preparing the Group management report. Although revenue fell slightly in the last financial year due to the decline in interest income and other revenue, a consistent cost management approach allowed the Group's earnings situation and dividend payouts to be improved. We will continue to work on increasing the efficiency of the Group in the current financial year and thereby lower costs (please also refer to the section “Forecast” on page 104).

Improved  
economic situation

In the past financial year we were not only able to improve the Group's results of operations. The Group's financial position and net assets enjoyed positive development as well. Our cash flow and capital expenditure developed as scheduled. The Group's equity capital backing and liquidity increased. We are keen to use this strength to further improve our market position. We will play an active part in the upcoming consolidation of the financial services market (see also “Forecast” on page 104).





## Requirement.

“A professional service provider in the field of occupational pension provision develops individual solutions for clients.

Alongside good career and training opportunities, occupational pension provision is an important instrument for securing employee loyalty. Our requirement is to offer our employees and managers with first class, individual solutions – just like we do for our clients. Off-the-rack concepts are therefore not an option for me.”



# Consulting by specialists in occupational pension provision.

The world of occupational pension provision is complex and differs from sector to sector. Anyone seeking to increase potential for everyone involved requires a consultant that understands and incorporates the individual perspective of both the employer and the employees. Our specialists at TPC THE PENSION CONSULTANCY GmbH are passionately dedicated to this holistic approach in designing, implementing and managing products and services. TPC is Germany's market leader for sector provision solutions and a subsidiary of MLP.

## Ina Spuling | 37

Senior Manager Human Resources Central & Eastern Europe, Benelux & Nordics

McAfee GmbH, Unterschleissheim, Germany

Supported and advised by Thomas Schumacher, TPC, Hamburg, Germany, and Dr. Karl-Heinz Drogies, MLP, Bielefeld, Germany

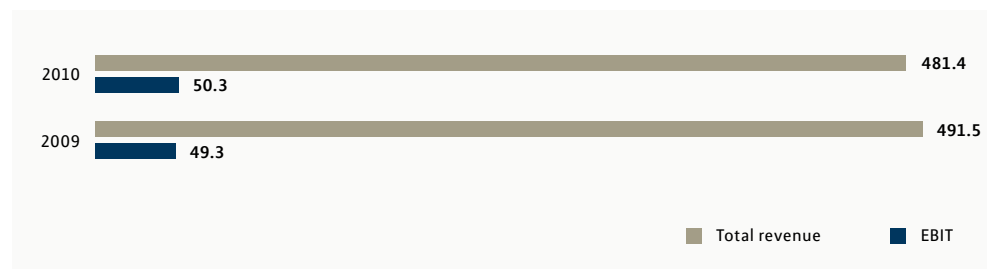
McAfee is the world's largest dedicated IT security specialist, providing

its clients with preventative, proven solutions and services that protect systems and networks across the globe. McAfee develops innovative products that enable private users, companies, the public sector and service providers to comply with legal requirements, protect their data, prevent failures, detect vulnerabilities and both monitor and continuously improve their security.

## SEGMENT REPORT

**Financial services segment**

Total revenue in the financial services segment declined from € 491.5 million to € 481.4 million. This can essentially be attributed to the fall in revenue – above all in the field of old-age provision and the interest income. However, we were able to increase revenue in the areas of health insurance, wealth management and non-life insurance.

**Total revenue and EBIT financial services segment (in € million)**

[Figure 13]

Commission expenses, which are largely variable, increased by € 5.8 million to € 187.2 million. Interest expenses fell by 26.0% from € 12.3 million to € 9.1 million. This is primarily due to the lower overall interest rates in comparison with the same period of the previous year.

EBIT slightly above  
previous year

The cost cutting programme we introduced in the financial year 2009 and continued in the last financial year has been successful. Overall, we were able to lower fixed costs in the financial services segment by € 12.9 million to € 236.0 million in 2010. Here, personnel expenses were reduced by 6.0% to € 76.8 million, depreciation and impairment were reduced by 16.0% to € 10.5 million and other operating expenses were reduced by 3.9% to € 148.7 million. With the latter, we achieved savings through process optimisation in terms of rental and leasing expenses, consulting services and the expenses for representation and advertising.

Thanks to cost reductions, we succeeded in increasing earnings before interest and tax (EBIT) from € 49.3 million to € 50.3 million despite the decline in total revenue.

Since the finance cost also improved by € 1.5 million to € – 0.8 million, earnings before tax (EBT) reached a level of € 49.5 million (€ 47.0 million).

At December 31, 2010, new business in the old-age provision segment totalled € 5.0 billion. As such, it remained at approximately the same level as the previous year (€ 5.1 billion). Our financing volume was € 1.2 billion (€ 1.1 billion). The assets under management together with Feri Finance AG also enjoyed pleasing development, once again hitting a new record level of € 19.8 billion (€ 17.0 billion) as at December 31, 2010.

Assets under management  
hit new record level

### New business

	2010	2009	2008	2007	2006
Old-age provisions (premium sum in € billion)	5.0	5.1	6.6	6.8	6.8
Loans and mortgages (volume in € million)	1,219	1,119	919	1,162	1,195
Assets under management in € billion*	19.8	17.0	14.0	12.7	–

\*Calculated according to the method of the German Association of Investment and Asset Management (BVI).

[Table 17]

### Feri segment

The Feri segment covers the wealth management, rating and research activities of our subsidiary Feri Finance AG.

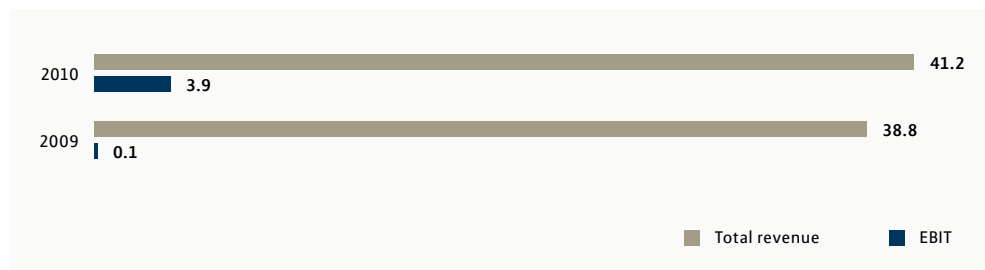
Business development in the Feri segment was very encouraging in the last financial year. We succeeded in increasing total revenue while lowering costs and were thereby able to significantly improve the earnings situation.

Total revenue reached € 41.2 million. This represents a 6.2% increase. This positive development is especially down to Feri Institutional Advisors (FIA), which advises institutional investors on all questions of wealth management.

Total revenue and earnings  
both improved

Total costs in the segment fell from € 38.7 million to € 37.3 million, wherein commission expenses increased slightly from € 1.5 million to € 1.7 million here. The greatest savings were made in personnel expenses, which we were able to reduce from € 25.1 million to € 23.8 million. Depreciation and impairment went down too, totalling € 2.3 million (€ 2.4 million). Other operating expenses dropped from € 9.7 million to € 9.5 million.

Overall, we thereby succeeded in improving earnings before interest and tax (EBIT) from € 0.1 million to € 3.9 million. Together with the finance cost of € –0.1 million (€ –0.2 million), we recorded earnings before tax (EBT) of € 3.8 million (€ –0.1 million).

**Total revenue and EBIT for the Feri segment (in € million)**

[Figure 14]

**Holding segment**

Earnings at previous  
year's level

Total revenue in the Holding segment was € 11.5 million (€ 16.9 million). In the previous year, we were able to reverse provisions that had been set up in connection with the sale of MLP Lebensversicherung AG. From the financial year 2010 onwards, we now state income from the re-insurance of pension obligations netted against the corresponding insurance expenses. This also contributed to the lower figure. In the previous year, this item also contained income from the capitalisation of a VAT receivable due to an audit for the years 2004 to 2006.

The positive effects of our cost-cutting programme could also be felt in the Holding segment, where we were able to reduce total costs by € 5.5 million to € 18.6 million. This can essentially be attributed to the drop in other operating expenses, which fell by 36.2% to € 10.4 million. Thanks to this, we succeeded in maintaining earnings before interest and tax (EBIT) at the same level as the previous year (€ -7.2 million) despite the downward trend in total revenue.

Finance costs in this segment fell from € 3.0 million to € 1.7 million in the reporting period. Other interest and similar income declined from € 10.2 million to € 6.9 million in this connection. Other interest and similar expenses also fell from € -7.2 million to € -5.2 million. These two items reflect the dividend paid out by our subsidiary Feri Finance AG and the partial distribution of the dividend to the company's remaining shareholders. We received a total dividend of € 0.9 million (€ 3.1 million). The dividend paid to the remaining shareholders was € 0.7 million (€ 2.4 million).

In total, we recorded earnings before tax (EBT) of € -5.5 million (€ -4.2 million) in the Holding segment.

## CLIENT SUPPORT

MLP has a nationwide network of offices in Germany. We are present in all urban centres and at all important university locations, as our 2,273 consultants seek proximity to their clients. Our primary focus is always on our clients with their individual requirements and personal wishes. Indeed, we analyse the individual requirements of each client on the basis of their family background, professional situation, wishes and personal life plan. We then use this overall view to develop financial plans that offer our clients long-term financial freedom and security.

USP of holistic support philosophy

We consciously make time available for our clients, regardless of whether it is for the initial consultation with the status quo analysis, any subsequent consultation meetings or whenever our clients have to reach financial decisions. This creates a basis of trust and allows client-consultant relationships to grow over years and decades. In many cases, our consulting stretches beyond a single generation – for example optimising wealth management for parents, while advising their children at university in their career planning.

Our discerning clients appreciate the commitment of their trusted MLP consultant and recommend us. This is underlined by the numerous positive reports on our consulting firm in the media last year that rated the consulting quality and performance of MLP as positive. For example, MLP was awarded an overall grade “A” in May 2010 by the consumer portal “WhoFinance”. Some 45 MLP consultants were awarded the title “best investment consultant” in this portal last year. We always appreciate positive feedback of this kind, especially when it comes in the form of genuine client recommendations. In July, we were then awarded 2nd place in the “Best mortgage lender” survey performed by “Euro” and the Hamburg-based analysts S.W.I. Finance. Shortly after this, MLP won first place in a survey performed by the Otto Beisheim School of Management on client satisfaction in the private banking business. Our most recent success came in the form of the “Financial consultant of the year 2011” title awarded by the “Euro” magazine in January 2011. Three MLP consultants also made it into the overall top ten, while six of the top ten consultants in the knowledge test were from MLP.

Awards for excellent consulting

The excellent quality of our financial advice is also based on our transparent product selection process. Our independence from product providers enables us to select the right investment options, loans and insurance for our clients from a total pool of around 20,000 product variants. Our goal is to be able to offer our clients the very best products in every product class. This is what our clients deserve. After all, as an independent consulting firm, we have obligations to no-one except our clients. We have prepared further information on our product and partner selection process on page 77.



### Training and further education

Qualifications and further training of strategic importance

MLP considers itself the top address for discerning clients seeking independent financial advice. We can only achieve this high standard consistently if our consultants succeed in earning our clients' trust over and over again. They must therefore reinforce client confidence every day with their comprehensive knowledge. Developing optimum solutions to meet individual client requirements from the large number of financial instruments offered in the marketplace requires continuous training in financial consulting. New laws and altered framework conditions also require tireless analysis of the corresponding consequences for clients. Although complex, this is the only way to be sure of offering the best possible recommendations at all times. MLP's Corporate University is therefore of strategic importance in MLP's business model.

MLP's proprietary university enjoys international recognition. It carries the European seal of approval EFMD/CLIP (Corporate Learning Improvement Process) and offers its students a unique learning culture. The training concept is based on a systematic theory-practice transfer to ensure that the learning contents also benefit the clients. The trainers at MLP are experienced and specially qualified consultants that use their practical experience to convey practical knowledge and skills within the scope of the inter-generation contract. Innovative teaching methods and learning technology, as well as regular performance records, ensure that the materials and approaches employed are always up-to-date.

Web-based seminars generate added value and save costs

Following a 24-month basic training programme or obligatory training seminars, students are eligible to take up a large number of specialisation offers. Indeed, some 22,000 attendance days (= participants x training days) were held on campus last year (2009: 27,000). In addition to this, a large number of local training sessions in offices and internet-based training sessions were held. The latter is proving increasingly popular, as this allows consultants to take part in the important courses in the form of web-based training units without having to travel. Courses of this nature also offer considerable cost-saving potential for the company.

In addition to the training offers, MLP's knowledge management system also offers all employees access to the specialist know-how available at MLP. All market and product data is pooled centrally and arranged in a clear structure ready for everyone to access. We believe in independent, self-guided learning in combination with supervised learning events. Experienced colleagues are also happy to make themselves available to all students as personal mentors.

The progression of the accreditation process to Certified Financial Planner (CFP) level was also of major importance for the university management team in 2010. MLP is the only financial services provider operating throughout Germany that stipulates this high quality standard in the training of its client consultants. In the first year of this accredited study course, some 50 consultants have already been trained to the internationally recognised quality standards of the Financial Planner Standard Board Germany (FPSB e.V.).

### Success factor IT

After successfully completing its partial IT outsourcing project in 2009, MLP's efforts last year focused predominantly on making fine adjustments with our external service provider. The risk potential in the Group has been significantly reduced thanks to the IT sections now being supported by external specialists. So-called GRC software (GRC: Governance, Risk, Compliance) is now also being used to monitor and ensure across-the-board compliance with all legally stipulated requirements regarding functional separation between the various organisational units within the group.

Outsourcing successfully completed

MLP always seeks to offer the best consultant workplaces in the industry. This requires both an efficient and user-friendly IT landscape, something which has been in place at MLP for many years. But the key now is to further substantiate the requirements of the client consultants and implement these in corresponding applications. To this end, user forums with around 200 consultants and branch managers were held last year. The results of these forums led to the development of pioneering guidelines. Based on this, the existing individual applications at the MLP consultant workplaces are set to be brought together in a uniform user interface. This should improve user-friendliness and simplify the administrative procedures even further for the consultants.

Excellent user-friendliness at consultant workplaces

### Marketing and communication

MLP's online presence loaded with multimedia experiences

Thanks to our comprehensive commitment at universities, we enjoy a comparably good market position among future academics in Germany. However, we are keen to build further on this favourable position and have therefore ramped up our online activities. In the age of Web 2.0, MLP's online presence needs to be loaded with multimedia experiences to appeal to today's Internet-savvy youth. Alongside the complete relaunch of the MLP website at [www.mlp.com](http://www.mlp.com), a site tailored specifically to the issues and wishes of students has been created on our MLP-campuspartner.de homepage (German only).

Last year, we primarily worked on comprehensively revising the Internet presence of our consulting firm and adding new online activities to create an optimum interface between face-to-face consulting and digital media for all our target groups. Our homepage has now been re-launched with a completely new design. The new Internet presence is tailored precisely to the user behaviour, issues and topics of our clients. It offers the kind of diverse information, services and iPhone apps that users today expect of a modern financial services provider. The increased number of users demonstrates that our offering has been well-received. The MLP homepage had 6,902,968 visitors last year, representing an increase of 5 % over the previous year (2009: 6,570,185 visitors).

Web presence is also becoming increasingly important for the local offices. As such, almost 90 % of MLP offices now have a dedicated homepage and are enjoying success with this approach. The ever increasing hit rates underline this, with the homepages receiving 336,754 visits last year – an increase of 18 % compared to the previous year (284,724 visits in 2009).

Continuity in sponsoring

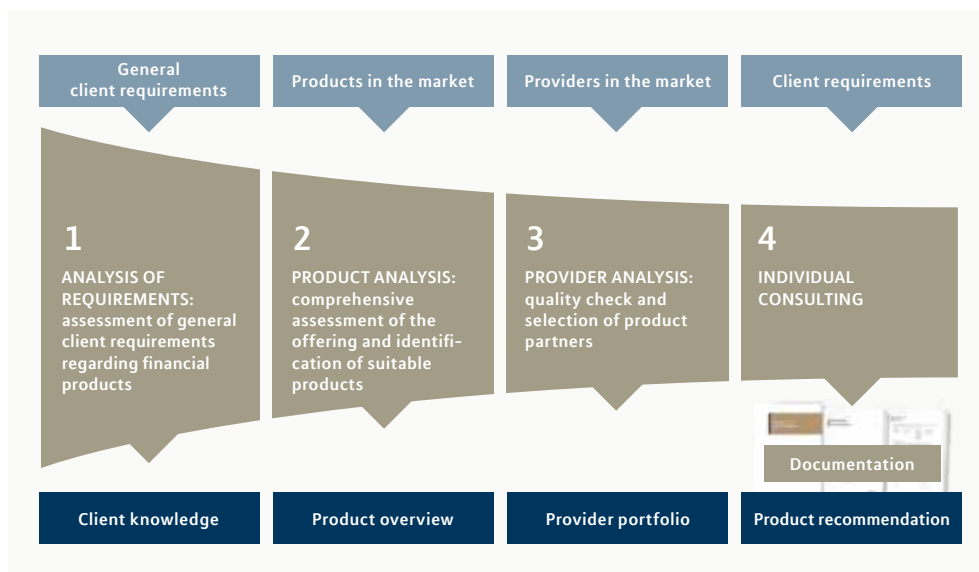
In the field of sponsoring, we focused on continuity, despite a strict cost management policy. Established events such as the MLP Golfjournal Trophy and the MLP Marathon were held again, and university sport enjoyed continued support.

**Partner management**

Ensuring that our clients can rely on the quality of our product selection is a factor right at the heart of our service pledge. Figure 15 depicts the structure of our four-stage product and partner selection process.

Partner management as a success factor

**MLP’s product and partner selection process**



[Figure 15]

Before including a product in our portfolio, we perform an in-depth analysis of its features and then compare these with those of any rival products. After this, we test whether the respective provider is capable of meeting our strict quality and service requirements. Among other things, we check carefully whether the respective enterprise is economically healthy. After all, the long-term stability of an insurance partner is extremely important when selecting long-term financial investments such as old-age provision funds. If a new product passes all the tests successfully and fits in with our client profile, we include it in our sales portfolio.

However, only time can tell whether a financial product with its respective provider can survive in the long term when competing against our other partner companies. Our systematic partner management system ensures that every product and every provider is subjected to continuous checks with regard to service quality. We assess our product partners through a survey of our consultants, in which they are questioned about their experiences with the service providers based on current business. The information this provides in turn forms the basis for continuous dialogue with our partner companies on improving products and services. We present the MLP Service Award once a year to our best partner companies. We strive to continuously optimise service in dialogue with our providers so that we can fulfil our service pledge to our clients at all times.



## Clarity.

“The world of investment funds is becoming ever more complex. I therefore expect a qualified partner to simplify the selection and analysis process, creating clarity for me.

The investment funds industry is a fast-moving and dynamic market. With such a large number of providers and funds, it is also difficult for us as institutional investors to make the right investment decisions. We therefore require independent research which supports and simplifies our selection process.”





**Koichi Katakawa | 46**

Country Co-Head Germany & Austria, Member of the Executive Board at  
NOMURA BANK (Deutschland) GmbH

Nomura Funds Research and Technologies (NFR&T), Frankfurt a.M., Germany  
Supported and advised by Carsten Hermann, Feri Institutional Advisors,  
Bad Homburg v.d.Höhe, Germany

The Nomura Group is the largest Japanese investment bank for fixed  
income, investment banking, as well as equities and asset management  
businesses.

The Nomura Group has been active in Germany since 1971 and employs  
27,000 people worldwide.

## Systematic analysis and selection of the best funds and managers.

Institutional investors such as pension schemes, insurers, funds and associations need to follow strict investment guidelines and legal stipulations when investing their clients' money.

The analysis and selection of investment opportunities therefore plays a key part.

MLP subsidiary Feri Finance AG supports institutional investors in their fundamental approach to assessing, selecting and procuring investment funds. The analysis and selection of funds and funds managers has been one of Feri's core fields of expertise for more than twenty years.

PERSONNEL AND SOCIAL REPORT

Living out the core values of "Performance" and "Trust"

Out of the ten corporate values of MLP, it was

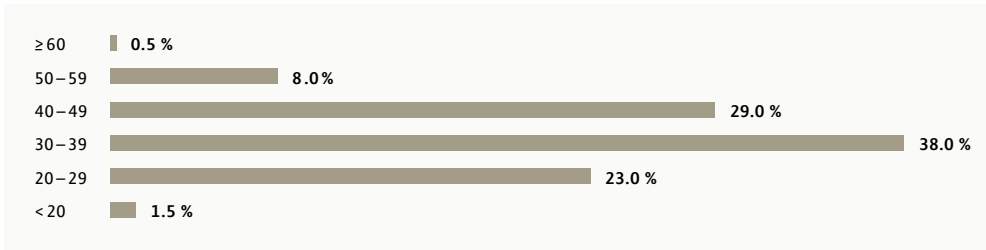
“Performance” and “Trust”

which were identified in employees surveys as the two most important values of our corporate culture. Continuing along the same lines, we are keen to secure a working environment that fosters and stimulates a culture of performance and trust at MLP with our personnel work. To this end, we continuously develop our work with qualitative and quantitative key personnel figures. Only when we are successful in offering our employees a workplace at which they feel comfortable on both an emotional and intellectual level will they commit all of their efforts to serving our company targets. As such, personnel work is extremely important for MLP.

Raising leadership performance

As the quality of leadership offered by their direct superiors has a significant influence on the motivation of employees, HR has been conducting leadership performance appraisals since 2010. In this vein, a system of 180-degree feedback from employees to their direct superior was introduced, with almost 90% of employees taking part in the assessments. This new instrument helps MLP gain a diverse picture of leadership performance within the company. Fields of action for the corporate culture and also training measures can be derived from this. The new instrument complements MLP’s existing system of staff appraisals and creates a new stimulus for dialogue between the already flat hierarchies at MLP.

**Age structure of MLP staff 2010**



[Figure 16]

Flexible working hours models are important, especially for a young company like MLP. Some 63 % of our employees are under 40, and the average age was just 37 in the reporting year. In particular our female employees, who make up 51 % (2009: 55 %) of the workforce at the company HQ in Wiesloch, make extensive use of the many opportunities for flexible working hours. Whether part-time work, job sharing or modular systems – MLP is in principle open to all kinds of working hours models. After all, we are keen for our employees to master the challenges of both a family and a career, supporting them with MLP's family programme. Some particularly successful offers from last year include:

Motivating individual working hours models

- The MLP childcare allowance: every employee receives a 50 % contribution to the childcare costs in crèches and nurseries. Due to the large demand, we have been working together with two facilities in Wiesloch and Heidelberg since 2010 and support employees in finding a suitable day-care place for their children.
- Short-notice back-up: should a crèche be on strike or a private care person suddenly become unavailable, MLP employees can rely on the immediate back-up of their employer. A contingency plan has already been set up and MLP bears the costs for three such instances per employee per year.
- Free-of-charge family counselling: the topic of caring for loved ones was a common issue for our family counsellors last year.

We largely secure the further development of our employees through our Corporate University. The diverse training on offer here ranges from the standard occupation-specific training offers, from software training courses right through to health seminars.

In the course of MLP's efficiency enhancement programme, the average number of persons employed in 2010 was adjusted to 1,672 (2009: 1,900). This corresponds to a reduction of 12.0 %. We used the natural course of employee turnover here and were largely able to avoid forced redundancies. The proportion of employees in temporary employment had already been tracking a downward course in the previous years and came to less than 1 % at the reporting date on December 31, 2010. Personnel expenses fell again from € 111.4 million in the previous year to € 105.9 million in the reporting year. From these costs, € 91.0 million (€ 94.4 million) were attributable to salaries and wages, € 12.2 million (€ 12.8 million) to social security contributions and € 2.7 million (€ 4.2 million) to old-age provision contributions.

Payroll costs further reduced

### Average number of employees

Continuing operations	2010	2009	2008	2007	2006
Financial Services	1,407	1,624	1,718	1,564	1,508
Feri*	251	265	257	246	40
Holding	14	11	11	9	10
<b>Total</b>	<b>1,672</b>	<b>1,900</b>	<b>1,986</b>	<b>1,819</b>	<b>1,558</b>
<b>of which in Germany</b>	<b>1,672</b>	<b>1,900</b>	<b>1,978</b>	<b>1,813</b>	<b>1,552</b>

\* Feri Finance AG was acquired in 2006.

[Table 18]

We consider the low employee turnover rate at MLP a significant qualitative key personnel figure. On the reporting date, it was 11.3 % and was largely made up of parental leave. Last year, 55 female employees had a child and applied for maternity leave (2009: 65). A total of 145 women and 6 men were on parental leave (2009: 128 women and 4 men).

The Executive Board would like to take this opportunity to thank all employees and consultants for their valuable work and the trust they have placed in the company. We know that the ongoing efficiency enhancement programme meant that last year was particularly demanding for everyone.

### Key performance figures for social issues from the HR department

	2010	2009	2008
Number of advanced training days per employee	1.7	2.4	1.6
Expenditure for advanced training per employee	€ 384	€ 540	€ 190
Total expenditures for advanced training in % of revenue	0.12%	0.19%	0.06%
Number of employees, who will be pensioned in the next five years	14 employees	12 employees	14 employees
Average staff membership	8.52 years	7.47 years	6.44 years
Number of absent/sick days per employee per year	4.7 days	4.5 days	3.2 days

[Table 19]

## RISK AND DISCLOSURE REPORT

### Scope

The disclosure pursuant to Article 144 of the Banking Directive (DI 2006/48/EC) is executed in line with § 2a (6) of the German Banking Act (KWG) on a consolidated basis. MLP Finanzdienstleistungen AG, as the depository institution and higher-ranking company of the supervisory Financial Holding Group as per § 10a (3) of the German Banking Act (KWG), hereby implements the supervisory disclosure requirements by December 31, 2010 in accordance with § 26a of the German Banking Act (KWG) in connection with §§ 319-337 of the Solvency Ordinance (SolvV).

MLP Finanzdienstleistungen AG is the holding institution

MLP applies the waiver rule according to § 2a of the German Banking Act (KWG) for the Financial Holding Group in line with § 10 of the German Banking Act (KWG). MLP Finanzdienstleistungen AG has demonstrated that it has fulfilled the conditions stipulated by § 2a (6) no. 1 and no. 2 of the German Banking Act (KWG) of the Deutsche Bundesbank and the Federal Financial Supervisory Authority (BaFin) in accordance with § 2a (2) sentence 1 of the German Banking Act (KWG).

The supervisory scope of consolidation of the MLP Financial Holding Group as per § 10a of the German Banking Act (KWG) consists of MLP AG, Wiesloch, MLP Finanzdienstleistungen AG, Wiesloch, Feri Finance AG, Bad Homburg v. d. Höhe, Feri Family Trust GmbH, Bad Homburg v. d. Höhe, Feri Institutional Advisors GmbH, Bad Homburg v. d. Höhe, and also ZSH GmbH Finanzdienstleistungen, Heidelberg.

Within the scope of risk management, Feri EuroRating Services AG, Bad Homburg v. d. Höhe, the subsidiaries Feri Family Trust GmbH and Feri Institutional Advisors GmbH, both based in Luxembourg and Munich respectively, and TPC THE PENSION CONSULTANCY GmbH, Hamburg, are also included in the supervisory scope of consolidation pursuant to § 25a (1a) of the German Banking Act (KWG).

The relevant supervisory disclosures as per § 26a of the German Banking Act (KWG) made within the scope of the risk reporting of the MLP Group are designated as such.

### Risk management

#### Objective

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 is never 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. In addition to this, this framework allows business opportunities to be detected early on and followed up. Particularly in Product Management and Purchasing, business opportunities in the market are identified in a targeted process for the individual product segments. Implementation for MLP is then tested and initiated, taking into account the chances of success and the associated risks.

Aims of the risk management

MLP's Group-wide early risk detection and monitoring system is used as the basis for active risk management throughout the Group. This system ensures appropriate identification, assessment, controlling, monitoring and communication of the major risks. Risk management is a key component of MLP's value-driven management and planning system here. Moreover, the Group's risk culture is continuously consolidated and efforts are made to communicate information relevant to risk across all business segments.

### **Risk policies**

The Executive Board defines the business and risk strategy. The readiness to take risks at Group level is then determined on the basis of this, taking the Group's risk-bearing ability into consideration. Framework conditions for risk management at MLP are then derived from this. The readiness to take risks is regularly checked and adjusted as necessary.

The following basic principles are consistent with the business strategy and describe the central framework conditions for the risk management at MLP.

#### **The Executive Board is responsible for proper organisation of the business and its further development.**

This responsibility includes defining appropriate strategies and setting up appropriate internal control procedures in particular – thereby assuming responsibility for all significant elements of the risk management. Specification of the business and risk strategy cannot be delegated here. It is the responsibility of the Executive Board to implement the strategies, assess the risks associated with them and also implement and monitor measures to ensure that the risks are limited.

#### **The Executive Board bears responsibility for the risk strategy.**

The Executive Board defines the risk strategy for MLP. The risk strategy reflects the risk propensity or "risk tolerance" based on the targeted risk/performance ratio. The Executive Board ensures that a comprehensive approach, incorporating all key risk types, is integrated in the company and that suitable steps are taken to implement the risk strategy.

#### **MLP promotes a strong awareness of risks and lives a pronounced risk culture.**

A strong awareness of risks across all divisions and a corresponding risk culture are encouraged through appropriate organisational structures. Risk awareness that goes beyond each department's or person's own field of responsibility is essential. The effectiveness of the risk management system is continuously monitored and any adjustments that become necessary are implemented as quickly as possible. Appropriate data security and quality standards are established and subjected to continuous checks.

#### **MLP pursues a strategy of comprehensive risk communication and risk reporting.**

Detected risks are reported to the responsible management level openly and without restriction. The Executive Board is informed in a comprehensive and timely manner (if necessary ad hoc) of the risk profile of the relevant risks, and profit and losses at MLP. The Supervisory Board receives the information required to perform its legal obligations. Internal risk communication and risk reporting is supplemented by comprehensive, external publications that cater to the interests of MLP shareholders and the capital market and also comply with the supervisory requirements.

#### **Risk capital management and stress tests**

Risk bearing ability

Risk capital management is an integral part of corporate management at MLP. Active control of the economic capital adequacy based on the results of risk assessments and in compliance with the supervisory requirements ensures that risk-taking is always in line with capital backing.

Risks are only accepted within limits derived from aspects of the risk-bearing ability to achieve returns, taking into account risk/return factors. This in particular prevents risks that could threaten the continuity of the business model.

The Executive Board defines the equity capital backing based on business policy targets and controls the risk profile in an appropriate ratio to the risk coverage fund. The focus is on the key risks for MLP, which are identified at least once a year within the scope of a risk inventory (risk profile) performed throughout the Group. Here, the key risk indicators determined using standardised procedures are compared against threshold values applied throughout the Group. The Group-wide risk profile represents the basis for both risk capital management and the risk management and controlling processes.

The Executive Board defines the equity capital backing

In controlling the financial risk capital, the regulatory requirements of capital adequacy (regulatory capital adequacy in line with the German Banking Act (KWG), Solvency Ordinance and Large Exposure and Million Loans Regulation) are additional conditions that are to be strictly complied with.

#### Stress tests

Regular stress tests are also performed for special analysis of the effects of unusual yet still plausible events. Comprehensive analyses have therefore been implemented, both at the level of the individual risk types and across all risk types. The effects of potential concentrations of risks are also taken into particular account here.

Stress tests at different levels

When performing the standardised stress tests, the key risk drivers are scaled in such a way that they reflect disproportionately negative economic situations. The implemented stress tests can then be used to check whether MLP's risk-bearing ability can still be secured even under unfavourable economic framework conditions. The market value effects on the financial situation, the liquidity situation and the results of operations are investigated here.

#### Organisation

Our risk management concept follows clearly defined basic principles that are applied as binding throughout the entire Group and whose compliance is continuously checked. A clear organisational and operational distinction is made between the individual functions and activities of risk management.

Functional separation

We have defined and documented the organisation of risk management and the associated tasks and responsibilities in accordance with supervisory requirements, both at Group level and at the level of the Group companies. For risk management at Group level, appropriate organisational precautions which also define the framework for risk management design at the level of the individual Group companies are taken by MLP Finanzdienstleistungen AG as a higher-level entity. The operational and organisational structure is regularly checked and assessed through internal audits and adapted to internal and external developments as they happen.

Group Risk Manager	<p>The Group Risk Manager is responsible for the risk monitoring and control activities in the MLP Group. He is kept continuously informed of the risk situation in the Group and gives regular reports on this to the entire Executive Board and Supervisory Board.</p>
Risk management and controlling processes	<p>Risk management at MLP and its local operative implementation in the business units is performed on the basis of the risk strategy. The units responsible for risk management reach decisions for conscious acceptance, reduction, transfer or avoidance of risks, observing the framework conditions specified centrally.</p> <p>Risk controlling is responsible for the identification and assessment of risks, as well as for monitoring upper loss limits. This is accompanied by reporting the risks to the Executive Board and the business units that control the risks. Suitable early detection systems support risk monitoring, identify potential problems early on and thereby enable prompt planning of measures.</p> <p>Appropriate guidelines and an efficient monitoring process also ensure that the regulatory requirements for risk management and controlling are met by the Group companies.</p> <p>The methods used at MLP to assess risks are in line with the current level of knowledge and are aligned with practices in the banking sector as well as recommendations of the Federal Financial Supervisory Authority. The results determined with the risk models are suitable for controlling the risks without restrictions. The measurement concepts are subject to regular checks by risk controlling, as well as internal and external audits. However, despite careful model development and regular checks, it is conceivable for circumstances to occur that lead to greater losses than those forecast by the risk models.</p>
Controlling monitors earnings risks	<p>Controlling is responsible for continuously monitoring earnings risks. This involves comparing revenue and profit levels with the corresponding planned figures and deriving controlling measure proposals for the Executive Board from this.</p> <p>The analysis time line of strategic controlling covers the next three to five years. In this connection revenue and profit trends are analysed (in particular taking into account changes in economic or legal framework conditions) and transformed into target figures for the individual business segments. Corresponding simulations make potential revenue and earnings risks transparent for the Executive Board in the key strategic business segments.</p>
Internal controlling system in the accounting process	<p>Group accounting is the central contact for all accounting questions, both at individual company and Group level. Financial accounting acts as the central processing point for all accounting-related information. Job descriptions, substitution plans and work instructions are all in place to support the correct procedure. Process descriptions and various checklists are also available for further support. All regulations and instructions are published in the organisation manual, which is continuously updated and can be accessed by all employees. Functional separations, as well as ongoing and subsequent checks based on the "four-eyes principle", are in place to prevent any misuse or fraud. Continuous further training of employees ensures that all accounting is performed in line with current legislation.</p>



Internal audits, which assume monitoring and control tasks throughout the Group, are an important element of the internal monitoring system. The internal audit department performs regular, systematic risk-oriented inspections with regard to compliance with legal, supervisory and internal specifications. The department also monitors the functional separation and effectiveness of the risk management system, and performs follow-up procedures on audit recommendations. The minimum requirements for risk management governing the internal audit function are complied with throughout the Group.

Internal audits

The internal audit department operates in an independent capacity throughout the Group on behalf of the Executive Board.

A substantial risk reporting scheme forms the basis for appropriate and successful corporate management. 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 fixed intervals or, if necessary, produced ad-hoc. In addition, planning, simulation and control instruments show possible positive and negative developments to the most important value and controlling parameters of the business model and their effect on the net assets, financial position and results of operations.

Risk reporting

Risk reports are submitted to the controlling units, the Executive Board and the Supervisory Board. Those receiving the reports are informed promptly and comprehensively of changes to relevant influential factors.

## Statement of risks

### Financial risks

The counterparty default risk is the risk of a loss or lost profit due to the defaulting of or deterioration in creditworthiness of a business partner. The credit risk includes the contracting party risk (risk arising from the typical 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.

Counterparty default risks

On the reporting date on December 31, 2010, gross loans of the MLP Financial Holding Group were € 1,601.1 million. In this connection, gross loans are defined as the exposure value before the recognition of collateral (in the credit risk standardised approach incl. allowances for losses on individual accounts) in accordance with the Solvency Ordinance (SolvV).

MLP's counterparty default risks are essentially made up of the client credit business under the company's own liability, the company's own business and the commission receivables against our product partners. There are no significant risks related to specific countries as per § 327 (2) no. 2 of the Solvency Ordinance (SolvV), as lending is mainly limited to borrowers domiciled in the Federal Republic of Germany, which make up 97.35%. The other regions (2.65%) are situated exclusively in the Eurozone.

## Concentration of risk

Identification of potential concentrations of risk was another key component of credit risk management. Those risks which come about due to an uneven distribution of business partners in credit relations or other business relations or which are caused by sectoral/geographical business focuses and are capable of generating such great losses that the solvency of an institute may be threatened are classed as concentrations of risk in the credit portfolio. To be able to identify concentrations of risk in the lending business early on, the portfolio is analysed using various approaches, such as investigations based on sector, size and risk classes or security categories. Concentrations of risk are also given special consideration in the stress tests specific to the risk types.

To minimise potential concentrations of risk before they can even occur, MLP follows a strategy of diversification and risk avoidance here. As such, investments are diversified into bonds, debentures and other financial instruments across various sectors. We have defined binding upper investment limits for the individual sectors and issuers in our capital investment directive.

In the retail business, any potential concentrations in ratings classes with high loss rates are avoided by focussing on commission-based products and the retail products of credit cards and accounts in connection with the client segment being targeted. In addition to this, avoidance of major individual risks is a further central component of MLP's credit policy. Focussing on the target group of academics and other discerning private clients allows an attractive profit margin to be achieved.

The allocation to sectors in accordance with § 327 (2) no. 3 of the Solvency Ordinance (SolvV) is shown in the following table:

**Main sectors**

All figures in € million	Loans, commitments and other non-derivative off-balance-sheet assets	Securities	Derivative financial instruments
Domestic banks	644.8	77.7	–
Deutsche Bundesbank	23.7	–	–
Foreign banks	0.5	15.3	–
Insurance companies	10.0	–	–
Other financing institutions	5.9	5.0	–
Other companies	556.0	9.7	–
Self-employed persons	150.2	–	–
Employees	45.6	–	–
Other private individuals	29.5	–	–
Foreign companies and private individuals	10.4	16.8	–
<b>Total</b>	<b>1,476.6</b>	<b>124.5</b>	<b>–</b>

[Table 20]

The contractually fixed terms to maturity in accordance with § 327 (2) no. 4 of the Solvency Ordinance (SolvV) are listed in the following overview:

### Residual terms

All figures in € million	Loans, commitments and other non-derivative off-balance-sheet assets	Securities	Derivative financial instruments
< 1 year	979.5	38.2	–
1 year – 5 years	214.3	63.2	–
> 5 years to open-ended	282.9	23.1	–
<b>Total</b>	<b>1,476.6</b>	<b>124.5</b>	<b>–</b>

[Table 21]

The responsibilities in the credit business, from application, through authorisation, to completion and including consistent monitoring with regular creditworthiness analyses, have been defined and documented in the organisation manual. Decision-making authority is laid down in the authority regulations, which themselves are based on the risk content of the transactions.

We also monitor and control any potential default risks from advances paid to consultants and branch managers via a layered warning system, in which any incidents are quickly detected and active receivables management is guaranteed.

Loan approval, in particular in the client credit business, takes the form of credit limits being granted for the individual borrower or borrower unit. Individual credit decisions are reached by specialised employees that follow clearly defined guidelines based on the size, creditworthiness and collateral of the respective borrower. A special scoring process allows fast decisions to be made, in particular for credit cards and accounts in the retail lending business, while also securing consistently high quality.

The basis of our credit decisions is always the creditworthiness of the borrower. Collateral does not have any influence on the borrower's rating. Depending on the structure of a transaction, collateral can, however, be of significance for the risk assessment of a commitment.

All forms of traditional loan collateral are essentially used throughout. This specifically includes mortgages on residential and commercial property, warranties, sureties, life insurances, financial collateral, as well as assigned receivables. Privileged mortgages, warranties and financial collateral are used for supervisory recognition under the Solvency Ordinance. Receivables and physical collateral are currently not taken into account.

The financial collateral of the MLP Financial Holding Group to be taken into account within the scope of volume transactions pursuant to § 336 in connection with § 154 (1) no. 1 of the Solvency Ordinance (SolvV) is included in the risk assessment as per the Solvency Ordinance (SolvV) at a marginal level.

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. For accounts that are regarded as carrying acute 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.

The non-performing and defaulted receivables in accordance with § 327 (2) no. 5 of the Solvency Ordinance (SolvV) are divided into main industries or groups of debtors. MLP defines the transactions of a client as non-performing if a default incident occurs in accordance with § 125 of the Solvency Ordinance (SolvV), irrespective of whether any allowances for losses have been formed.

### Non-performing and defaulted loans

Main sectors All figures in € million	Total avai- lment of non-per- forming and defaulted loans (including impairment)	Specific allowance for doubtful accounts	General allowance for doubtful accounts	Provision allowance	Net allocation / reversals for specific and general allo- wance for dou- btful accounts / provisions	Direct write-offs	Income from receivables which have already been written off	Defaulted lo- ans (excluding impairment)
Self-employed persons	30.1	14.5		-	1.2	2.7	-	-
Employees and other individuals	19.9	14.5		1.6	1.0	1.3	0.2	-
<b>Total</b>			<b>1.2</b>					

[Table 22]

The non-performing and defaulted loans are exclusively in the Federal Republic of Germany.

The development of the allowances for losses is as follows in accordance with § 327 (2) no. 6 of the Solvency Ordinance (SolvV):

### Development of the allowances for losses

Amount in € million	Opening balance	Allocations	Reversals	Utilisation	Exchange rate movements and other changes	Closing balance
Specific allowance for doubtful accounts	26.7	7.0	-2.7	-2.7	0.7	29.0
General allowance for doubtful accounts	1.2	0.1	-	-	-0.1	1.2
Provisions	1.9	0.7	-	-0.2	-0.8	1.6
<b>Total</b>	<b>29.9</b>	<b>7.8</b>	<b>-2.7</b>	<b>-2.9</b>	<b>-0.3</b>	<b>31.8</b>

[Table 23]

In addition to the above-described risks, there is an issuer's risk from the bonds, debentures and other financial instruments acquired. We reduce the risk of default among issuers, whose securities we have acquired within the scope of capital investment management – also in light of current market trends – through the specified creditworthiness requirements of our capital investment directive.

Where available, MLP also bases its decisions in the field of financial investments on external ratings. Within the scope of internal risk management, MLP uses the state, bank and company ratings of the agencies Moody's, Fitch and Standard & Poor's for the relevant receivables classes.

The individual receivables classes are assigned a risk weighting in line with the Solvency Ordinance. This process is illustrated below in accordance with § 328 of the Solvency Ordinance (SolvV):

#### Risk weighting per receivable class

Risk weighting in %	Total outstanding receivables in accordance with standard approach	
	before credit risk reduction Amount in € million	after credit risk reduction Amount in € million
0	66.6	66.6
10	14.9	14.9
20	697.6	697.6
35	25.9	25.9
50	0.2	0.2
70	–	–
75	249.5	228.5
90	–	–
100	506.8	498.5
115	–	–
150	35.2	32.3
190	–	–
250	–	–
290	–	–
350	–	–
370	–	–
1,250	–	–
Alienation of capital	1,596.7	1,564.5

[Table 24]

The MLP Financial Holding Group also records investments in the asset ledger in line with § 332 no. 2 a – b of the Solvency Ordinance (SolvV). The investments in the asset ledger include investment instruments of affiliated companies amounting to € 186.4 million and listed securities of € 10.6 million. The investments and the shares in affiliated companies are not listed on the stock exchange. The investments in the asset ledger are therefore disclosed according to the principle of lower of cost or market applicable to fixed assets.

Realised and unrealised gains and losses from investments in line with § 332 no. 2 c-d of the Solvency Ordinance (SolvV) break down as follows:

#### Realised and unrealised gains and losses from investments

All figures in € million	Realised gains/losses from sales/ liquidations	Latent revaluation gains (losses)	
		in total	amounts there- of included in Tier 2 capital
<b>Total</b>	<b>-10.9</b>	<b>-0.4</b>	<b>0.0</b>

[Table 25]

The MLP Financial Holding Group has derivative counterparty default risk and off-setting items as per § 326 of the Solvency Ordinance (SolvV) (interest rate swap). The face value of these swaps is € 105 million. The negative replacement value is € 1.0 million.

In our view, the counterparty default risks at MLP are being allowed for appropriately.

#### Market price risks

MLP understands market price risks as the uncertainty regarding changes in market prices and rates (including interest, share prices, exchange rates and raw material prices), the correlations between them and their volatility. The market price risks are made up of the market price risk in the narrow sense and the market liquidity risk.

Market risks essentially come about from incomplete congruency of interest rate agreements between the loans granted and their refinancing. Market price risks are also caused by internal business activities. There are currently only very minor open risk items in foreign currency.

Possible effects of different interest development scenarios are portrayed via planning and simulation calculations. The basis for this is our interest management application, which makes the risks and their effects transparent in complex interest scenarios.

In this context, cash value changes of all items in the asset ledger are shown in relation to the equity, with the application of the changes in interest rates prescribed by the Federal Financial Supervisory Authority. 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. Here, the determined change in value in the reporting period was always significantly below the supervisory reporting threshold of 20 %.

In accordance with § 333 of the Solvency Ordinance (SolvV), the interest risks in the asset ledger of the MLP Financial Holding Group are as follows:

### Interest rate risk

Amount in € million	Interest rate shock/parallel shift	
	Change in value + 130 BP	Change in value – 190 BP
<b>Total</b>	<b>– 5.8</b>	<b>11.4</b>

[Table 26]

Shares, bonds, promissory note bonds and funds held can be subject to an exchange risk due to fluctuations in the market interest rate or changes in creditworthiness. Through constant monitoring and evaluation of our portfolio, possible effects on results caused by strong exchange rate fluctuations can be addressed early on. We thereby ensure a prompt reaction to market changes.

In order to reduce the cash flow-relevant interest risk, we use interest rate swaps on a small scale. In order to fix the interest flows for the financing of individual construction phases of the Wiesloch building project completed in 2004, two payer interest rate swaps were performed 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 to this, three interest rate swaps are in place to hedge interest risks.

The recognition of equity requirements for market risks in accordance with § 330 of the Solvency Ordinance (SolvV) is not relevant to the MLP Financial Holding Group. There are minor risks relating to foreign currency or commodities.

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. MLP continues to hold the status of a non-trading book institute.

We understand liquidity risks to mean uncertainty in terms of the availability of funds to meet payment obligations or reduce risk items which is either insufficient or which can only be secured by accepting unfavourable terms. Liquidity risks can result from both internal and external risk factors.

Liquidity risks

In controlling the liquidity risk, we employ two different approaches, operational and structural.

Operational  
liquidity control

The central instruments and control variables of operational liquidity control at MLP include itemisation of financial investments and re-financing sources in the company's own business as per the reporting date within the scope of cash management, but also the liquidity and observation ratios of the liquidity regulation. In addition to this, the volume of net cash inflows and outflows is monitored within the scope of liquidity control and included in the risk assessment.

Structural  
liquidity control

The funding matrix is the central instrument of structural liquidity control at MLP and also a preliminary step towards economic analysis of additional refinancing costs. The funding matrix indicates for each time frame whether there is a surplus or shortfall of financing means and thereby allows open liquidity items to be controlled. The liquidity value at risk, which indicates the additional re-financing costs required to close open liquidity items, is another key instrument of structural liquidity control and is also used in risk capital management.

Alongside the assumed development in standard scenarios, we have also defined stress scenarios to simulate potential increases in liquidity requirements as a result of negative changes in the market environment. These enable us to introduce any counter-measures deemed necessary in good time.

The fundamental principles of liquidity control and planning are defined in the internal guidelines. Appropriate short and medium-term credit lines have also been agreed with a number of financial institutions to safeguard against a possible short-term liquidity shortfall.

#### Operational risks

Operational risk is the risk of losses caused by inadequacy or failure of internal procedures and systems, people or by external events. This definition includes legal risks.

Operational risks are identified and assessed locally throughout the Group in the individual organisational units. To this end, a risk inventory is performed at least once a year, the scope of which includes analysis of the main operational risks throughout the Group. Within this framework, experts from all departments examine and assess the operational risk within the scope of self-assessments that are broken down into an assessment of risk potential for identification and evaluation of the main risks and into suggested measures derived from this. In addition to this, any loss/damage occurring at MLP is continuously recorded and analysed. Collecting all loss/damage data allows loss events to be identified and evaluated as a way of detecting trends and any concentration of operational risks. The results are collated and checked for feasibility by risk controlling and then made available to the Executive Board and the controlling units.



MLP currently uses the basic indicator approach in line with §§ 270 et seq. of the Solvency Ordinance (SolvV) to quantify operational risks. As per § 331 of the Solvency Ordinance (SolvV), the procedure used to determine the equity subject to operational risks is explained in the following. Within the scope of the basic indicator approach, the supervisory capital charge for the operational risk is determined using a fixed calculation scheme. On this basis the capital charge is 15 % of the average gross proceeds of the last three financial years, whereby only positive gross proceeds are taken into account.

Capital charge according to the basic indicator approach

The operational and organisational structure at MLP is described comprehensively and laid down in the organisation manual.

Risks from internal procedures

Reduction of the operational risks from internal procedures along with the reduction in the frequency and level of losses is primarily achieved through continuous improvement of business processes. Further safeguarding measures include risk transfer through conclusion of insurance policies and consciously avoiding risky products. Comprehensive emergency and business continuity plans are also in place for the most important areas and processes to secure the continuation of operations.

Here, our Business Continuity Management (BCM) system identifies potentially critical business processes which could have a major effect on MLP's business 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. A BCM manual is available for all business units and employees.

MLP places great value on having qualified employees and managers, particularly in the back-office areas. Staff resources and sufficient qualification/training of employees are secured by the responsible specialist departments. With comprehensive personnel planning and targeted personnel marketing measures, we reduce the risk of staff shortages.

Human resources risks

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 substitute and successor regulations guarantee that the necessary procedures are still securely maintained, even when employees are unexpectedly unavailable for work.

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 maintaining consistently high-quality consulting which we ensure, for example, through IT-supported consulting tools. Consultations with our clients and the resulting outcomes are comprehensively documented. A high standard of training is guaranteed by our own Corporate University, at which each of our consultants initially attends extra-occupational training to become a Senior Financial Consultant. Our Corporate University has been awarded the seal of approval by the European Foundation for Management Development.

IT risks

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 performed prior to going live ensure that our IT systems work properly and reliably. 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, thereby ensuring consistent availability. We protect our IT systems against unauthorised access through our access and authorisation concept, extensive virus protection, as well as other comprehensive security concepts.

Risks from external events

As our business processes focus on the broker and banking business, on cost optimisation and on scalability, MLP makes use of external partners for standard services. However, all key outsourcing activities of MLP are coupled with risk management. The outsourcing activities are therefore integrated into the risk management and controlling processes. MLP has clearly defined responsibility for the outsourced processes here. This ensures that any potential organisational, structural or process-based risks that may occur due to outsourced business activities can be closely managed.

In addition to this, corresponding insurance policies have been concluded where appropriate to minimise risks from external events such as fraud, burglary, theft or damage due to force majeure.

Internal security measures are also set up in such a way that any attempts at fraud, burglary or theft are thwarted before they begin.

To ensure maintenance of critical processes in all cases, the potential consequences of external events are examined within the scope of the Business Continuity Management (BCM) system and corresponding plans of action drawn up. Selected scenarios are examined and analysed at least once a year within the scope of stress tests.

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.

Legal risks

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 Executive Board at MLP AG is convinced that the legal claims filed since August 2007 with virtually the same wording and originating from a single firm of lawyers will not be successful. These claims have been filed for 32 clients for damages due to the issuing of allegedly erroneous capital market information between 2000 and 2002. Two of them have already been withdrawn.

Changes that emerge in tax law are continually checked and examined with regard to any effects they may have on MLP. 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.

Taxation risks

#### General business risks

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.

Overall economic risks

Economic development in Germany – in which MLP generates virtually 100 % of its revenue – recovered amazingly quickly in 2010 from the economic slump of the previous year. After suffering a 4.7 % drop in GDP in 2009, the German economy grew by 3.6 % in the last financial year. The sound economic activity had a positive effect on the employment market. The net income of households also enjoyed an increase over 2009. However, these positive developments have caused the ever present risks to overall economic development to be swept somewhat under the carpet. The financing problems of several EU states, together with world trade imbalances and potential currency issues, could well slow down the dynamic development in Germany.

Yet overall we expect to see positive effects on the business development of MLP from the good overall economic climate, although continuing reservations on the part of clients can still clearly be felt when it comes to signing long-term provision contracts and making investment decisions. In our opinion, these reservations are largely being caused by uncertainty regarding further economic developments, especially in light of the problems currently being faced throughout the EU.

Business environment  
and sector-related risks

The financial and economic crisis has further intensified competition in the sale of financial services in Germany and accelerated consolidation of the heavily fragmented market. Since the draft of the law on investor protection was passed in September 2010, further regulation of the sector is starting to take shape. Small and medium-sized financial services providers in particular are facing the challenge of implementing the new requirements in an appropriate framework while remaining profitable. Yet we still expect the intensity of competition for qualified financial consultants to increase further.

MLP is well prepared for the changes that lie ahead. The quality of our consulting, our focus on selected client groups and our independence give us a strong market position. Thanks to our financial strength, we can also continue to play an active role in the consolidation of the market.

In its business activities, MLP concentrates on the areas of old-age and health provision, as well as wealth management. It is particularly important for clients to make long-term investment decisions in the area of old-age provision. Private clients in particular remain very cautious and are therefore continuing to display reservations in making long-term investment decisions.

Corporate strategy  
risks

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.

Corporate strategy control is primarily the responsibility of the MLP Executive Board. Changes and developments on the national and international markets and the business environment are analysed on the basis of continual observation of the competitive environment and decisions are derived with a view to securing and building on 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.

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 productivity of the MLP consultant in particular is a central value driver of MLP's business model. We determine this productivity using various indicators, such as the revenue per consultant. Positive or negative trends in new business and the productivity of MLP consultants with existing clients 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 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.

Linking a sufficient number of competent consultants to the company over the long term and ensuring low consultant turnover are important prerequisites for the future growth of MLP. The development of the consultant base with regard to the time consultants have been with MLP, the number of applications, employment contracts signed and terminations issued is therefore also the object of periodic reporting and forms the basis for a timely and precise evaluation by management.

We subject the entry of new competitors into the market and possible fluctuation trends in this connection to intensive observation and analysis. This allows appropriate measures to be introduced promptly. 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.

Winning new clients and ensuring long-term client loyalty are also key values in 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 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.

Commission forms the core component of MLP's total revenue 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.

#### Other risks

Reputation risks are defined as risks that occur due to a loss of image by MLP, either as a whole or by a single or several operating units, among eligible parties, shareholders, clients, employees, business partners or the general public. MLP is in particular subjected to the risk that public trust in our Group may be negatively influenced through public reporting of a transaction, a business partner or a business practice in which a client is involved. We minimise potential consulting risks by maintaining consistently high-quality consulting which we ensure, for example, through IT-supported consulting tools. Consultations with our clients and the results arising from these are also comprehensively documented.

Reputation risks

The MLP Financial Holding Group is obliged to back its weighted risk assets with at least 8% equity (equity ratio). 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 2010. The same applies for MLP's internal processes, objectives and measures for investment control.

Supervisory risks/  
solvency

Pursuant to § 31 (3) sentence 1 and 2 of the German Banking Act (KWG), the companies listed in the following were not included in the summary as per §§ 10 a (6) – (12), 12 a (1) sentence 1 and 13 b (3) and (4) of the German Banking Act (KWG) in the sense of §§ 10 a (1) – (5) and 13 b (2) of the German Banking Act (KWG) or included in the condensed monthly financial statement pursuant to § 25 (2) of the German Banking Act (KWG) (RS 06/2008 BA). The Federal Financial Supervisory Authority was informed accordingly.

- Family Private Fund Management S. à. r. l., Luxembourg
- Ferrum Fund Management Company S. à. r. l., Luxembourg
- Ferrum Pension Management S. à. r. l., Luxembourg
- Feri Beteiligungsgesellschaft mbH, Germany
- Feri Private Equity GmbH & Co. KG, Germany
- Feri Private Equity Nr. 2 GmbH & Co. KG, Germany
- Feri Trust AG (Schweiz), Switzerland
- FPE Direct Coordination GmbH, Germany
- FPE Private Equity Beteiligungs Treuhand GmbH, Germany
- FPE Private Equity Koordinations GmbH, Germany
- Institutional Trust Management Company S. à. r. l., Luxembourg
- Private Trust Management Company S. à. r. l., Luxembourg
- TPC THE PENSION CONSULTANCY GmbH, Germany

The equity structure of MLP is as follows in accordance with § 324 of the Solvency Ordinance (SolvV):

#### Equity components

All figures  
in € million

Paid-in capital (business capital, share capital, capital stock, endowment capital and business assets) excluding cumulative preference shares	140.5
General reserves	361.7
Net accumulated losses from investments	-
Unappropriated profit, interim profit	-
Carrying amounts for Group companies	-180.7
Investments of silent partners	-
Special items for general bank risks in line with § 340g of the German Commercial Code (HGB)	-
Unblocked assets recognised by the Federal Financial Supervisory Authority (BaFin)	-
Deductible items according to § 10 (2a) sentence 2 of the German Banking Act (KWG)	-22.6
Remaining goodwill according to § 10a (6) sentence 9 of the German Banking Act (KWG)	42,6
Thereof: Impairment shortfalls and anticipated losses according to § 10 (6a) no. 1 and 2 of the German Banking Act (KWG)	-
<b>Total core capital according to § 10 (2a) of the German Banking Act (KWG)</b>	<b>341.5</b>
<b>Total tier 2 capital according to § 10 (2b) of the German Banking Act (KWG) after deduction of deductible items in line with § 10 (2b) sentence 2 of the German Banking Act (KWG) and tier 3 capital in line with § 10 (2c) of the German Banking Act (KWG)</b>	<b>2.0</b>
for informative purposes: Total of deductible items in line with § 10 (2b) sentence 2 of the German Banking Act (KWG)	-
<b>Total modified disposable shareholders' equity according to § 10 (1d) sentence 1 of the German Banking Act (KWG) and the eligible tier 3 capital in line with § 10 (2c) of the German Banking Act (KWG)</b>	<b>343.5</b>

[Table 27]

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

On the basis of the Basle II implementation strategy for the calculation of shareholders' equity requirements (Basle Pillar 1), MLP Financial Holding Group employs the credit risk standardised 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 Ordinance.

MLP fulfilled all legal requirements relating to shareholders' equity backing in line with § 325 of the Solvency Ordinance (SolvV) throughout the entire financial year 2010. The capital backing of the most important companies of MLP are as follows:

### Capital backing of the most important companies

Consolidated group of banks	Total capital ratio in %	Core capital ratio in %
MLP AG	90.8	90.8
MLP Finanzdienstleistungen AG*	4.7	4.6
FERI Finance AG	15.8	15.8
FERI Family Trust GmbH	8.4	8.4
FERI Institutional Advisors GmbH	2.8	2.8
ZSH GmbH Finanzdienstleistungen	7.3	7.3

\* Holding institution

[Table 28]

Equity requirements derived from the application of the credit risk standardised approach are made up as follows:

### Credit risk standard approach

Equity requirements in € million	
Central governments	–
Regional governments and local government bodies	–
Other authorities	–
Multi-lateral development banks	–
International organisations	–
Institutions	11.4
Backed debentures emitted by financial institutions	0.1
Companies	19.2
Volume transactions	14.8
Items collateralised by property	0.7
Fund shares	2.7
Other items	12.0
Overdue items	3.9
<b>Risks from book values of investments in companies</b>	
Book values of investments in the standard approach	5.4
<b>Operational risks</b>	
Operational risks according to the basic indicator approach	56.0
<b>Total</b>	<b>126.2</b>

[Table 29]

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 financial, operational and general business risks. We use our risk management system for the identification, assessment, control, monitoring and communication of our key risks in terms of both current and future developments. The information provided ensured prompt introduction and prioritisation of risk management measures without exception.

Both the MLP Group as a whole and the Group companies always acted within the scope of their financial risk-bearing ability in 2010. In addition, the supervisory requirements were met in full at all times. There are currently no discernible risks that could threaten MLP's continued existence, neither do we expect to see any negative development in the coming year.

Our Business Continuity Management also ensures regulated business operations in the event of any disruptions. Our risk monitoring and control systems and the consistent alignment of our business model to our risk-bearing ability enable us to ensure that the risks taken in our business activities are backed with adequate risk capital.

The risk management system is subject to continuous further development, in particular with regard to developing the volume and complexity of our business. The effectiveness of our risk management system and its supervisory implementation are also checked cyclically by both external and internal auditors.

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

### Future overall economic development

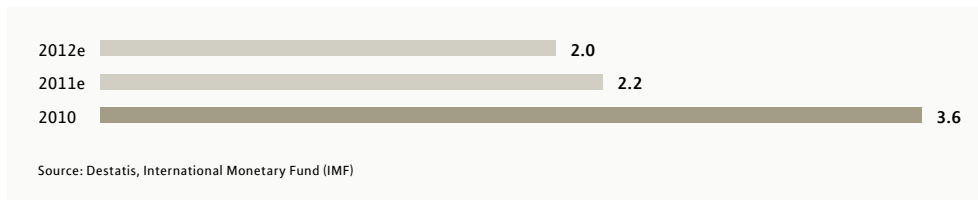
Positive economic  
development anticipated

As an independent consulting firm, we are aligned to the growth segments of old-age provision, health provision and wealth management. Our target clients are academics and other discerning private clients, corporate clients and institutional investors. Since we generate virtually 100 % of our revenue in Germany, the economic development and legal framework conditions in Germany have an important effect on our business perspectives.

The International Monetary Fund (IMF) is predicting economic growth of 1.5 % for the Eurozone this year and a figure of 1.7 % for 2012. The speed of growth in the German economy is likely to slow down in the current financial year. However, Germany is set to remain the driving force behind growth in the EU. Indeed, economic experts are forecasting a further 2.2 % increase in economic performance this year following the rapid recovery of 3.6 % in 2010. In 2012, the speed of growth is likely to slow down further and the increase in GDP only reach 2.0 %. The debt crisis of several euro states, which has still not been resolved, could present risks that threaten this positive economic development.



### Anticipated economic growth in Germany in %



[Figure 17]

The positive growth prospects are also likely to further relieve tension in the employment market. A survey of the IAB Research Institute within Germany's Federal Employment Agency is predicting a level of 2.9 million unemployed people in 2011. This would be 300,000 fewer than the annual average of 2010, and it should also be possible to maintain this level in the coming year.

Increasing job security

The development in private consumption and disposable income is also rated as positive in the 2011 forecasts. Indeed, economic researchers are expecting disposable incomes to increase by 2.7 % in Germany. Following deduction of the anticipated price increases, people should see around 1.4 % more in their wallet. The positive economic prospects, coupled with increased job security and extra disposable income, will have a positive effect on private consumption.

The overall economic data forecast indicates a positive environment for MLP's business operations in the next two years. However, a clear loss of confidence in the stability of long-term old-age provision investments can be observed among investors in the market. The financial and economic crisis has led to scepticism, which is in particular causing young people to hesitate in committing part of their household budget to long-term provision contracts (see also the Old-age provision chapter on page 106).

General statement:  
Despite positive economic forecasts, a loss of confidence will continue to make sales of long-term old-age provision contracts difficult

A different trend will bring positive effects for MLP in the mid-term. The emerging shortage of skilled specialists in Germany offers clients in our target group excellent prospects on the employment market. The increased job security, salaries and wages associated with this will in turn stimulate demand for high-quality old-age provision and insurance products.

### Anticipated influence of overall economic factors on the business development of MLP in 2011 and 2012

	2011	2012
Positive economic development	++	+
Fall in unemployment rate	+	0
Increase in disposable income	+	+
Increasing consumption trend	-	-

Extremely positive ++, positive +, neutral 0, negative -, extremely negative --

[Table 30]

## Future industry situation

### Old-age provision

Importance of setting up private old-age provision plans recognised

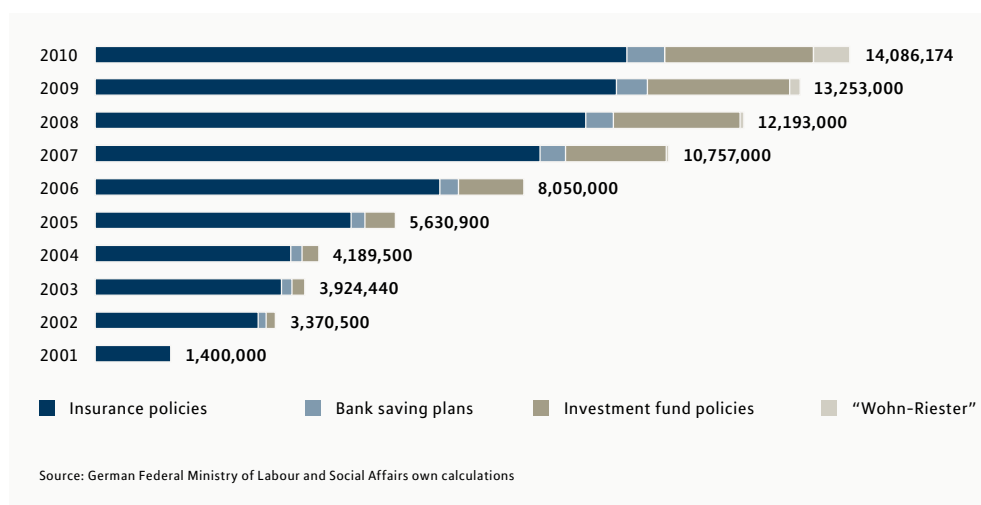
Most people in Germany are now aware of the need to make their own plans to provide for their retirement. The pension shortfall – the gap between earned income and statutory pension levels – is set to become greater than ever over the next few years, which further underlines the importance of setting up a private old age provision plan. According to market research commissioned by Postbank and performed by the Allensbach Institute, the number of professionals who considered their pension sufficient for their needs fell by 3 % within just one year (2009: 43 %; 2010: 40 %). Some 60 % of those surveyed feared that their pension would not be enough to adequately finance their retirement.

Massive sales potential

This opens up a huge sales market for funded old-age provision solutions. Yet without the qualified guidance of responsible consultants, many people are confused by the modern old-age provision system with its three tiers of basic pension, supplementary pension provision through the “Riester” scheme or occupational pension provision and private pension and life insurance. They do not know where to turn for advice or avoid signing any contracts for fear of making the wrong decisions. The need for qualified consulting is therefore great and will continue to grow over the next few years.

Simply taking a look at the market situation for Riester pensions highlights the massive potential still untapped. Of the 36 million potential Riester pension clients, only some 14 million have signed a contract to date. The situation is similar when it comes to the basic pension. Despite the comprehensive tax breaks associated with payments into basic annuity contracts, this form of old-age provision has not yet come close to gaining acceptance in Germany. According to data published by the German Insurance Association (GDV e.V.), only around 1.3 million clients had set up a private basic pension by December 31, 2010.

### Development of number of Riester contracts by type of policy



[Figure 18]

The same also applies to occupational pension provision. Although it is the second most popular form of old-age provision overall among Germans, it is still far from established - especially at small and medium-sized companies, which employ around 80 % of all those subject to social insurance contributions. However, we expect to see the acceptance of occupational pension provision concepts increase at companies as the shortage of skilled specialists in Germany becomes ever more acute. After all, being able to offer attractive pension provision models is becoming an increasingly powerful argument for employers competing for the best talents. Many HR experts already consider occupational pension provision to be an indispensable component of a future-oriented personnel policy.

Occupational pension provision with growth potential

A glance at the global old-age provision market underlines that the growth prospects of funded old-age provision solutions are more than promising. Indeed, experts are expecting the global old-age provision market to be worth € 36 trillion in the next ten years, whereby an annual growth rate of 4.7 % is predicted. The old-age provision market in Germany is likely to reach a volume of € 1.73 trillion by this time with annual growth rates of 3.8 %. These positive growth forecasts are offset by scepticism among investors regarding long-term investments in old-age provision triggered by the financial and economic crisis.

Global old-age provision market worth € 36 trillion

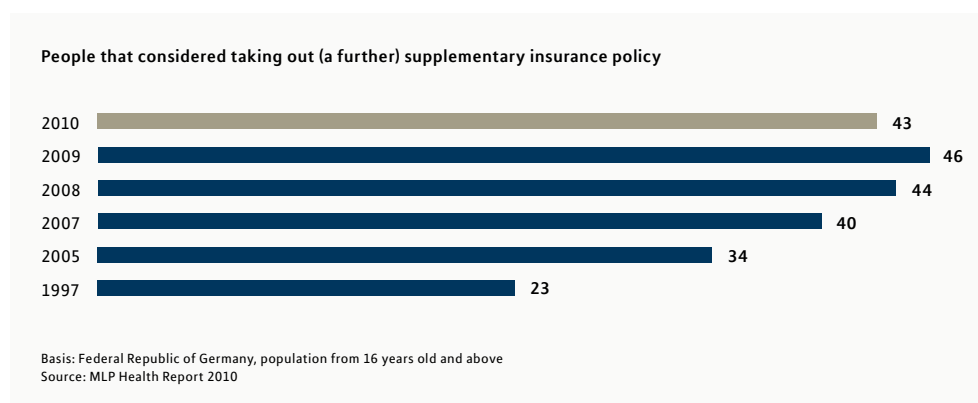
From today's perspective we do not expect to see any significant product innovations in the field of private or occupational pension provision in the next two years.

### Health provision

Developments in the healthcare market are under constant pressure from the demographic shift in Germany. The gap between the still relatively moderate premium increases of the healthcare funds and the increase in actual cost of healthcare makes a financing reform of the statutory systems unavoidable. However, the reforms are only moving slowly, with consideration being given to the inherent rules of financing from the health insurance funds in Germany. On January 1, 2011 the premiums of the statutory health insurance funds were increased. Yet, at the same time, the cooling off period for those seeking to make the changeover to private health insurance was reduced from three years to just one year. For the financial years 2011 and 2012, this gives us positive impulses for our business. Many clients will now be able to realise their desire to insure themselves and their family privately more quickly.

Reforms inescapable

### Continued high level of interest in private supplementary insurance (all figures in %)



[Figure 19]

Private health insurance on  
growth path

The better performance, the contractually fixed list of medical services, the predictable premiums as a result of pension accounting reserves and the better overall image of private health insurance will convince more and more people to sign up for fully comprehensive private health insurance or at least take out supplementary insurance. Over the course of the next two years, we also expect to see an increase in private long-term care insurance due to new reform discussions in the world of politics. In spite of the current positive framework conditions for all market participants, as healthcare in Germany is to a large extent subject to political influences, there remains a risk that future reforms may complicate sales of full-scope or supplementary health insurance.

Our consulting firm should be able to benefit from a friendly market situation in the mid and long-term. According to the Towers Watson sales channel survey from December 2010 on the market for private health insurance, independent sales currently represent the second largest sales channel for health insurers seeking new business with a 34.9 % share. Some 45.7 % of new business was concluded through tied intermediaries, while third place with a market share of just 6.5 % is taken up by tied pyramid sales organisations.

We do not expect to see any significant new products or services in the healthcare provision market in 2011 and 2012.

#### **Wealth management**

Future market of wealth  
management

While the financial and economic crisis destroyed investor confidence in several sectors of financial consulting, the wealthy individuals of the world overcame the crisis quickly. In Germany alone the number of millionaires with financial assets (excluding their main residence, collections, durable goods, etc.) of at least US \$ 1 million increased by 6.4 % to 861,500, as reported by the corporate consultant firm Capgemini in the 2010 World Wealth Report.

The German private banking market is experiencing cut-throat competition for market shares as a result of the financial crisis. According to a survey published in 2010 by the corporate consultant firm Booz & Company, investor distrust in financial services providers that offer consulting and product development from a single source has risen significantly. Some 90 % of those surveyed considered a transparent product policy, in which clients can choose from the best products of various providers in each investment class, to be the future model most likely to succeed. This model corresponds precisely to MLP's promise, organisation and consulting approach. We select the best products of their kind from the vast array of product categories and then compile these into tailor-made concepts aligned to the requirements and desires of our clients. Our holistic client-consulting approach, coupled with the recognised research and financial consulting expertise of MLP subsidiary Feri Finance AG, which we are set to take over completely in the current financial year, provide us with excellent arguments when competing for wealthy clients. In addition to this, we are the only consulting firm in Germany that combines brokerage with a full banking licence and can thereby offer clear competitive advantages in terms of security, individuality and performance.

Since the monetary assets held by German citizens last year reached the highest level since German reunification at around € 5 trillion and have therefore increased by an average of 2.8% in the last 10 years – including the losses in the recent financial crisis – we are also anticipating continued growth in the market for wealth management in Germany over the next two years. Risks for these positive growth expectations may arise if the debt crisis in the EU results in similar turbulence to 2008 on the financial markets.

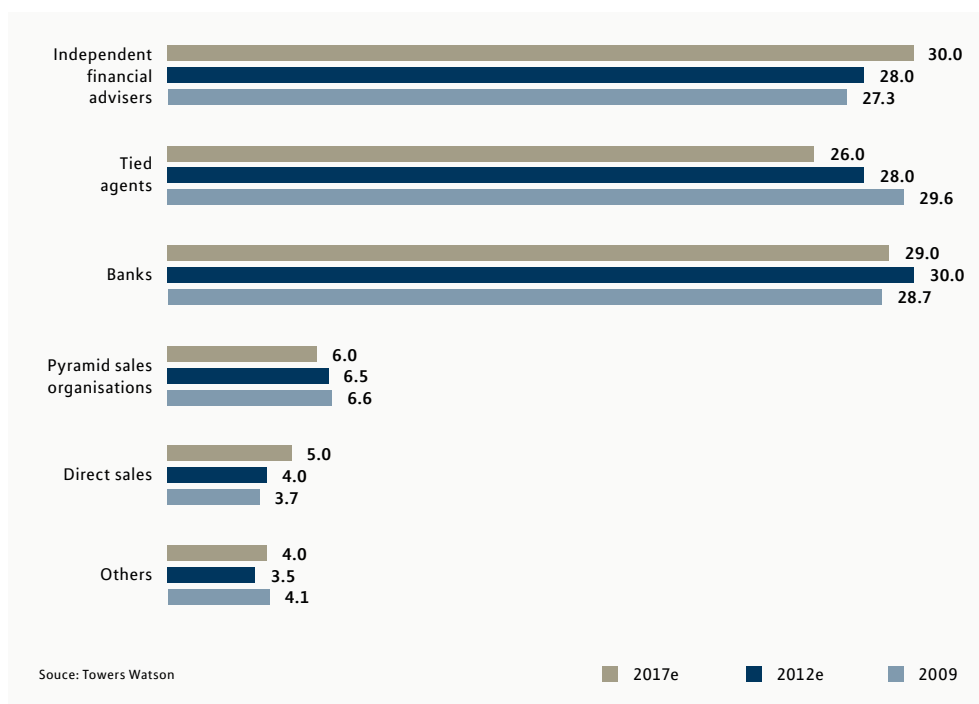
We do not expect to see any significant new developments in the field of wealth management over the next few years.

**Competition**

The regulatory framework conditions have a significant influence on competition in the market for financial services in Germany. In 2010, the legislator introduced further regulatory steps, with the reform of investor protection at the heart of the considerations. Following the losses suffered in the financial crisis, in particular by private investors, discussions have been raging for more than two years about how bad advice can be avoided and quality in the market improved. To this end, the “act on strengthening investor protection and improving the functionality of the capital markets” was introduced in autumn. In future, investment consultants will need to register and provide an officially recognised certificate of proficiency by law. In addition to this, all financial services providers will have to introduce a product information sheet. MLP introduced these voluntarily in the summer of 2010. Further-reaching liability mechanisms are also being considered in cases where the wrong advice has been given.

Increased transparency requirements drive the sector

**Market shares of various sales channels for life insurance products in Germany 2009, 2012 und 2017 (all figures in %)**



[Figure 20]

We welcome the legislator's commitment to stimulate greater transparency in the field of financial consulting, as it is largely in line with what we have already been doing for many years. However, we do see severe deficiencies in the planned new measures. It would surely be in the interests of all clients for a uniform consulting law to be introduced for all consultants in the market. Different requirements and rules of compliance, for example in the brokerage of closed-end funds, cannot be a good thing. The definition of clear job profiles for consultants would also increase transparency for clients. And we would welcome a uniform, coordinated supervisory body for all players in the market. Without these improvements, the legislation in place remains inconsistent and creates both bureaucracy and extra costs, instead of informing and therefore protecting investors more effectively.

Stricter regulation of the financial services market in Germany will increase competition and thereby further accelerate consolidation of the market. With our insistence on quality, our client focus and our clear commitment to transparency, we will benefit from this development. However, in this market, too, there is a risk that the legislator takes further regulatory steps, thus limiting the business operations of the market participants.

Independence secures  
the future

Independent brokers have comparably positive business perspectives. The corporate consultant firm Towers Watson forecasts disproportionately high growth opportunities for independent brokers like MLP over the next few years. This is because independent brokers will continue to benefit from the growing client demand for independent consulting in the increasingly complex product worlds and also because independent consulting firms like MLP have excellent access to the private client segment, which is likely to become more and more important. Indeed, the market share of this sales channel is set to increase from 27.3 % in 2009 to 30.0 % in 2017.

#### Effect of industry-specific factors on the anticipated business development of the industry and MLP in 2011 and 2012

	Effect on business development in the industry		Effect on business development of MLP	
	2011	2012	2011	2012
Rising demand for private and occupational pension provision	+	+	+	+
Legal framework conditions for health insurance	++	+	++	+
Rising demand for independent consulting in wealth management	0	0	+	+
Increase in regulation of the financial services sector	-	-	0	0

Extremely positive ++, positive +, neutral 0, negative -, extremely negative --

[Table 31]

### Anticipated business development

Economic experts are expecting the positive developments of the past calendar year to continue in 2011 and 2012. Although the economic dynamics in Germany will slow somewhat, the growth forecasts of 2.2 % for 2011 and 2.0 % for 2012 mean that we can expect positive effects in terms of the employment situation and the disposable income of households. The risks that could potentially result from the EU debt crisis remain difficult to assess. We will have to wait and see whether governments decide to take steps to reduce the national debt of several euro states in the mid or long term.

Positive economic development in 2011 and 2012

We still face further challenges in our core markets of old-age provision, health care and wealth management. These also include the increasing concerns of many investors regarding inflation. Overall, we expect to see the trends from the past year continue – with framework conditions remaining good in the fields of health insurance and wealth management, but difficult in old-age provision – although the need for greater personal provision will be more urgent than ever. Based on what we know today, we are not currently planning any significant changes to our corporate policy or Group structure for the next two financial years.

As the market environment remains demanding, we have decided to only provide a qualitative revenue forecast for the years 2011 and 2012. In the field of wealth management and health-care provision, we expect to see the positive developments of the past financial year continue. We are forecasting increasing revenue both for 2011 and for 2012. However, forecasts for the field of old-age provision are far more difficult and are associated with a significant degree of uncertainty. Our goal here is to break the negative trend from the previous year. From today's perspective, we therefore expect to see stable revenue for 2011 and a slight increase for 2012.

Revenue in the fields of wealth management and health provision set to increase

### Anticipated development of revenue 2011 to 2012

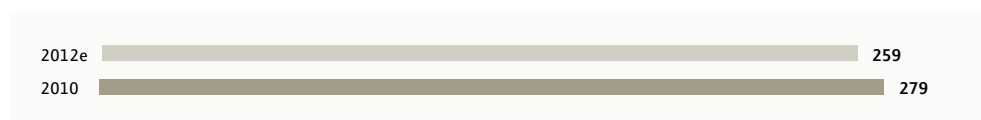
	2011	2012
Revenue old-age provision	→	→
Revenue wealth management	↗	↗
Revenue health insurance	↗	↗

[Table 32]

€ 20 million reduction  
in fixed costs

We will also continue our successful efficiency management programme of 2009 and 2010 in the next two financial years. Our intention here is to reduce fixed costs by a further € 20 million by the end of 2012. Alongside a further reduction of administrative expenses, concepts such as reducing the complexity of our IT systems will play an important part here. The expense items “Personnel”, “Depreciation/amortisation and impairment” and “Other operating expenses” will all go down as a result of the planned cost reductions. The other two expense items in our income statement (commission expenses and interest expenses) are essentially variable costs, whose development depends on revenue in the respective segments.

#### Planned reduction in fixed costs (in € million)



[Figure 21]

Compared to our balanced financial result in 2010, we expect to see a slight decline in the current financial year. Since business development at our subsidiary Feri Finance AG was better in the financial year 2010 than in the previous year, the dividend distribution to the remaining shareholders will be higher.

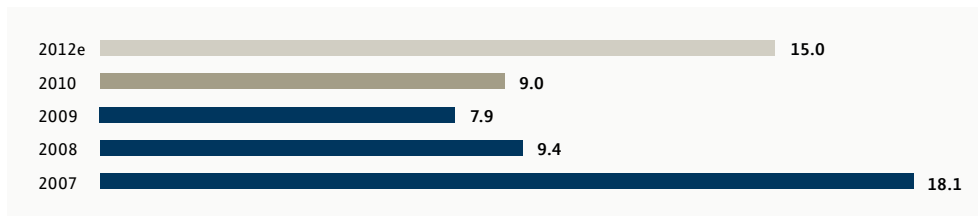
The tax rate was around 28% for the financial year 2010. For the coming years, we expect this rate to hover around the 30% mark.

Goal: 2012 operating  
EBIT margin 15%

After suffering a decline in our profitability in both 2008 and 2009, essentially due to the financial and economic crisis, we succeeded in improving the results of operations in the financial year 2010. The EBIT margin (earnings before interest and taxes) improved from 7.9% to 9.0%. We are therefore sticking to our mid-term target, formulated at the beginning of 2010, to achieve an operating EBIT margin of 15% in 2012. This is based on the intended further reduction in the cost base and the revenue development described above.



### Development of the operating EBIT margin 2007 – 2012 (in %)



[Figure 22]

The continuing consolidation of the financial services market also opens up opportunities for acquisitions. We see two basic areas in which acquisitions would make sense for us. Firstly, strengthening our sales force in the retail business in Germany could improve our market position. We have already identified and analysed potential acquisition objectives in the last few years. Except for ZSH GmbH Finanzdienstleistungen, which we acquired at the start of 2009, none of our prerequisites for acquisitions – acceptable purchase price, synergies on the revenue and earnings side and conformance with MLP's culture and business model – have been met in full. From today's perspective, we therefore do not expect to make any further acquisitions in this field in the foreseeable future. The second key opportunity for expansion of our business lies with our subsidiary, Feri Finance AG. We could certainly envisage entering into cooperations or targeting external growth here, particularly in the business with institutional and corporate clients.

Acquisitions  
possible

The Executive Board and Supervisory Board will propose an increase in the dividend from € 0.25 per share to € 0.30 per share at the Annual General Meeting on June 10, 2011. This corresponds to a total dividend of € 32.4 million. We will thereby continue our dividend policy of the last two years and pay out virtually 100% of our profits to our shareholders. As a general rule, our dividend policy is always aligned to the respective financial and earnings position, as well as the company's future liquidity requirements. The Group's equity capital backing and liquidity enjoyed further improvement in the last financial year. We intend to continue our dividend payout policy of previous years and pay out nearly 100% of our net profits to our shareholders, assuming that our expectations with regard to trends in revenue and earnings up to 2012 prove accurate.

Dividend increased to  
€ 0.30

### Planned financing activities and investments

The MLP Group had access to sufficient cash holdings on the reporting date. Our business model is not capital-intensive and generates high cash flows. From today's perspective, this provides sufficient internal financing capacity for the forecast period 2011 and 2012. In terms of the company's financing, we are largely independent of other developments in the capital markets. Even increasing interest rates or more restrictive issuing of loans by banks, a so-called "credit crunch", would not have a negative effect on our financing options or liquidity. We will use our cash flow to allow shareholders to participate in the company's success and to further strengthen the Group's financial power.

Investment volume  
unchanged

Our investment volume was € 3.9 million in the last financial year. This is unlikely to see any significant change in the current financial year. The financial services segment remains the focus of investments. We will once again employ funds here to improve the quality of client support and consulting. Within these projects, we will use further funds that will flow directly into our income statement as expenses. We expect to be able to finance all investments from cash flow.

Return on equity is not one of our primary key performance indicators. However, we were able to improve this KPI from 5.8% to 8.0% in the financial year 2010. For the forecast period we also expect the return on equity to increase along with the improvement of the EBIT margin.

Excellent liquidity

The Group's liquidity improved from € 210 million to € 223 million in the financial year 2010. As such, the liquidity situation remains very good. Payment of the agreed residual purchase price of around € 51 million for outstanding shares in our subsidiary Feri Finance AG will have a negative influence on liquidity over the course of the year. The planned dividend payment of € 32.4 million will also initially reduce liquidity, before it then increases in the second half of the year due to the typical year-end business. Acquisitions which we finance with cash holdings would also have a negative effect on the Group's liquidity. We do not expect a liquidity squeeze for 2011 or 2012.

### Prospects

Opportunities from changing  
framework conditions

The positive economic forecasts for the years 2011 and 2012 only provide limited opportunities for MLP. On the one hand, increasing job security and the expected rise in disposable incomes will lead to greater willingness on the part of clients to make money available for capital accumulation or old-age and healthcare provision. Yet this impact is offset by the reservations of clients to sign old-age provision contracts, as described in the old-age provision section of the forecast. However, the increasing necessity of private and / or occupational pension provision should at least stimulate demand for corresponding old-age provision products in the mid to long-term.

The ever stricter regulation of the financial services sector in Germany, with the objective of increasing investor protection, presents both challenges and opportunities for MLP. Stricter regulatory requirements will initially lead to additional costs and reduced productivity, as processes in the company have to be adapted or newly established. However, the regulation also tightens the quality standards required of market members. This will accelerate consolidation of the market, as individual consultants or consulting firms will not be able to meet the stricter requirements. The supply side of the market will reduce in size overall. With our top quality consulting approach, aligned to client requirements, we will benefit from this development. We should succeed in winning market shares in light of ever decreasing numbers of providers.

We see corporate strategy opportunities primarily in MLP's positioning as an independent, well-established, full-scope consulting firm, a position which has been strengthened over the last few years. Alongside support for private clients, we are now increasingly focussing on our business with corporate clients and institutional investors. In cooperation with our subsidiaries TPC and Feri, we will further expand our portfolio of corporate clients and institutional investors in the areas of investment, risk management and occupational pension provision over the course of the next few years. Further and improved networking of these areas with one another and with MLP's retail business will unlock corresponding revenue potential.

Corporate strategy  
opportunities

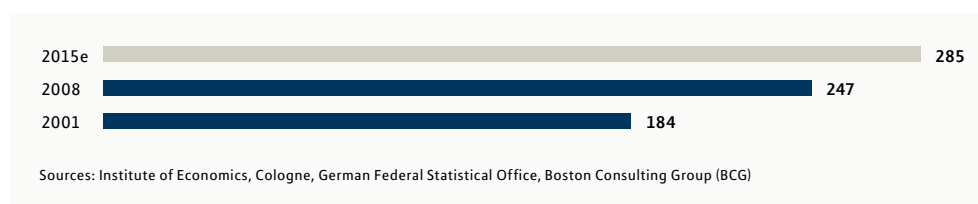
External growth through acquisitions opens up another strategic opportunity for MLP. You can find further details on this in the section entitled "Anticipated business development" on page 111.

As a pure service provider, our operational tasks comprise sales, sales support and product purchasing/product selection.

Business performance  
opportunities

Our client potential in the retail business will increase even further over the course of the next few years. The need for well-trained employees – and above all our client group of academics – is growing in Germany. The number of university graduates will therefore continuously increase over the next few years (see figure 23).

#### Anticipated number of university graduates in Germany (in thousands)



[Figure 23]

Increasing new client potential is not the only thing that offers us opportunities for growth. We are also keen to use a more targeted penetration of our client base for growth, in particular in the field of wealth management. Since our clients are generally very well-educated and thereby have excellent income prospects throughout their career, they have a continuous need for changes in their financial planning, which holds corresponding revenue potential for MLP.

But the retail business is not the only area in which we see opportunities for winning clients. In the business with institutional clients, which we have clustered at our subsidiary Feri Finance AG, the current conditions in the capital markets give rise to a high demand for independent, professional consulting in the areas of asset allocation, manager selection and risk overlay management.

Further business performance opportunities could also arise from the increase in numbers of our consultants and a corresponding increase in productivity of our consultants. However, winning new consultants remains difficult. Competition for potential or already trained financial consultants is extremely intensive. At the same time, regulatory requirements and our own quality standard are raising the entry bar for new consultants.

#### Improved sales support

To increase the productivity of our consultants, we have introduced many diverse measures to limit the amount of administrative work generated by the new regulatory stipulations to a minimum. At the same time, we are improving our sales support through better IT and central services. We also see an opportunity to increase the productivity of our consultants, lower our unit costs and improve our attractiveness as a partner through further process optimisation across the entire added value chain.

We have not identified any other opportunities which could result in significant positive development in the economic situation in future.

#### General statement by corporate management on the expected development of the Group

#### Satisfactory business development in 2010

We were satisfied overall with the business development in the last financial year. For the financial years 2011 and 2012, economic experts are forecasting further positive, although slightly weaker, economic development in Germany. However, we do not expect to see any lasting impulses for boosting our business activities from this. Due to the change in behaviour among clients in terms of signing long-term old-age provision contracts, triggered by the financial and economic crisis, the environment in this market will remain difficult. From today's perspective, we therefore expect to see stable revenue in this segment for the current financial year. In the financial year after that, it should be possible to achieve a slight increase.

The legal framework conditions in Germany's healthcare system represent the determining factors for business development in the field of health provision. Thanks to the amendments introduced on January 1, 2011, the framework conditions in this market are now more favourable. We therefore expect to see increased revenue both in the current and the coming financial year.

Thanks to our unique positioning and since the financial and economic crisis has now largely drawn to a close, the framework conditions are also good in the field of wealth management. We also expect to see increased revenue for both 2011 and 2012 here.

Alongside these planned increases in revenue, we are also continuing our efficiency enhancement programme of the previous years and intend to reduce our fixed cost base by a further € 20 million by the end of 2012. Our goal remains an operating EBIT margin of 15 % in the financial year 2012.

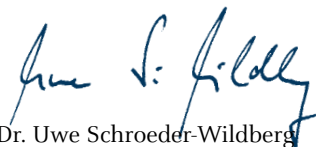
The Group's equity capital backing and liquidity remain excellent. As such, we have excellent financial power, which we are keen to use to expand our competitive position in the mid to long-term growth markets of old-age provision, healthcare and wealth management together with our unique positioning as an independent consulting firm for private and corporate clients and institutional investors. We therefore expect to see continued positive overall development within the Group.

Positive development of the Group anticipated

## EVENTS SUBSEQUENT TO THE REPORTING DATE

There were no appreciable events after the reporting date affecting the MLP Group's net assets, financial position and results of operation.

Wiesloch, March 16, 2011



Dr. Uwe Schroeder-Wildberg



Manfred Bauer



Reinhard Loose



Ralf Schmid



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.



Knowledge.

“A professional consultant must be more than simply a salesperson. I am not prepared to compromise in this regard.

When it comes to insurance cover, old-age provision or wealth planning, I simply cannot afford to rely on superficial advice. Dynamic developments in the market mean that a great deal of knowledge is required - knowledge that needs to be kept continuously up-to-date. From a financial consultant I therefore expect the utmost in expertise and also the willingness to stay on track with events and developments in the markets.”







Dr. Catharina Richter | 45  
Solicitor  
MLP client – supported and advised by Claus Brombacher in Munich,  
Germany

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## Specialist knowledge requires technical expertise.

Anyone wishing to work as a financial consultant, supporting and advising academics and other discerning clients throughout their entire life, needs to be very well trained and also continue to attend further training throughout their career. We therefore have great expectations of our consultants. Indeed, all MLP consultants go through 24 months of training at our own Corporate University. This University is one of just 15 corporate academies in Europe to carry the seal of approval from the European Foundation for Management Development (EFMD). Our consultants can also study towards the Certified Financial Planner (CFP) title, the highest internationally recognised qualification in the financial services sector, and gain even deeper knowledge and further skills with an Executive Master of Business Administration (MBA) in Private Finance.

## Investor Relations

### Stock market year – Development of the markets

Pleasing year for shares

The international stock markets were largely able to leave the financial and economic crisis behind them in the reporting year 2010 and continue the positive trend enjoyed in the second half of 2009. Yet despite this, development remained inconsistent. The leading US index, the Dow Jones Industrial Average, only recorded a plus of 9.3%. Compared with other markets, this was below average and reflected the slow pace of economic recovery in the US. The German DAX index, on the other hand, recorded a year-on-year increase of 14.3%, while the SDAX enjoyed excellent development with a 42.8% increase. The German economy moved out of recession amazingly quickly in 2010 following the financial and economic crisis. Although risk factors, such as the still unresolved debt crisis with impending state bankruptcies in Europe or global trade imbalances with effects on exchange rates, did lead to short-term fluctuations in share prices, however, they were not able to halt the overall positive trend.

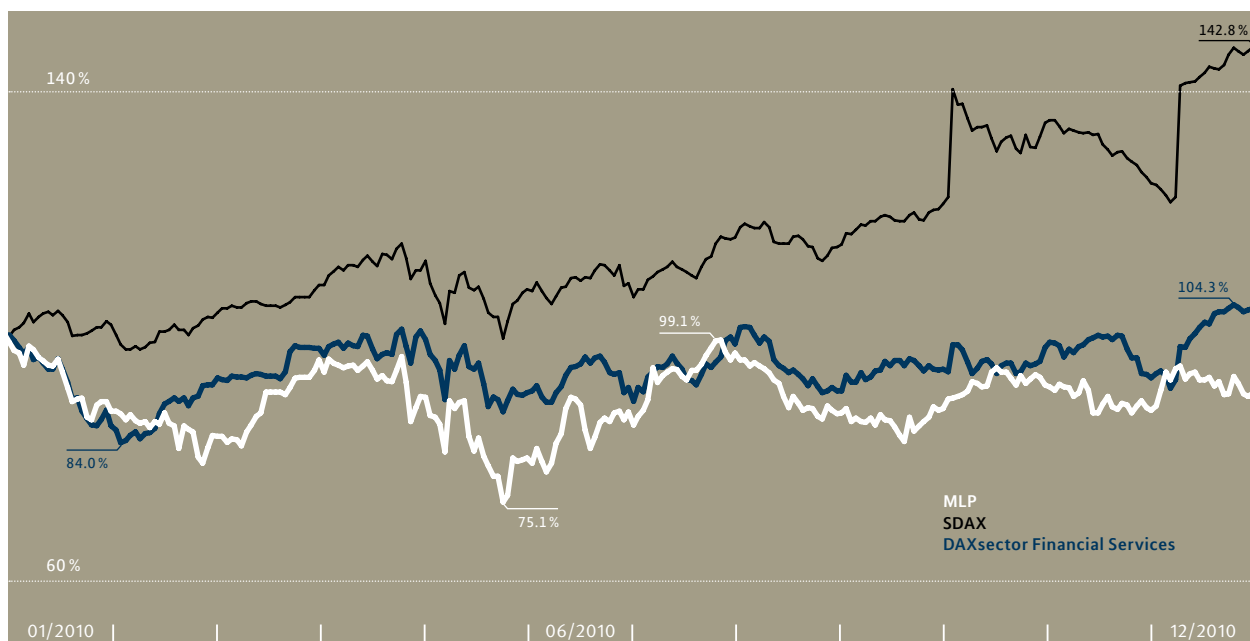
The financial industry was one of the few sectors in which the recovery was fairly weak. For example, the sector index for German financial institutions (DAXsector Financial Services) only saw a 3.3% increase in 2010. This is no surprise, since many financial service providers are still battling with the effects of the financial crisis and are being strongly affected by the impending state bankruptcies threatening several European countries.

### The MLP share

MLP share tracks the sector index

Up to the end of November 2010, the MLP share tracked the course of the DAXsector Financial Services sector index. However, the share was not able to keep up with the positive development that the index enjoyed up to the end of the year. On the last day of trading in the year, the share price was € 7.60. Compared with the price at the start of the year, this represents a drop of 8.1%. Our share hit its lowest point in May at € 6.21, the high of € 8.27 was recorded on the first day of trading in 2010.

MLP share, SDAX and DAXsector Financial Services in 2010



Source: Deutsche Börse

[Figure 24]

## Key Figures

		2010	2009	2008	2007	2006
Shares in circulation as at Dec 31	in units	107,877,738	107,877,738	107,861,141	99,163,680	99,918,294
Share price at the beginning of the year	in €	8.27	9.80	10.74	15.12	17.61
Share price at the end of the year	in €	7.60	8.06	9.80	10.75	15.04
Share price high	in €	8.27	10.98	14.25	19.56	22.59
Share price low	in €	6.21	5.25	8.18	8.05	13.38
Market capitalisation at the end of the year	in € billion	0.8	0.9	1.1	1.2	1.5
Average daily turnover of shares	in units	87,274	106,927	728,053	724,896	449,052
Dividend per share	in €	0.30*	0.25	0.28	0.50	0.40
Total dividend	in € million	32.4*	27.0	30.2	49.0	40.0
Return on dividend	in %	4.0	3.1	2.6	3.5	2.4
Earnings per share	in €	0.32	0.22	0.24	0.62	0.69
Diluted earnings per share	in €	0.31	0.22	0.24	0.61	0.69

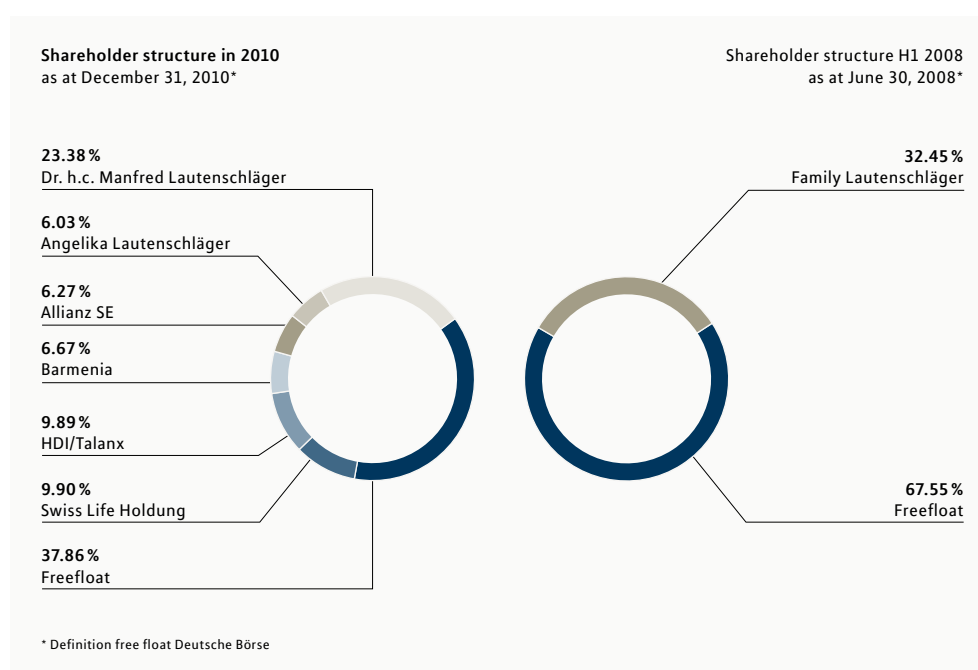
\* Subject to the approval of the Annual General Meeting on June 10, 2011.

[Table 33]

The MLP share has been listed on the SDAX since June 21, 2010. Its departure from the MDAX was predominantly due to the change in shareholder structure since the second half of 2008. The changes implemented have caused the freefloat to drop sharply. The altered shareholder structure came about in the process of securing MLP's independence through important anchor shareholders.

MLP share listed  
on the SDAX

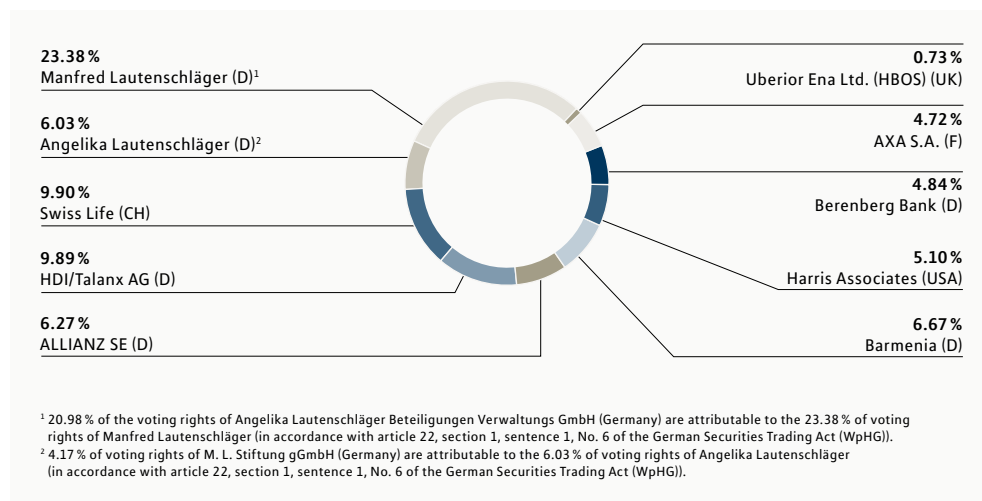
## MLP shareholder structure



[Figure 25]

There were no significant changes in the shareholder structure in the reporting year. Figure 26 provides an overview of the major shareholders.

### Overview of the largest MLP shareholders



[Figure 26]

### Dividend

With a total dividend payout of € 27.0 million in 2010, MLP once again allowed its shareholders to participate in the company's success in the financial year 2009. Our shareholders were able to receive the dividend of € 0.25 per share tax-free. This results from the changed tax treatment of the incorporation of MLP AG subsidiaries into MLP AG and their subsequent sale. The same also applies to the next few years, in which shareholders in MLP AG can expect to receive tax-exempt dividend payouts of around € 400 million.

Dividend increase to  
€ 0.30

In the financial year 2010 we were able to significantly improve the results of the company's operations. This has also enabled us to increase the dividend payout to our shareholders. The Executive Board and Supervisory Board will therefore propose an increase in the dividend from € 0.25 per share to € 0.30 per share at the Annual General Meeting on June 10, 2011. In total, we will pay out € 32.4 million to our shareholders. This is also in line with the dividend policy we have been pursuing for two years of paying out virtually 100 % of the Group's net profit.

### Investor relations activities

Open dialogue with shareholders and potential investors is of primary importance at MLP. We provide regular and reliable information on important events in the Group. This helps us establish trust among investors and makes it easier for them to determine our company value. At numerous capital market events, such as roadshows, conferences and our Annual General Meeting, we also sought active exchange with both private and institutional investors. The basis of our value-driven communication is our financial reporting. The annual report plays a particularly important part here, as it provides comprehensive and transparent information on all aspects of the company.

We were once again able to secure one of the top places at the “Best annual report“ awards presented by “manager magazin” with our 2009 annual report. We improved our overall score from 71.97 points in the previous year to 74.80 points (out of a possible 100) and thereby had the best annual report in the financial services sector. In the comparison of all companies on the MDAX – on which MLP was listed up to June 2010 – MLP came fourth (previous year: third place). Under the scientific leadership of Prof. Dr. Baetge, “manager magazin” analyses the annual reports of the most important German listed public limited companies every year, presenting awards to those companies that provide the most comprehensive and reliable information for investors.

Award for the  
MLP annual report 2009

The Internet and new communication channels are becoming increasingly important as an information source for investors. MLP has therefore been operating a re-designed Internet presence since August 2010. This improved offering provides clients, journalists and investors extra scope for dialogue. On the investor relations pages, investors can find information on the MLP Group as well the MLP share. Anyone interested can also be kept up-to-date with news from the company and the sector via twitter ([http://twitter.com/MLP\\_AG](http://twitter.com/MLP_AG)). You can find the investor relations section at: [www.mlp-ag.com/investor-relations](http://www.mlp-ag.com/investor-relations). The investor relations department also remains open for direct dialogue with personal contacts.

New Internet presence

### Key figures for business valuation and statement of financial position analysis

		2010	2009
Equity ratio	in %	28.5	28.4
Return on equity	in %	8.0	5.8
Net liquidity	in € million	223.0	210.0
Market capitalisation	in € million as at Dec, 31	819.87	869.49
Enterprise Value (EV)	in € million	596.87	659.49
EV/total income		1.1	1.2
EV/EBIT		12.7	15.6
Total income from continuing operations in € million	in € million	522.6	532.1
EBIT from continuing operations in € million	in € million	47.0	42.2

[Table 34]

## Corporate Governance report – Declaration on Corporate Governance

Every year, the Executive Board and Supervisory Board report on the company's corporate governance in the Annual Report as required by the German Corporate Governance Code. The following statements and details are provided as a Declaration on Corporate Governance in the sense of § 289a of the German Commercial Code (HGB).

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Text of the Declaration of Compliance "Pursuant to § 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board of MLP AG hereby declare that the company has complied with the recommendations of the "German Corporate Governance Code" government commission (version dated May 26, 2010) since the last Declaration of Compliance was issued. Only the recommendations specified in section 4.1.5, section 4.2.3 (4) and (5), section 5.1.2 sentences 2 and 7, section 5.4.1 (2) sentence 2, section 5.4.1 (2) and (3) and section 5.4.6 sentence 4 were not followed.

The reasons for these deviations from the recommendations are as follows:

#### Section 4.1.5 (compliance with diversity at management level)

Based on the recommendations of the German Corporate Governance Code, the Executive Board must pay attention to diversity when filling management positions and aim for an appropriate consideration of women.

The Executive Board will continue to strengthen its efforts to secure diversity when filling management positions and in particular aim for an appropriate consideration of women at the management levels within the company. The Executive Board at MLP AG has already implemented measures in the past with the objective of making it easier for staff to combine their career with a family. It will test the effectiveness of these measures in the financial year 2011 and either make any changes deemed necessary or implement additional measures to ensure that women are given appropriate consideration at the management levels, taking into account the company's specific situation.

At the present time, it has not been sufficiently clarified in corporate governance practice under which conditions full compliance with section 4.1.5 is achieved. For this reason, MLP declares that it initially deviated from this recommendation in the financial year 2010. However, the company does intend to comply with the recommendation, most likely starting in the financial year 2011.

#### Section 4.2.3 (4) and (5) (severance payment cap)

As per the recommendations of the German Corporate Governance Code, attention must be paid when concluding Executive Board member contracts to ensure that any payments to members of the Executive Board do not exceed the value of two years' remuneration including fringe benefits (severance payment cap) of these Executive Board members, should their position be terminated prematurely without serious cause. Calculation of the severance payment cap should be based on the total remuneration of the previous financial year and, if available and appropriate, also the total anticipated remuneration of the current financial year. In the event of premature termination of Executive Board membership due to a change of control, any commitment for payments should not exceed 150% of the severance payment cap.

MLP still deviates from this recommendation in certain aspects. MLP complies with the recommendations of the Corporate Governance Code for members of the Executive Board who have signed a valid Executive Board service contract since July 31, 2009. However, the service contracts with Executive Board members signed prior to July 31, 2009 stipulate that, in the event of premature termination due to either dismissal or termination of appointment of an Executive Board member without an important reason, a severance payment corresponding to a maximum of four times the fixed annual salary of said Executive Board member is to be paid. This is paid on a pro rata temporis basis should the respective Executive Board member's contract be terminated within the last two years prior to its expiration. This stipulation still applies, even if members of the Executive Board make use of the right to an extraordinary termination granted to them in their respective contracts. This applies in certain cases where the company changes its corporate form as per the Reorganisation of Companies Act (UmwG) or if a third party who had a shareholding of less than 10% in MLP AG when signing the contract then acquires at least a 50% share of the voting rights.

There is no entitlement to severance payment in the case of termination of contract by mutual agreement. In the company's view, a severance payment based on the total remuneration of the last financial year, which thereby also includes a variable portion of remuneration, does not represent an appropriate basis of assessment for future contractual periods. For contractual reasons, provisions regulating severance payment arrangements concerning the termination of contracts by mutual agreement can in any case only be seen as a guideline. And the parties involved are free to deviate from these provisions at any time with mutual consent. For this reason, any provisions of this nature would be no more than a formality.

With regard to Executive Board service contracts signed prior to July 31, 2009 MLP will therefore not follow this recommendation in 2011 – as was also the case in 2010. The recommendation is – where applicable – to be followed in the regular extensions of service contracts for members of the Executive Board.

**Section 5.1.2 sentence 2 (diversity in the composition of the Executive Board)**

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board should also pay attention to diversity in the composition of the Executive Board and in particular aim for an appropriate consideration of women.

The Supervisory Board at MLP AG aims at increasing its efforts of respecting diversity, and, in particular, ensuring appropriate consideration of women for future appointments of Executive Board members. The Supervisory Board has already given specific consideration to applications from suitable women in earlier selection procedures. Furthermore, in one of its meetings in the financial year 2010, the Supervisory Board discussed diversity issues regarding the Executive Board. In the financial year 2011, it will address this topic again and in even more detail, and modify existing selection processes as and if necessary and/or take further measures directed at attaining an appropriate consideration of women also within the company's Executive Board, taking into account the company's specific situation.

It is presently not entirely clear under what conditions section 5.1.2 sentence 2 is deemed fully complied with. MLP therefore hereby declares that it initially deviated from this recommendation in the financial year 2010. However, the Supervisory Board does intend to comply with the recommendation, most likely starting in the financial year 2011.

**Section 5.1.2 sentence 7 (age limit for members of the Executive Board)**

Based on the recommendations of the German Corporate Governance Code, an age limit should be set for members of the Executive Board.

MLP did not follow this recommendation in 2010. No age limit is set for members of the Executive Board at MLP. The appointment of members of the Executive Board should be based solely on their knowledge, skills and specialist experience. As was also the case in 2010, MLP has therefore once again elected not to follow this recommendation in 2011.

**Section 5.4.1 sentence 2 (age limit for members of the Supervisory Board)**

Based on the recommendations of the German Corporate Governance Code, an age limit should be set and taken into account when considering proposals for the election of Supervisory Board members.

MLP did not follow this recommendation in 2010. No age limit is set for members of the Supervisory Board at MLP. In light of the knowledge, skills and specialist experience stipulated in section 5.4.1 sentence 1 of the Code, it makes little sense to specify an age limit. As was also the case in 2010, MLP has therefore once again elected not to follow this recommendation in 2011.



**Section 5.4.1 (2) and (3) (specification of concrete objectives for the composition of the Supervisory Board)**

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board is to stipulate concrete objectives regarding its composition, which, whilst considering the company's specific situation, take into account the company's international operations, any potential conflicts of interest, an age limit to be specified for members of the Supervisory Board and diversity. These concrete objectives should, in particular, stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the respective selection committees should also take these objectives into account. The objectives and present status of implementation are to be published in the Corporate Governance report.

MLP initially did not follow this recommendation in 2010. In one of its meetings held in the financial year 2010, the Supervisory Board at MLP AG addressed the topic of setting concrete objectives for appointments to the Supervisory Board, giving particular consideration to diversity, and then commissioned the Nomination Committee to review the nomination procedure applied to date under this aspect and develop proposals for any necessary modifications. Since the focus of the company's and the Group's operations is in Germany, the aspect of internationality is not to be given particular consideration in connection with the composition of the Supervisory Board. Set against the background of the ongoing deliberations regarding these recommendations, it has not yet been possible to take modifications into account when making concrete recommendations to the election bodies. It is currently also not possible to report on any concrete objectives in the Corporate Governance report.

Therefore, MLP initially did not follow these recommendations in the financial year 2010 and is unlikely to follow them in 2011.

**Section 5.4.6 sentence 4 (performance-related remuneration of the Supervisory Board)**

Based on the recommendations of the German Corporate Governance Code, the members of the Supervisory Board are to receive performance-related remuneration alongside their fixed remuneration.

MLP did not follow this recommendation in 2010. The members of the MLP AG Supervisory Board do not receive performance-related pay, as no convincing concepts in support of such remuneration structures have yet come to light. As was also the case in 2010, MLP has therefore once again elected not to comply with this recommendation in 2011."

In December 2010, 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 also view the text of the Declaration of Compliance of December 15, 2010 at [www.mlp-ag.com](http://www.mlp-ag.com).

You can also find further information on the topic of Corporate Governance at MLP on the internet at [www.mlp-ag.com](http://www.mlp-ag.com).

## CORPORATE GOVERNANCE

Responsible and value-adding management

By complying with the stipulations of the German Corporate Governance Code in the version of June 26, 2010, 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.

### Management and controlling structure

Executive Board

As the management body of an "Aktiengesellschaft" (public limited company), the Executive Board runs the business and is tied to the interests and business principles of the company within the scope of corporation law. The responsibilities and duties of the Executive Board are laid down in the German Stock Corporation Act (AktG), in MLP AG's articles of association, as well as in the Executive Board's rules of procedures and schedule of responsibilities.

The members of the Executive Board hold joint responsibility for the entire management. Decisions made by the Executive Board are reached during Executive Board meetings held at regular intervals. Resolutions are drafted as ordinary resolutions with majority votes and recorded accordingly.

The members of the Executive Board are Dr. Uwe Schroeder-Wildberg (Chairman), Mr. Manfred Bauer (since May 1, 2010), Mr. Ralf Schmid, Mr. Muhyddin Suleiman and, since February 1, 2011, Mr. Reinhard Loose.

Supervisory Board

The Supervisory Board advises and monitors the Executive Board. The responsibilities and duties of the Supervisory Board are derived from the German Stock Corporation Act (AktG), MLP AG's articles of association and a set of rules of procedures for the Supervisory Board.

Resolutions of the Supervisory Board are made during meetings convened by the Chairman of the Supervisory Board and require a majority vote. The Supervisory Board is informed of particularly important or urgent projects outside of the regular meetings. Where necessary, resolutions can also take the form of circular resolutions or be passed via telephone. A transcript of the meetings is drafted.

Members of the Supervisory Board

The Supervisory Board currently consists of six members. These are four shareholder representatives, elected by the Annual General Meeting, and two employees' representatives, elected by employees. The Supervisory Board is currently made up of Dr. Peter Lütke-Bornefeld, Dr. h.c. Manfred Lautenschläger, Dr. Claus-Michael Dill, Mr. Hans Maret, Mr. Norbert Kohler and Mrs. Maria Bähr.

In the absence of the Executive Board, the Supervisory Board also reviewed the efficiency of its own activities in 2010. Particular attention was paid to the efficiency of the 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. Within the scope of an intensive and target-oriented discussion, further measures to increase the efficiency and the qualifications/training of members of the Supervisory Board were examined.

Efficiency of the  
Supervisory Board

The Supervisory Board of MLP AG has set up committees in order to improve the effectiveness of its work. The Personnel Committee prepares the resolutions on HR issues concerning Executive Board members with the company. The Audit Committee is responsible for auditing the accounting processes, risk management issues and the auditing system itself, as well as ensuring 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 for resolution to the Supervisory Board. The Supervisory Board has also formed 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. Dr. Peter Lütke-Bornefeld, Dr. h.c. Manfred Lautenschläger, Dr. Claus-Michael Dill and Mr. Hans Maret are members of the three aforementioned committees.

Supervisory Board  
committees

In 2010, the Executive and Supervisory Boards of MLP AG again dealt intensively with the German Corporate Governance Code and further new legislation significant to the work performed by the Supervisory Board and its committees. The amendments to the Code passed on May 26, 2010 were the object of intensive discussions by the Supervisory Board. The changes were analysed and corresponding adjustments to the internal regulations and procedures followed by the Supervisory Board were either implemented or submitted for verification.

Corporate Governance  
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.

No conflict of interest in  
the Supervisory Board

Further disclosures on the Supervisory Board's activities can be found in the report by the Supervisory Board on page 9 et seq.

Cooperation between  
Executive Board and  
Supervisory Board

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.

Significant legal transactions by the Executive Board require the consent of the Supervisory Board. 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 (page 9).

## TRANSPARENCY

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

As at December 31, 2010, 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, 2009	Number of shares as at Dec 31, 2010
Dr. Peter Lütke-Bornefeld	30,000	40,000
Dr. h.c. Manfred Lautenschläger <sup>1</sup>	25,205,534	25,205,534
Johannes Maret	-	-
Dr. Claus-Michael Dill	-	-
Maria Bähr	11,503	11,503
Norbert Kohler	94	94

<sup>1</sup> Incl. additional voting rights in line with § 22 of the German Securities Trading Act (WpHG).

[Table 35]

Executive Board member	Number of shares as at Dec 31, 2009	Number of shares as at Dec 31, 2010
Dr. Uwe Schroeder-Wildberg	-	-
Manfred Bauer	- <sup>2</sup>	11,254
Muhyddin Suleiman	-	-
Ralf Schmid	-	-

<sup>2</sup> Not applicable, as only a member of the Executive Board at MLP AG since 2010.

[Table 36]

### Directors' Dealings

The expanded regulation of § 15a of the German Securities Trading Act (WpHG) on publishing and reporting transactions with shares of the issuer 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.

Directors' Dealings

Pursuant to § 15a of the German Securities Trading Act (WpHG) one transaction was reported to us in the financial year 2010. This can be viewed on our website [www.mlp-ag.com](http://www.mlp-ag.com).

### Compliance

Section 4.1.3 of the German Corporate Governance Code defines the tasks of the Executive Board within the scope of compliance as follows: the Executive Board must ensure compliance with the legal provisions and the internal company guidelines, and also work towards their observance by the Group companies. For us, the principles of good company management also comprise compliance with all applicable laws and codes of conducts for the capital market. This is an integral part of our corporate culture.

Compliance guidelines

MLP has established a Group-wide Compliance Organisation. In the interest of our clients, shareholders, employees and MLP, the Compliance Organisation supports and advises the Executive Board in its task to ensure compliance with legal obligations as well as intra-company directives and to establish uniform standards for all Group companies. The Compliance department controls the further development of our internal codes of conducts and monitors implementation of the internal and external requirements. All employees of the MLP Group attend regular training sessions to learn about the relevant regulations. This helps prevent them from making any accidental violations and to support them in applying our corporate guidelines. The Compliance department also acts as a point of contact for employees who wish to report suspicious activities relating to criminal offences or infringements against the respective regulations. The Executive Board and Supervisory Board are regularly informed of all relevant actions and measures taken by the Compliance department.

A comprehensive set of rules on compliance in the MLP Group explains the legal regulations on insider law to the members of our Executive Bodies and to our employees, and provides them with a legal framework, within which they can carry out their investment business. The compliance guidelines also ensure 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 and the acceptance and granting of benefits. These policies are regularly reviewed and adapted to changing requirements.

### Corporate management practices

Core values re-defined

MLP re-defined its core values in 2009, a process in which a large number of employees and consultants were involved. "Performance" and "Trust" were identified as values that portray MLP particularly authentically. Building on this, MLP's existing corporate mission was then revised. This can be found on the front cover page of the Annual Report. In a third step, the following management principles were then derived from this for MLP:

MLP managers:

- are committed to the interests of MLP clients
- live out the core values of "Performance" and "Trust"
- implement agreed targets and decisions consistently
- are proactive in shaping the future
- work together openly as team players
- ensure systematic development of managers and staff

As a contribution to the discussion on the quality of financial advice in Germany, MLP presented a Consulting Code in the form of guidelines for client consulting in 2009. This Code does not contain any new concepts, but rather summarises MLP's consulting and client support standards, many of which have already been in use at the company for several years. The aim is to increase transparency for clients, interested parties and the general public. All guidelines are based on MLP's company values, which shape the relationship between employees and consultants, as well as all stakeholders. The guidelines can also be found on page 152 of this Annual Report.

In addition to this, the Executive Board is having a concept drawn up for the appointment of management positions within the MLP Group. This will allow even more effective consideration to be granted to women and thereby comply with the recommendation of section 4.1.5 of the German Corporate Governance Code.

The concept is to incorporate measures necessary to ensure that women are given appropriate consideration and which show how they are to be considered when reaching HR decisions (for example on the basis of corresponding guidelines). Alongside this, more detailed considerations are to be given to extending the scope of measures and making it easier for staff to combine their career with starting a family.

A description of the business strategy, risk strategy and risk management system can be found on pages 86 et seq. and 85 et seq. of this Annual Report.

### 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-ag.com](http://www.mlp-ag.com), where the Chairman's speech can also be accessed online.

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 also use the Internet. Under "Investor Relations" on our homepage [www.mlp-ag.de](http://www.mlp-ag.de) you can access 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.

Information  
of all target groups

### Accounting and audit

Group accounting is performed in line with International Financial Reporting Standards (IFRS). Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, was appointed as auditor by the Annual General Meeting. This company audited the 2010 (Group) financial statements and reviewed both the condensed financial statements and the interim management report in 2010 (pursuant to §§ 37w (5), 37y No. 2 of the "WpHG" German Securities Trading Act). 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. MLP AG's Supervisory Board not only discusses the annual and Group financial statements, but also examines the semi-annual and quarterly financial reports together with the Executive Board prior to their publication.

## REMUNERATION REPORT

Subject to the disclosure obligations pursuant to the German Commercial Law, the following remuneration report also forms part of the management report.

### Principles of Executive Board remuneration

With the Appropriateness of Management Remuneration Act (VorstAG), which came into force on August 5, 2009, the legislator in Germany has created new requirements with regard to the terms of Executive Board remuneration. The legislator's goal here is to align Executive Board remuneration with sustainable company development.

Based on expert assessment, the present system of Executive Board remuneration is already largely aligned with the objectives of the new legislation in Germany's Appropriateness of Management Board Remuneration Act (VorstAG). Nevertheless, the Supervisory Board still addressed the further development of the Executive Board remuneration system at MLP in detail in 2010 and decided on a new remuneration system which is now set to be used for the appointment and reappointment of members of the Executive Board.

A legal right to continuation applies to the contracts of those individuals who were already appointed members of the Executive Board prior to March 24, 2010. For this reason, the company is currently still using two different remuneration systems. These are described in separate sections in the following.

### Remuneration regulations in the form agreed prior to March 24, 2010

Based on the contracts of employment set up according to the former system, the members of the Group Executive Board are entitled to both a fixed (non-performance-related) and a variable (performance-linked) remuneration (Table 38). The basis of assessment for variable remuneration are the earnings before tax (EBT) of the MLP Group in accordance with the respective (international) accounting standards applied 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 and discontinued operations 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 operations to be continued and discontinued respectively. No costs and income directly related to 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.

The members of the Executive Board are furthermore entitled to unrestricted use of a company car and payments from a life and disability insurance policy.



In addition there are long-term remuneration components. The members of the Executive Board participated in the Incentive Programme 2002 and currently participate in the Long-Term Incentive Programmes 2008 to 2010. The structure of these programmes is described below.

The Annual General Meeting of MLP AG held on May 28, 2002 authorised the Executive Board, with the Supervisory Board's consent, 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 team, sales representatives working as independent commercial agents and employees of companies associated with the company as defined by §§ 15 et seq. of the German Stock Corporation Act (AktG). Convertible debentures entitle the owner 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.

Share options programme  
and share-based  
remuneration systems

The convertible debentures were offered in allocated amounts in the years 2002 until 2005. 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.

Executive Board members active at December 31, 2010 no longer hold any convertible debentures issued by the company.

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 performance figures, which takes into account both earnings before tax (EBT) over several years and the development of the share price. Performance shares (phantom shares) can be allocated here. These are allocated to the members of the Executive Board by the Supervisory Board. The payout for the 2005 tranche was made in 2008, the 2006 tranche expired in 2009 and the 2007 tranche expired in 2010. For the tranches of the financial years 2008 to 2010, the cash payout is determined on the basis of three times the earnings before interest and tax (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 recalculated on each closing date on the basis of an appropriate valuation method.

If an employee or a Board Member leaves the company, the phantom shares granted expire.

Within the scope of the Long-Term Incentive Programme, members of the Executive Board received performance shares (phantom shares) in the years 2005 to 2010. Refer to the following table for the number and values of the phantom shares, insofar as these have not been paid out or have expired:

#### Long Term Incentive Programme – Executive Board

All figures in units	Tranche 2008	Tranche 2009	Tranche 2010*
Fair value at grant date	€ 9.92	€ 7.59	€ 7.45
Dr. Uwe Schroeder-Wildberg	50,403	65,876	67,114
Ralf Schmid (member of Executive Board since March 1, 2009)	–	32,938	40,268
Muhyddin Suleiman	36,290	39,526	40,268
<b>Total</b>	<b>86,693</b>	<b>138,340</b>	<b>147,650</b>

\* Subject to the resolution of the Supervisory Board.

[Table 37]

The costs of the 2010 tranche for members of the Executive Board recorded in the 2010 income statement are € 155 thsd (previous year: € 328 thsd).

Individual occupational benefit plans have also been established for the aforementioned members of the Group Executive Board. An old-age pension upon reaching 62 years of age, a disability pension, a widow's pension and orphan's benefits have been guaranteed. The amount of the agreed benefit is 60 % of the last fixed monthly salary received, or is fixed separately on the basis of amendments to the service contracts.

The contracts of employment between the company and members of the Executive Board comprise a change of control clause granting the right to termination with a notice period of one month in the event that a third party with a share in MLP of less than 10 % at the time at which the contract was concluded acquires a share of at least 50 % of voting rights.

If a member of the Executive Board resigns on the basis of the aforementioned conditions, he is entitled to a compensation amounting to four times a year's fixed salary, on the condition that the termination takes place more than two years before the end of contract. After that, the regulations apply on a pro rata temporis basis.

The new Executive Board remuneration system is to be applied following its approval by the Supervisory Board from March 24, 2010 onwards when appointing or reappointing members to the Executive Board. This amendment was used for the first time for the appointment of Mr. Manfred Bauer to the Executive Board.

Remuneration regulations in the form agreed since March 24, 2010

The remuneration system provides for a fixed basic annual salary and also variable remuneration (in the form of a bonus) (Table 38). The basic figure for the bonus payment is determined based on the income statement of the MLP Group in accordance with the respective (international) accounting standards applied in the Group. The earnings before interest and tax (EBIT) of the MLP Group in the past financial year for which the bonus is to be paid forms the basis of assessment here. The key figure is the earnings before interest and tax (EBIT) that would have resulted without deduction of profit-sharing payments. If continuing operations and discontinued operations are to be recognised in the financial year, the basis of assessment is formed by the total of the earnings before interest and tax (EBIT) of the operations to be continued and discontinued operations respectively. No costs and income directly related to the discontinuation/sale of business segments are included in the basis of assessment. The bonus is calculated on the basis of a fixed percentage of the assessment basis. If the employment contract begins or ends in the course of the financial year, the basic bonus figure is reduced pro rata temporis.

45% of the bonus calculated in this way is to be paid as an immediate payment following presentation of the company's adopted financial statements.

The remaining 55% is only to be paid as a "deferred payment" after presentation of the financial statements for the financial year two years after the year of the immediate payment. The level of the deferred payment effectively to be paid to the member of the Executive Board is also subject to upwards or downwards adjustment, depending on the ratio of EBIT in the base year to the average EBIT recorded in the base year and the three subsequent years. A total of € 157 thsd has been recognised as liability for the deferred payment of Mr. Manfred Bauer in the financial year 2010.

In contractually more closely specified boundaries, the immediate payment and the deferred payment are also subject to an adjustment right, which can be used at the discretion of the Supervisory Board. Here, the Supervisory Board is authorised, at its reasonable discretion, to increase or reduce the immediate payment by up to 30 % and the deferred payment by up to 10 % based on its assessment of the individual performance of the respective member of the Executive Board or extraordinary developments.

In addition to this, the service contract provides for a cap of the immediate payment and the deferred payment in euros. For both bonus parts, a maximum of 150 % of the basic figure is stipulated as the cap with an assumed EBIT of € 100 million.

Under the new remuneration system, the members of the Executive Board still remain entitled to unrestricted use of a company car and payments from a life and disability insurance policy. The members of the Group Executive Board also receive employer-financed, defined contribution benefits in an occupational pension scheme.

The service contracts of the members of the Group Executive Board drawn up with the new system also comprise a change-of-control clause, granting the right to termination with a notice period of one month in the event that a third party with a share in MLP of less than 10 % at the time at which the contract was concluded acquires a share of at least 50 % of voting rights.

If a member of the Executive Board resigns on the basis of the aforementioned conditions, he is entitled to compensation amounting to four times a year's fixed salary, on the condition that the termination takes place more than two years before the end of contract. After that, the regulations apply on a pro rata temporis basis. In all cases, this compensation is limited to twice the average remuneration, based on the total remuneration of the last full financial year prior to termination of the respective contract and the total anticipated remuneration for the year still in progress when the contract is terminated.

### Individualised Executive Board remuneration for the financial year 2010

All figures in €'000	Fixed portion of remuneration	Variable portion of remuneration/ (immediate payment)	Total
Dr. Uwe Schroeder-Wildberg	528	267	795
Gerhard Frieg (until March 31, 2010)	139	40	179
Manfred Bauer (since May 1, 2010)	253	128	382
Ralf Schmid	380	214	594
Muhyddin Suleiman	379	214	593
<b>Total</b>	<b>1,680</b>	<b>863</b>	<b>2,542</b>

[Table 38]

### Individualised Executive Board remuneration for the financial year 2009

All figures in €'000	Fixed portion of remuneration	Variable portion of remuneration	Total
Dr. Uwe Schroeder-Wildberg	527	206	734
Gerhard Frieg	383	165	548
Ralf Schmid (since March 1, 2009)	317	138	455
Muhyddin Suleiman	378	165	543
<b>Total</b>	<b>1,606</b>	<b>674</b>	<b>2,280</b>

[Table 39]

As at December 31, 2010, pension provisions for former members of the Executive Board amounted to € 11,008 thsd (previous year: € 8,923 thsd).

### Remuneration of the members of the 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 € 40,000 in accordance with the articles of association. The Chairman of the Supervisory Board receives twice and his deputy one and a half times this amount. Additional, special remuneration is granted for work on the Audit Committee and the Personnel Committee. This comes to € 25,000 for the Audit Committee and € 15,000 for the Personnel Committee. The Chairman of the respective committee receives twice the stated level of remuneration. 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

All figures in € thsd (without tax)	Remuneration 2010	Remuneration 2009
Dr. Peter Lütke-Bornefeld (Chairman)	160	87
Dr. h. c. Manfred Lautenschläger (Vice Chairman)	100	72
Dr. Claus-Michael Dill	80	57
Johannes Maret	80	57
Norbert Kohler	40	30
Maria Bähr	40	30
<b>Total</b>	<b>500</b>	<b>333</b>

[Table 40]

In the financial year 2010, € 19 thsd (previous year: € 21 thsd) was paid as compensation for expenses.

# Corporate Responsibility report

## Corporate responsibility strategy anchored in corporate strategy

Our commitment of offering our clients holistic financial and investment consulting goes hand in hand with a high degree of responsibility. After all, the decisions taken by our clients based on our financial advice – for example in the area of old-age provision – are just as important for the individual as they are for society as a whole. Due to the demographic shift being experienced in Germany and the ever increasing life expectancy, the social relevance of our actions has not only become more important in the field of private and occupational pension provision over the last few years, but also in fields such as healthcare and long-term care provision.

MLP accepts this responsibility toward all stakeholders. Our corporate responsibility (CR) strategy is firmly anchored in our corporate strategy. We pursue the goal of generating added value – for clients, investors, employees, consultants and partner companies, just as for society as a whole. We therefore promote projects in the field of corporate social responsibility and support numerous initiatives that fit in with our understanding of corporate citizenship. We strive to be an excellent consulting firm, a reliable partner, an attractive employer and a good neighbour.

Added value for all stakeholders

In the following, we list selected examples and explain how and where the MLP Group was active in the financial year 2010 in this context.

## Clients

MLP today looks after more than 774,500 private clients and in excess of 4,000 corporate clients. With its maxim of providing independent advice and acting as an advocate for our clients in all financial issues, MLP has been distancing itself from large sections of the often “product-driven” financial industry for many years.

Last year, we therefore actively supported the political reform plans for greater quality in the field of financial consulting. Within the scope of the current legislative initiatives, we submitted numerous proposals and again argued the case for issues such as introduction of stricter training requirements for financial consultants and clearly defined job profiles. You can read about our understanding of consulting quality and find detailed descriptions of our partner and product selection process at [www.mlp-beratungsqualitaet.de](http://www.mlp-beratungsqualitaet.de) (German only).

MLP stands for high quality consulting

We also welcome regular evaluation of our services by clients and experts. For example, our consultants once again received top marks in the independent online review portal “WhoFinance!.de” in 2010. And in a survey on private banking in Germany, performed by the Otto Beisheim School of Management and reported on by the investor magazine “Börse online”, MLP received the highest overall score of the 61 participants. In July, the magazine “Euro” rated us as the second best mortgage lender in Germany.

Highest level of qualification thanks to Corporate University

The qualification of our consultants can be ascribed to the high training standards at the MLP Corporate University. With its CLIP accreditation from the European Foundation of Management Development, the MLP Corporate University ranks among the best corporate academies in Europe. Subject to accreditation by the Financial Planning Standards Board Germany (FPSB e. V.), MLP consultants are offered the opportunity to train for this qualification. This is the highest internationally recognised training standard for financial consultants. The training programme has already been registered with the FPSB for accreditation, which is pending (see also Management report: Client support, page 73 et seq.).

Handling client wishes and client data responsibly today involves continuous monitoring and refinement of data protection systems to make them even more secure. Our company has continued to extend its risk controlling for all issues and actions pertaining to data protection in the 2010 reporting year. The data processing systems certainly guarantee compliance with all legally stipulated requirements and in particular the amended legislation of the German Federal Data Protection Act. They also offer complex backup modules to safeguard data in the event of any errors or breakdowns. In addition to this, practical data protection training sessions were held for all consultants and employees at MLP, as well as for consultants working at the subsidiaries TPC and Feri.

### Investors

Dialogue with investors

We assume responsibility toward our investors by laying the foundations for sustainable increases in company value through our business activities. Open dialogue with our shareholders is a key aspect here. We believe in transparent, comprehensible and prompt reporting (see also Investor relations on page 122 et seq.).

In the financial year 2010, the Executive Board and Supervisory Board continuously monitored and further developed the corporate governance of our consulting firm. Alongside complying with all legally stipulated requirements and internal regulations, for us the principles of good corporate management also include a sustainable system of risk management and a Group-wide compliance organisation (for more information on this, please also refer to “Company objectives and corporate management”, the Risk and disclosure report and both the Investor relations and Corporate governance report).

### Consultants and employees

We act responsibly for the benefit of our consultants and employees. After all, the qualifications, motivation and commitment of our consultants and employees are what form the basis of our success. We are clearly on the right path, as we once again received a “Top employer” award last year from the Corporate Research Foundation Institute (CRF). Thanks to our training, which consistently targets quality and sustainability in client relations, we not only assume responsibility for our clients, we also help new consultants systematically establish sound, long-term client relationships.

Core values “Performance” and “Trust”

Derived from our central company values of “Performance” and “Trust”, we also placed great emphasis on creating a working environment that encourages and stimulates performance in 2010. We are committed to inspiring our employees and consultants and winning their long-term loyalty. To achieve this we make use of a modern loyalty schemes. Within this framework, we also offer a participation programme and an occupational pension (you can find further information on this in the Personnel and social report on page 82 et seq.).



### Measuring leadership performance

We guarantee equal opportunities and act with social responsibility. We encourage our employees and consultants with programmes for junior staff, perform regular employee surveys and use the “180 degree feedback” to further improve the quality of our managers. Dialogue between managers and their teams is complemented by structured staff appraisals.

### We promote a healthy work-life balance

As a comparably young consulting firm - with 64 % of our employees under the age of 40 - we continued to enhance our profile as a family-friendly employer in 2010. MLP's family programme is made up of a modular system with individual offers that target a healthy work-life balance and help families organise their time. We also make financial contributions to the childcare costs of children not yet of school age, offer holiday camps for school children and also free-of-charge counselling for all questions of childcare, caring for old people or other psychologically stressful situations.

MLP family programme

The established health provision programmes were continued in the reporting year. With our “Saving 1,000 lives” bowel cancer prevention campaign, we offered all employees in the Rhein-Neckar metropolitan region free-of-charge early detection check-ups.

MLP also continued its activities in the field of vocational training with more than 100 trainees and students at the University of Cooperative Education. And since 2010, we have maintained cooperations with schools to support pupils in choosing a career and identifying potential future talents early on.

### Partners

The quality of the financial products recommended by us has a marked influence on the satisfaction of our clients. We therefore place great emphasis on selecting the right product partners. Our partners go through a rigorous partner and product selection process. If we decide to market a product, we continuously monitor the service quality of the product partner behind it. The partners offering the best service and overall performance were once again honoured in 2010 with the “MLP Service Award”. To help choose the winners, around 1,850 MLP consultants and employees at the company's head office reported and classified their personal experience with product partners based on 14 quality criteria. We also honoured excellent services in the field of investment last year for the third time with the “MLP Investment Award”. The winning funds were selected by our subsidiary Feri.

Strict partner and product selection process

### Society

As a financial and investment consulting company, our success also depends on society considering us a credible and committed company. Combining success in business with commitment for the common good is one of the core values of our corporate social responsibility (CSR). We are convinced that civic commitment strengthens the sustainability of society as a whole. As such, MLP supports the “CSR in Germany” initiatives of the German Federal Ministry of Labour and Social Affairs ([www.csr-in-deutschland.de](http://www.csr-in-deutschland.de)) and welcomes the “Action Plan” which the German government presented in autumn 2010 in cooperation with companies, non-governmental organisations and trade unions.

Social commitment

Supporting universities  
and students

MLP's head office in Wiesloch focuses on projects which facilitate and stimulate social progress, particularly in the field of university and student support. The local MLP branches offer support in their respective locations and are also socially active. The contribution of our subsidiary Feri Finance AG in promoting foundation work within the scope of the "Feri Foundation Award" represents another facet of our commitment. In addition to this, the family of the company founder and Vice Chairman of the Supervisory Board has clustered its diverse non-profit work in the Manfred Lautenschläger Foundation ([www.manfred-lautenschlaeger-stiftung.de](http://www.manfred-lautenschlaeger-stiftung.de)).

The CSR activities of the MLP Group are organised into five areas: Universities, Sport, Culture, Ecology and Health & Social Issues.

### Universities

In keeping with MLP's business model, which starts with advising young academics, we traditionally maintain intensive relationships with Germany's universities and rank among the most important and reliable corporate partners.

Partnerships with uni-  
versities strengthened

Within the scope of proven collaboration, we further refined our system of target group management in the financial year 2010. The partnerships with universities, faculties and organisations are geared toward supporting universities and students, as well as to further expanding our career advising offers. MLP supports AIESEC, the largest international student organisation, and has been a member on its national support advisory council since mid-2010. Since the end of last year, we have also been collaborating with organisations concerned with university policy, including the German Association of University Professors and Lecturers (DHV). And in 2010 we supported the Professorship for University and Science Management at the Centre for Science & Research of the German University for Administrative Sciences in Speyer, Germany.

MLP was once again co-organiser of the conference "Universities and Education" in the summer of 2010 organised by the weekly magazine "Zeit". In Frankfurt am Main, high-ranking representatives from Germany's universities used this event to discuss current university and academic policy challenges with more than 220 participants. The term "responsibility" was at the heart of the conference, with topics including the responsibility of politics toward universities and the responsibility of universities toward their students, the region and the economy.

We also continued our "Join the best" initiative to promote the mobility of students and graduates to work and study abroad and further expanded our popular "Medical excellence" scholarship programme for physicians.

### Sport

Supporting amateur and  
professional sport

Sport also has an important part to play in social integration. We therefore place particular emphasis on supporting both amateur and professional sport. As sponsor of the German University Sports Championships, we were able to support more than 2,500 young athletes last year. At the regional level, we continued our commitments to the "Sportregion Rhein-Neckar" sports association and in May 2010 welcomed around 11,000 runners and 130,000 visitors to the MLP Marathon in Mannheim, Germany. We also continued our role as main sponsor of the ProA basketball team at the USC Heidelberg club and were delighted to offer financial support to the women's hockey team at TSV Mannheim, winners of the German Indoor Championship, as well as to the MLP cycling team in the U23 German league and the international men's world ranking tennis tournament in Nussloch, Germany.

## Culture

In the field of culture, MLP continued its tradition of supporting the international “Heidelberger Frühling” music festival in 2010. The Manfred Lautenschläger Foundation once again demonstrated its international cultural and political commitment and was honoured by Israeli President Schimon Peres in autumn 2010 for its commitment to supporting archaeological excavations at Ramat Rachel on the southern outskirts of Jerusalem. The funds donated totalled around half a million euros. Together with the Documentation and Cultural Centre of German Sinti and Roma, the foundation also presented the former President of the European Parliament, Simone Veil, currently working at the Foreign Office in Berlin, with the € 15,000 “European Civil Rights Prize” in December 2010.

MLP supports  
“Heidelberger Frühling”

## Ecology

The integration of environmental aspects in their business activities is a must for all modern companies. In this vein, MLP’s head office continues to be provided with heating from regenerative energy via the local heat network of the Wiesloch biomass heating plant. The heat is generated using wood from the region and saves more than 620 tonnes of carbon dioxide every year compared to conventional oil heating.

In addition to this, last year MLP’s Real Estate, Logistics and Group Purchasing department also extended their measures to increase energy efficiency and energy optimisation, as well as the environmentally friendly use of resources. Since 2010, we have paid even greater attention to the integration of environmental aspects in the provision of services by our suppliers and service providers. We are also committed to environmentally and socially responsible business practices in our own operations. To this end, we agreed guidelines with our suppliers for product-related environmental protection in the reporting year and we regularly review compliance with these guidelines.

Energy efficiency and  
optimisation

## Health and social issues

Just as in previous years, we once again collaborated with the Allensbach Institute and the German Medical Association to draft a representative survey of the current situation in the German healthcare system in the financial year 2010. This is the “MLP Health Report”, a publication with which we contribute to the debate on German healthcare policy.

In 2010, MLP’s donations and sponsorships also focused primarily on social institutions that make a significant contribution to social cohesion and to reducing or eliminating social problems. Employees at MLP’s head office donated around € 17,000 to the German Child Protection Agency, the National Centre for Tumour Diseases (NCT) in Heidelberg and other social institutions in the Rhine-Neckar district. The € 25,000 Foundation Award presented by our subsidiary Feri Finance AG went to the “Kreuzberger Kinderstiftung” children’s foundation in Berlin. Numerous MLP offices also made further donations of their own.

Donations

The Manfred Lautenschläger Foundation once again set standards in the field of social and healthcare policy in 2010. Some of the Foundation’s most important projects included the € 2 million “Mühlhof” social project in Schriesheim for re-integration of the homeless. A further € 1 million was donated to a four-year cancer research project of Nobel Prize winner Harald zur Hausen at the German Cancer Research Centre (DKFZ) in Heidelberg.



## Security.

“I am not looking for off-the-rack products, but rather products that are aligned with my personal risk appetite.

Security is my top priority. Rather than hunting for the best possible return, I prefer investments that make my assets grow in the long term. A professional consultant therefore does not even attempt to offer me products that just happen to be on his sales list, but rather offers me something that fits in with my life situation and my very personal risk propensity.”





Günter Menden | 58

Engineer

MLP client – supported and advised by Thorsten Petrausch in Bamberg, Germany

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## The personal risk appetite of the client is our binding standard.

The personal wishes and objectives of the client form the primary focus in MLP's consulting services. MLP consultants therefore do not talk about potential returns until they know and understand the risk propensity of their clients. When it comes to investments, we also make use of the expertise of MLP subsidiary Feri Finance AG and their risk-controlled investment concepts. We have also developed our own opportunities and risks model for old-age provision products that calculates which product is how likely to provide the kind of return the client is looking for based on thousands of capital market scenarios.

## Guidelines on consulting and supporting private clients

1. THE CLIENT IS OUR MAIN FOCUS.
2. MLP PLACES GREAT EMPHASIS ON SELECTING THE RIGHT CONSULTANTS.
3. ALL CONSULTANTS RECEIVE THOROUGH TRAINING AND CONTINUE TO ATTEND REGULAR TRAINING THROUGHOUT THEIR CAREER.
4. CONSULTANTS' REMUNERATION ENABLES LONG-TERM CLIENT SUPPORT.
5. A COMPREHENSIVE PORTFOLIO AND NEEDS ANALYSIS IS THE STARTING POINT FOR ALL CONSULTATIONS.
6. MLP ADVISES ITS CLIENTS WITH A LONG-TERM, HOLISTIC APPROACH BASED ON THEIR INDIVIDUAL NEEDS.
7. PRODUCTS ARE SELECTED INDEPENDENTLY AND BASED ON OBJECTIVE CRITERIA.
8. MLP CLEARLY LAYS OUT THE CHARGES AND SERVICES INVOLVED IN ITS CONSULTING.
9. COMPREHENSIVE DOCUMENTATION OF THE CONSULTATION OFFERS CLIENTS CLEAR ADDED VALUE.
10. MLP SUPPORTS FURTHER DEVELOPMENT OF THE LEGAL FRAMEWORK FOR FINANCIAL ADVICE.







## Income statement and statement of comprehensive income

### Income statement for the period from January 1 to December 31, 2010

All figures in €'000	Notes	2010	2009
Revenue	(8)	497,322	503,775
Other revenue	(9)	25,259	28,368
<b>Total revenue</b>		<b>522,582</b>	<b>532,143</b>
Commission expenses	(10)	-188,663	-182,619
Interest expenses	(11)	-9,071	-12,256
Personnel expenses	(12)	-105,874	-111,387
Depreciation and amortisation	(13)	-15,848	-18,120
Other operating expenses	(14)	-157,368	-165,947
Earnings from shares accounted for using the equity method	(15)	1,265	368
<b>Earnings before interest and tax (EBIT)</b>		<b>47,022</b>	<b>42,182</b>
Other interest and similar income		6,282	7,820
Other interest and similar expenses		-6,254	-10,346
<b>Finance cost</b>	(16)	<b>28</b>	<b>-2,526</b>
<b>Earnings before tax (EBT)</b>		<b>47,051</b>	<b>39,656</b>
Income taxes	(32)	-12,950	-12,486
<b>Earnings from continuing operations after tax</b>		<b>34,101</b>	<b>27,170</b>
<b>Earnings from discontinued operations after tax</b>		<b>-39</b>	<b>-2,985</b>
<b>Net profit</b>		<b>34,062</b>	<b>24,185</b>
Of which attributable to			
owners of the parent company		34,062	24,185
<b>Earnings per share in €</b>	(37)		
<b>From continuing operations</b>			
basic		0.32	0.25
diluted		0.32	0.25
<b>From continuing and discontinued operations</b>			
basic		0.32	0.22
diluted		0.31	0.22

[Table 41]

### Statement of comprehensive income for the period from January 1 to December 31, 2010

All figures in €'000	2010	2009
<b>Net profit</b>	<b>34,062</b>	<b>24,185</b>
<b>Other comprehensive income</b>		
Securities marked to market	2,937	-1,398
Tax expense	-171	-78
<b>Other comprehensive income after tax</b>	<b>2,766</b>	<b>-1,476</b>
<b>Total comprehensive income</b>	<b>36,827</b>	<b>22,708</b>
<b>Total comprehensive income attributable to</b>		
owners of the parent company	36,827	22,708

[Table 42]

## Consolidated statement of financial position

### Assets as at December 31, 2010

All figures in €'000	Notes	Dec 31, 2010	Dec 31, 2009
Intangible assets	(17)	148,157	156,138
Property, plant and equipment	(18)	74,403	78,781
Investment property	(19)	11,178	11,432
Shares accounted for using the equity method	(20)	2,910	2,013
Deferred tax assets	(32)	3,283	2,969
Receivables from clients in the banking business	(21)	343,453	313,494
Receivables from banks in the banking business	(21)	485,023	498,201
Financial assets	(22)	252,687	192,389
Tax refund claims	(32)	11,846	33,059
Other accounts receivable and other assets	(23)	121,999	132,088
Cash and cash equivalents	(24)	50,470	54,968
<b>Total</b>		<b>1,505,411</b>	<b>1,475,532</b>

[Table 43]

### Liabilities and shareholders' equity as at December 31, 2010

All figures in €'000	Notes	Dec 31, 2010	Dec 31, 2009
Shareholders' equity	(25)	428,390	418,532
Provisions	(26)	51,960	52,383
Deferred tax liabilities	(32)	10,551	10,668
Liabilities due to clients in the banking business	(27)	819,294	750,282
Liabilities due to banks in the banking business	(27)	16,391	20,774
Tax liabilities	(32)	1,109	9,029
Other liabilities	(28)	177,716	211,816
Liabilities in connection with non-current assets held for sale and disposal groups		–	2,049
<b>Total</b>		<b>1,505,411</b>	<b>1,475,532</b>

[Table 44]

## Consolidated statement of cash flow

### Cash flow statement for the period from January 1 to December 31, 2010

All figures in €'000	2010	2009*
<b>Net profit (total)</b>	<b>34,062</b>	<b>24,185</b>
Write-downs/impairments/write-ups of intangible assets and property, plant and equipment	15,848	18,229
Depreciation and impairments on financial investments	3,618	949
Allowances for bad debts	6,632	5,971
Increase/decrease of provisions	-945	121
Adjustments from income taxes, interest and other non-cash transactions	-13,342	11,097
Gain/loss from the disposal of intangible assets and property, plant and equipment	50	771
Gain/loss from the disposal of financial assets	62	-1,374
Increase/decrease of receivables from/liabilities due to banks from the banking business	10,966	103,130
Increase/decrease of receivables from/liabilities due to bank clients	36,140	-72,292
Increase/decrease of other assets	32,131	7,763
Increase/decrease of other liabilities and shareholders' equity	-44,250	-28,670
Gains from the disposal of subsidiaries	-	3,361
Income taxes paid	-7,216	-19,705
Interest and dividends received	28,507	37,628
Interest paid	-11,304	-18,711
<b>Cash flow from operating activities</b>	<b>90,958</b>	<b>72,452</b>
<b>of which from discontinued operations</b>	<b>-3,284</b>	<b>-3,900</b>
Proceeds from disposal of intangible assets and property, plant and equipment	632	505
Payments for intangible assets and property, plant and equipment	-3,917	-4,085
Proceeds from disposal of financial assets	62,288	169,574
Payments for purchases of financial assets	-118,474	-112,381
Proceeds from the disposal of subsidiaries	-	1
Payments for the acquisition of subsidiaries	-	-10,561
<b>Cash flow from investing activities</b>	<b>-59,472</b>	<b>43,052</b>
<b>of which from discontinued operations</b>	<b>-</b>	<b>-42</b>
Proceeds from transfer to equity	-	117
Dividends paid	-26,969	-30,201
Payments for the repayment of bonds and redemption of loans	-2,676	-242
<b>Cash flow from financing activities</b>	<b>-29,646</b>	<b>-30,326</b>
<b>of which from discontinued operations</b>	<b>-</b>	<b>-</b>
Change in cash and cash equivalents	1,840	85,177
Cash and cash equivalents at beginning of period	123,624	38,447
<b>Cash and cash equivalents at end of period</b>	<b>125,465</b>	<b>123,624</b>
<b>Composition of cash and cash equivalents</b>		
Cash and cash equivalents	50,470	54,968
Loans < 3 months	75,000	70,000
Liabilities to banks due on demand	-6	-1,343
<b>Cash and cash equivalents at end of period</b>	<b>125,465</b>	<b>123,624</b>

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

[Table 45]

## Statement of changes in equity

All figures in €'000	Equity attributable to MLP AG shareholders				
	Share capital	Capital reserves	Securities marked to market	Other equity	Total shareholders' equity
<b>As at Jan 1, 2009</b>	<b>107,861</b>	<b>142,084</b>	<b>-97</b>	<b>176,081</b>	<b>425,928</b>
Dividend	-	-	-	-30,201	-30,201
Exercise of conversion rights	17	100	-	-	117
Changes to the scope of consolidation	-	-	-	-20	-20
<b>Transactions with owners</b>	<b>17</b>	<b>100</b>	<b>0</b>	<b>-30,221</b>	<b>-30,105</b>
Total comprehensive income	-	-	-1,476	24,185	22,708
<b>As at Dec 31, 2009</b>	<b>107,878</b>	<b>142,184</b>	<b>-1,573</b>	<b>170,044</b>	<b>418,532</b>
<b>As at Jan 1, 2010</b>	<b>107,878</b>	<b>142,184</b>	<b>-1,573</b>	<b>170,044</b>	<b>418,532</b>
Dividend	-	-	-	-26,969	-26,969
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-26,969</b>	<b>-26,969</b>
Total comprehensive income	-	-	2,766	34,062	36,827
<b>As at Dec 31, 2010</b>	<b>107,878</b>	<b>142,184</b>	<b>1,193</b>	<b>177,136</b>	<b>428,390</b>

[Table 46]

## Notes to the consolidated financial statements

### Segment reporting

All figures in €'000	Financial services	
	2010	2009
Revenue	464,026	472,371
of which total inter-segment revenue	237	159
Other revenue	17,324	19,136
of which total inter-segment revenue	1,820	2,458
<b>Total revenue</b>	<b>481,350</b>	<b>491,507</b>
Commission expenses	-187,165	-181,375
Interest expenses	-9,074	-12,259
Personnel expenses	-76,841	-81,734
Depreciation/amortisation and impairment	-10,507	-12,500
Other operating expenses	-148,738	-154,716
Earnings from shares accounted for using the equity method	1,265	368
<b>Segment earnings before interest and tax (EBIT)</b>	<b>50,290</b>	<b>49,291</b>
Other interest and similar income	341	945
Other interest and similar expenses	-1,107	-3,209
<b>Finance cost</b>	<b>-766</b>	<b>-2,264</b>
<b>Earnings before tax (EBT)</b>	<b>49,524</b>	<b>47,028</b>
Income taxes		
<b>Earnings from continuing operations after tax</b>		
<b>Earnings from discontinued operations after tax</b>	<b>-39</b>	<b>-6,094</b>
<b>Net profit (total)</b>		
<b>Shares accounted for using the equity method</b>	<b>2,910</b>	<b>2,013</b>
<b>Investments in intangible assets and property, plant and equipment</b>	<b>3,019</b>	<b>3,013</b>
<b>Major non-cash expenses:</b>		
Impairment charges/reversal of impairment charges for receivables and financial assets	9,341	-7,462
Increase/decrease of provisions/accrued liabilities	19,995	-26,911

	Feri		Holding		Consolidation/Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	33,738	31,935	-	-	-441	-530	497,322	503,775
	204	372	-	-	-441	-530	0	0
	7,452	6,874	11,531	16,899	-11,048	-14,543	25,259	28,368
	-	-	9,228	12,084	-11,048	-14,543	0	0
	<b>41,189</b>	<b>38,809</b>	<b>11,531</b>	<b>16,899</b>	<b>-11,489</b>	<b>-15,073</b>	<b>522,582</b>	<b>532,143</b>
	-1,729	-1,522	-	-	231	278	-188,663	-182,619
	-	-	-	-	3	3	-9,071	-12,256
	-23,800	-25,125	-5,233	-4,528	-	-	-105,874	-111,387
	-2,300	-2,364	-3,041	-3,256	-	-	-15,848	-18,120
	-9,480	-9,704	-10,440	-16,333	11,291	14,805	-157,368	-165,947
	-	-	-	-	-	-	1,265	368
	<b>3,880</b>	<b>94</b>	<b>-7,183</b>	<b>-7,218</b>	<b>35</b>	<b>14</b>	<b>47,022</b>	<b>42,182</b>
	69	57	6,893	10,249	-1,021	-3,431	6,282	7,820
	-148	-265	-5,175	-7,213	176	341	-6,254	-10,346
	-79	-209	1,719	3,037	-845	-3,090	28	-2,526
	<b>3,800</b>	<b>-115</b>	<b>-5,464</b>	<b>-4,181</b>	<b>-810</b>	<b>-3,076</b>	<b>47,051</b>	<b>39,656</b>
							-12,950	-12,486
							<b>34,101</b>	<b>27,170</b>
						<b>3,109</b>	-39	-2,985
							<b>34,062</b>	<b>24,185</b>
	-	-	-	-	-	-	<b>2,910</b>	<b>2,013</b>
	<b>858</b>	<b>776</b>	<b>41</b>	<b>213</b>	-	-	<b>3,917</b>	<b>4,002</b>
	124	-145	1,236	-	-	-	10,701	-7,607
	2,373	-1,946	7,284	-3,170	-	-	29,653	-32,027

[Table 47]

## GENERAL INFORMATION

### 1 Information about the company

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

Since it was founded in 1971, MLP has been operating as a broker and adviser for academics and other discerning clients in the fields of old-age provision including occupational pension provision, health care, financing, 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 International Financial Reporting Standards (IFRSs) 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 the basis of the historical cost convention with the exception that certain financial instruments are measured at fair value. MLP prepares its consolidated statement of financial position based on liquidity. This form of presentation offers information that is more relevant than if it were based on the time-to-maturity factor.

The consolidated income statement is prepared in accordance with the nature of expense method. The net income of discontinued operations is disclosed separately.

The consolidated financial statements are drawn up in euros (€), which is the functional currency of the parent company. Unless 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:

In the financial year 2010 the following new or amended standards were to be applied for the first time:

- Revision of IFRS 3 and IAS 27 “Business combinations Phase II”. The changes in the standards largely relate to the method used to account for business combinations, the recognition of goodwill and transactions with non-controlling interests. As a departure from the legal position hitherto, IFRS 3 and IAS 27, inter alia, provide for the following rules: (a) Incidental acquisition costs that are incurred when the business combination is created are to be recognised as expenditure. (b) In the amount of the fair value of contingent considerations the level of which depends on events that occur after acquisition (e. g. payments based on earn-out clauses), an asset, a liability or an equity instrument is to be recognised at the time of acquisition. (c) There is the option of capitalising the goodwill relating to the non-controlling interests using the full goodwill method. (d) Disposals of shares that do not involve a loss of control will be recognised as straightforward transactions between the shareholders, i.e. recognised directly in equity. The same applies to acquisitions of other shares in subsidiaries after control has been achieved.
- Amendment to IFRS 2 “group cash-settled share-based payment transactions”. The amendments clarify the accounting for group cash-settled share-based payment transactions. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.
- Improvements of IFRS 2009. In April 2009, the Board published a collection of amendments designed to change various IFRSs with the primary objective of removing inconsistencies and clarifying wordings. Each standard has its own transitional provisions.

The improvements to IFRS in April 2009 (adopted by the EU in March 2010) are particularly relevant for MLP with regard to the amendments to IAS 7 “Statement of Cashflows”. In accordance with the revised standard, cash outflows are now only to be classified as investing activities if they are associated with the capitalisation of assets. Accordingly, in the financial year 2010 MLP allocated € 3,284 thsd of net cash outflow in connection with the sale of subsidiaries to operating activities. In the absence of specific transitional provisions, the amendment to IAS 7 is to be applied retrospectively. As a consequence, € 4,882 thsd is now recognised as cashflow

from operating activities instead of cashflow from investing activities in the cashflow statement of the financial year 2009. Furthermore, IFRS 8 “Operating segments” has also been amended, to the extent that segment assets now only need to be disclosed when their amount is also regularly reported to the responsible company instance. This means the treatment of segment assets now follows the treatment of segment liabilities. Since these values are only determined for reporting purposes, MLP abstains from disclosing segment assets and segment liabilities. Because they are not relevant to MLP, the other amendments (IFRS 1, IFRIC 17, IFRIC 18) did not have any effects on the representation of the Group’s net assets, financial position or results of operations.

The application of the following new or amended standards and new interpretations was not yet binding for the financial year beginning on January 1, 2010, and they were not applied prematurely:

- Revision of IAS 24 “Related party disclosures”. The revision provides a simplification of disclosure requirements of state-controlled entities. Furthermore, the definition of “related party” has been revised. IAS 24 is to be applied to financial years beginning on or after January 1, 2011.
- Amendment to IAS 32 “Classification of rights issues”. The amendments state that certain rights issues, as well as options and warrants in foreign currency with the issuer to whose equity instruments these rights relate, are no longer to be reported as liabilities but as shareholders’ equity. IAS 32 is to be applied to financial years beginning on or after February 1, 2010.
- IFRS 9 “Financial instruments: classification and measurement”. IFRS 9 pursues a new, less complex approach for the classification of assets. IFRS 9 is to be applied, if accepted in its current form by the EU, to financial years beginning on or after January 1, 2013.
- Amendment to IFRS 7 “Financial instruments: Disclosures”. The amended standard requires additional disclosures in particular regarding financial assets that are derecognised in their entirety where the entity has a continuing involvement (e.g., through options, guarantees, etc.). Additional disclosures are required for transferred assets that are not derecognised in their entirety. IFRS 7 is to be applied, if accepted in its current form by the EU, to financial years beginning on or after July 1, 2011.
- Amendment to IFRIC 14 “Prepayment of a Minimum Funding Requirement”. The amendment applies in the limited circumstances of when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment came into force on January 1, 2011 with early adoption permitted for 2009 year-end financial statements. The amendments must be applied retrospectively to the earliest comparative period presented.

- IFRIC 19 “Extinguishing financial liabilities with equity instruments”. If a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability, those equity instruments are ‘consideration paid’. Accordingly, the debtor should derecognise the financial liability fully or partly. IFRIC 19 is to be applied to financial years beginning on or after July 1, 2010.
- Improvements of IFRS 2010. In May 2010, the Board published a collection of amendments designed to change various IFRSs with the primary objective of removing inconsistencies and clarifying wordings. Each standard has its own transitional provisions. The amendments are to be applied, if accepted in their current form by the EU, at the earliest to financial years beginning on or after July 1, 2010.

MLP expects that the new IFRS 9 will lead to changes with regard to the classification of financial assets. In all other cases, MLP is not expecting any effects on the representation of the Group’s net assets, financial position or results of operations. 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 Scope of consolidation and shares in associates

As in the previous year the scope of consolidation consists of MLP AG as parent company and seven fully consolidated German subsidiaries and one associate.

##### Subsidiaries

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, 2010 are listed in the table below:

Subsidiary	Shareholding in %	Shareholders’ equity (€’000)	Net profit (€’000)	First consolidated
MLP Finanzdienstleistungen AG, Wiesloch	100.00	79,548	– <sup>1)</sup>	Dec 31, 1997
TPC THE PENSION CONSULTANCY GmbH, Hamburg	100.00	314	– <sup>1)</sup>	Oct 8, 2004
ZSH GmbH Finanzdienstleistungen, Heidelberg	100.00	1,190	– <sup>1)</sup>	Feb 4, 2009
Feri Finance AG für Finanzplanung und Research, Bad Homburg v.d. Höhe	56.59	23,870	4,029	Oct 20, 2006
Feri Family Trust GmbH, Bad Homburg v.d. Höhe	56.59	3,244	– <sup>1)</sup>	Oct 20, 2006
Feri Institutional Advisors GmbH, Bad Homburg v.d.Höhe	56.59	1,914	– <sup>1)</sup>	Oct 20, 2006
Feri EuroRating Services AG, Bad Homburg v.d. Höhe	56.59	958	– <sup>1)</sup>	Oct 20, 2006

<sup>1)</sup>A profit and loss transfer agreement is in place.

[Table 48]

### Shares in associates

Associates are companies where MLP AG has significant influence on financial and operating policy, but which are neither subsidiaries nor joint ventures.

MLP Hyp GmbH, Schwetzingen is an associate in which MLP Finanzdienstleistungen AG holds a stake of 49.8% in total. The financial year of MLP Hyp GmbH corresponds to the calendar year.

## 5 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 cost of an acquisition exceeds the pro rata net fair value of the object to be acquired, goodwill corresponding to the difference is recognised. A negative difference is recognised as income in the period of the acquisition. The interest of other shareholders is measured in proportion to the net fair value of the assets of the subsidiary. MLP does not apply the full goodwill method. The results of the subsidiaries achieved during the financial year are included in the consolidated income statement from the effective date of their acquisition.

The consolidated financial statements contain no effects of intercompany transactions. 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 unrecognised differences between the IFRS carrying amounts and the tax values resulting from the consolidation.

### 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 equity method, the goodwill is not amortised, but in the case of indications it is tested for an impairment of the shares.

The acquisition costs are annually updated by taking into account the equity changes of the associates corresponding to MLP's equity share. Unrealised gains and losses from transactions with associates are eliminated based on the percentage of shares held. The changes of the pro rata shareholders' 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 using the equity method, but rather at the lesser of either the last carrying amount or the fair value minus costs of sale. In the statement of financial position these shares are to be disclosed under "Non-current assets held for sale and disposal groups".

#### Currency translation

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 closing rate on the closing date and expenses and income are translated based on monthly average rates. Translation differences are recognised directly in the equity with no effect on the operating result until the disposal of the subsidiary.

**Monetary items** (liquid funds, receivables, liabilities) measured in foreign currency are translated using the closing rate, while **non-monetary items** 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 other operating expenses and other revenue. In the financial year 2010, income of € 15 thsd (previous year: € 67 thsd) and expenses of € 56 thsd (previous year: € 89 thsd) resulted from currency translation effects.

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

## 6 Significant discretionary decisions, estimates and changes in estimates

On occasions, the preparation of the financial statements included in IFRS consolidated financial statements requires estimates, which influence the level of the disclosed assets and debts, the disclosures 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 disclosed under note 7. Significant discretionary decisions and estimates affect the following events:

MLP considers a lease agreement governing the commercial leasing of its building in Heidelberg, Forum 7, to be an operating lease, as the significant risks and rewards incident to ownership of the property was not transferred to the lessee. As at December 31, 2010, the carrying amount of the property stood at € 11,178 thsd (previous year: € 11,432 thsd).

MLP classifies € 83,379 thsd (previous year: € 45,385 thsd) of **financial instruments** as “held to maturity”. These financial instruments are fixed income securities that are quoted on the stock exchange. So far MLP has not sold or reclassified any financial instruments classified as “held to maturity” before maturity.

For the **evaluation of pension obligations**, MLP uses actuarial calculations to estimate future events for the calculation of the expenses, obligations and entitlements 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 interest rates of corporate bonds with an AA rating. As at December 31, 2010, the present value of provisions for pensions and other post-employment benefits payable under defined benefit plans was € 15,045 thsd (previous year: € 15,508 thsd). Further details of pension provisions are given in note 31.

**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. Allowances for losses on individual account amount to € 5,667 thsd as at December 31, 2010 (previous year: € 4,685 thsd). The impairment loss on portfolio basis as at December 31, 2010 was € 9,763 thsd (previous year: € 9,287 thsd). Alongside the receivables deducted from the allowances for losses on the assets side of € 15,429 thsd (previous year: € 13,971 thsd), the allowances for losses on loans and advances include provisions for credit risks of € 1,572 thsd (previous year: € 1,864 thsd).

The allowances for **other accounts receivable and other assets** essentially relate to receivables from branch office managers and consultants. Impairment of receivables from active consultants are recognised through the estimation of remaining terms and fluctuation rates, while impairment of receivables from former consultants are recognised on the basis of the factors of amount and age structure. In cases where MLP institutes enforcement or where insolvency proceedings are imminent or have already started, impairment losses are recognised on the basis of empirical values. The same applies to receivables which are disputed and where legal action is pending. MLP determines any impairment of receivables from active office managers in individual offices on the basis of an experience-based reference balance. Impairment of receivables from office managers no longer active for the company are established individually. Allowances for losses on individual account amount to € 9,979 thsd as at December 31, 2010 (previous year: € 7,746 thsd). The impairment loss on portfolio basis as at December 31, 2010 was € 5,665 thsd (previous year: € 6,983 thsd).

**Business combinations** require estimates of the fair value of the assets acquired, assumed debts and contingent 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 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 (market-price-oriented, capital-value-oriented and cost-oriented methods). For instance, when valuing trademarks and licences, the relief-from-royalty method may be appropriate, whereby the value of intangible assets is assessed on the basis of royalties saved for trademarks and licences held by the company itself.

Within the scope of several business combinations variable purchase prices have been agreed: The variable purchase prices, the maximum cash outflows and the maturities of liabilities in connection with the acquisition of ZSH GmbH Finanzdienstleistungen (ZSH), Property Fund Research Ltd., Reading, UK (PFR asset deal), TPC-Group GmbH (TPC) and Feri Finance AG are disclosed in the table below.

All figures in €'000	Carrying amount	Anticipated cash outflow	Maximum cash outflow	Date/period of payment
ZSH	769	831	831	2010-2011
PFR asset deal	112	128	771	2009-2013
TPC	0	0	29,000	2013
Feri Finance AG	0	0	127,262	April 15, 2011

[Table 49]

The carrying amount of the purchase price liability for ZSH was reduced by a payment on December 31, 2010.

The carrying amount of the variable purchase price liability for PFR has on the one hand been reduced in 2010 by a payment made and in addition MLP has reduced the valuation of the total variable purchase price component by € 536 thsd to € 356 thsd on December 31, 2010 and reduced the goodwill accordingly.

Since January 1, 2010, the variable purchase price component of TPC is valued at € 0 thsd (previous year: reduction by € 6,304 to € 0 thsd).

Since January 1, 2010, the variable purchase price component of Feri Finance AG is valued at € 0 thsd (previous year: reduction by € 5,000 thsd to € 0 thsd). As at December 31, 2010, the overall accrued liability from the fixed and variable purchase price component amounted to € 51,429 thsd (previous year: € 52,782 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 overall liability will become due with the actual transfer of shares.

Since the principal opportunities and risks associated with the shares that have not yet been transferred with legal effect rest with MLP, no non-controlling interests were recognised for Feri Finance. Profit distributions to the owners of Feri shares not yet transferred with legal effect will be recognised as interest charge. In the financial year 2010, an interest expense of € 653 thsd arising from such distributions had to be taken into account (previous year: € 2,368 thsd).

MLP tests **goodwill** from business combinations for impairment at least once a year. For the purpose of the impairment test, goodwill is 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 either the net selling price or the value in use of the cash-generating unit. For the allocation of goodwill, MLP identified the operating segments financial services, occupational pension provision and ZSH (all three of which are included in the “financial services” reporting segment), Feri Family Trust, Feri Institutional Advisors and Feri EuroRating Services (included in the “Feri” reporting segment) as relevant cash-generating units. Cash-generating units were allocated the following goodwill values arising from business combinations.

All figures in €'000	Dec 31, 2010	Dec 31, 2009
Financial services	22,042	22,042
Occupational pension provision	9,955	9,955
Feri Family Trust	23,702	23,702
Feri Institutional Advisors	24,030	24,030
Feri EuroRating Services	7,762	7,762
ZSH	4,272	4,272
	<b>91,763</b>	<b>91,763</b>

[Table 50]

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 2014 and 2015 respectively. For the period after that, the planning is based on an average growth rate of 1 % (previous year: 1 %). The cash flow figures for the detailed planning phase were discounted with weighted capital cost rates of 7.1 % – 9.8 % (previous year: 11.7 % to 13.3 %) before tax. Taking account of the growth rates, the discount rates for the period after the detailed planning phase range between 6.1 % and 8.8 % (previous year: 10.8 % and 12.7 %) before taxes.

As at December 31, 2010 total goodwill of € 91,763 thsd (previous year: € 91,763 thsd) had been capitalised. As in the previous year, the impairment test has confirmed the anticipated carrying amounts for goodwill.

Within the scope of its impairment testing MLP carried out sensitivity analyses. For this purpose the discount rates were alternatively increased by 1.0 % or the planned EBTs varied on the basis of past performance analyses. This variation of valuation parameters would have also not resulted in an impairment loss for recorded goodwill. The increase in the discount interest rates by one percentage point would have resulted in an impairment loss of € 1,117 thsd in the financial services segment.



**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: € 15,829 thsd). The brand is fully attributed to the group of cash-generating units of the “Feri” reporting segment. A fair value minus costs of disposal 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, as was the case in the previous year.

**Definite-lived intangible assets** need to be estimated with regard to the depreciation method. Useful life periods are defined on the basis of empirical values. A change in underlying economic conditions might require the choice of a different method. This can have a significant effect on the amount of depreciation. At MLP this mainly concerns client relations and software.

For the liability arising due to the premature loss of brokered insurance policies whereby commission that has been earned must be refunded in part, MLP sets up provisions for cancellation risks. MLP estimates the cancellation rate by product group, tariff and the period of the underlying policy that has already run on the basis of empirical values. The period in which MLP is obliged to refund portions of the commissions due to the premature loss of a policy is determined either by the statutory provisions of the German Insurance Act or the distribution agreements that have been concluded with the product providers. MLP will use the longer of these periods. As at December 31, 2010, the carrying amount of the provision amounts to € 15,759 thsd (previous year: € 15,921 thsd).

MLP has set up a share-based remuneration system for office managers, consultants and employees. The recognition of the anticipated expenditure arising from this system demands that assumptions be made about turnover and exercise rates. MLP uses empirical values to arrive at these assumptions. As at December 31, 2010, the carrying amount of the provision amounts to € 2,639 thsd (previous year: € 1,448 thsd).

Uncertainties exist with regard to the interpretation of complex tax regulations and the amount and the date of incurrence of taxable income. Based on reasonable estimates, MLP establishes provisions for potential effects of field tax audits.

## 7 Accounting policies

### Revenue recognition

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

MLP generates revenue from **commission**. This commission is in turn generated in the areas of old-age provision, wealth management, health insurance, non-life insurance, financing and other consulting services. In addition, **revenue from the interest rate business** is generated from transactions with MLP clients. Revenue from the interest rate business also includes interest income from the investment of funds of MLP Finanzdienstleistungen AG. Interest income from investment of funds from other Group companies is a constituent of the finance cost.

**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 old-age provision). They are realised according to the same principles as acquisition commissions. MLP receives partially recurrent **trailer fees** for brokered old-age provision and health insurance contracts. The company is usually entitled to these as long as premiums are payable for underlying contracts. MLP sets up provisions for cancellation risks based on empirical values with regard to its obligation to repay commissions received if brokered insurance policies are cancelled.

In the field of **old-age provision**, only commission income from the brokering of life insurance policies is included. In the areas of **non-life and health insurance**, commission income comes solely from the brokering of corresponding insurance products.

Revenue from **wealth management** includes issuing premiums, custody and account maintenance charges, fund management fees, as well as brokerage and trailer commission from wealth management mandates. Further wealth management revenue comes from research and rating services. Revenue is generated after service provision.

Commission income from the brokering of loans (credit brokering commission) is attributed to the revenue from **financing**. MLP realises brokerage commissions for loan brokerage after concluding the respective loan agreement.

**Other consulting income** is generated at the level to which consulting services are performed. They are paid in particular for consulting services to companies on setting up occupational pension provision schemes as well as consulting services in connection with medical practice financing and business start-ups.

**Revenue from the interest rate business** is earned by MLP for the duration of the capital investment in line with the effective interest method. Commissions that are part of the effective interest return of a receivable are treated as revenue from the interest rate business and recorded in those periods in which they are actually earned. They include **commitment interest** for giving loan commitments or taking over an existing liability. The company realises fees for other current handling and processing services (for example prematurity compensation) after providing these services.

**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.

### 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, MLP recognises the development costs as expenses in the period in which they were incurred. On initial recognition, individually acquired intangible assets are recorded at their acquisition costs. The costs of acquisition of intangible assets due to business combinations correspond to their fair values at the date of their acquisition.

**Definite-lived intangible assets** 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 no longer 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, MLP caters to this by adjusting the amortisation period or selecting a different amortisation method. MLP treats these changes as changes in estimates. Definite-lived intangible assets are tested for impairment whenever there are indications that these assets may be impaired.

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

### Intangible assets

	Useful life
Acquired software	3-7 years
Software created internally	3-5 years
Acquired trademark rights	10-15 years
Client relations/orders on hand	5-25 years

[Table 51]

**Indefinite-lived intangible assets** are not amortised. They are 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.

### Goodwill

Goodwill is valued at the excess of the business combination's acquisition cost over the acquired net assets on the date of addition. Subsequent to initial recognition, MLP measures goodwill at cost less cumulative impairment losses. MLP does not apply the full goodwill method pursuant to IFRS 3.18 (2008).

### Property, plant and equipment

Items of property, plant and equipment are measured at cost and, if applicable, less depreciation and impairment losses. MLP does not apply the revaluation method.

Depreciation takes place on a straight-line basis. Depreciation of the property, plant and equipment or components begins when an asset is ready for use. 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

	Useful life/residual value
Administration buildings	33 years to residual value
Land improvements	15-25 years
Leasehold improvements	Term of the respective lease
Furniture and fittings	5-25 years
IT hardware, IT cabling	3-13 years
Office equipment, office machines	3-13 years
Cars	6 years
Works of art	13-15 years

[Table 52]

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 estimated adjustments 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 applies the acquisition cost model when valuing real estate of this kind. Investment property is written off in accordance with the principles detailed for property, plant and equipment.

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 retirement or the disposal of an investment property are recognised at the time of their retirement 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 non-current 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 either the fair value of an asset less selling costs or the value in use. If an asset's carrying amount exceeds its recoverable amount on a permanent basis, 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 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 may not exceed what the amortised cost 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 may need to be 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.

### Impairment of goodwill

Goodwill is tested for impairment losses at least once a year and also at any time when there is indication of potential impairment losses on assets.

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 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 an operating segment in the sense of IFRS 8.

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 part of a cash-generating unit to which goodwill is allocated, the goodwill is regularly divided in proportion to the values of the sold and retained portion of the unit. The proportional goodwill allocated to the part that has been sold is included in the calculation of the profit from sale of discontinued operations.

### Leases

MLP operates as both a lessee and lessor to third parties. MLP determines 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.

Leases where all risks and rewards incident to ownership of the leased asset remain substantially with the Group are classified as operating leases.

MLP has not signed any agreements that essentially transfer all risks and rewards associated with the ownership of the leased asset to the lessee (finance leases). The further notes are therefore limited to operating leases.

**Group as lessor:** 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:** Rental payments under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. The same principle applies to benefits received and receivable that serve as an incentive to enter into an operating lease.

#### Financial instruments – General information

A financial instrument is a contract that simultaneously gives rise to a financial asset at one entity and a financial liability or equity instrument at the other entity. In the case of regular-way purchases and sales, financial instruments are recognised or derecognised in the statement of financial position 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. Financial instruments are either categorised as financial instruments measured at fair value, as loans and receivables, as available-for-sale financial instruments or as financial liabilities at amortised cost. The Group defines the classification of its financial instruments with initial recognition. 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.

The subsequent measurement of financial instruments depends on their classification as follows:

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 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 valued at amortised cost using the effective interest method. Impairment losses are charged to income if the recoverable amount falls below the carrying amount.

Financial instruments classified as “**Loans and receivables**” are non-derivative financial assets with fixed or determinable payments not traded on an active market. They are also measured at amortised cost using the effective interest method.

“**Available-for-sale**” financial instruments are non-derivative financial assets and are carried at their fair value. Changes in fair value between reporting dates are recognised directly in “Other equity” under the item “Securities marked to market”. Impairment losses and gains from currency translation under monetary items are excluded from this. These flow directly into earnings. 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 – Receivables from banking business

Receivables from banking business due from banks and receivables from clients for loans are recognised at amortised cost using the effective interest method. Charges and premiums/discounts are recognised as part of the actual interest return of the financial instrument 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 € 4,750 thsd (previous year: € 4,920 thsd). These are offset against interest rate swaps. 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 assets

The **financial assets** of the Group include shareholdings, loans, securities, debt securities and shares in investment funds.

**Investments** are capitalised as available-for-sale financial assets at their acquisition costs less any impairment losses. The investments represent equity instruments of non-consolidated companies. They are not traded on an active market. It is not possible to calculate their fair value reliably any other way.

**Loans** belong to the category “Loans and receivables”. These include fixed term deposits with a term of one day and up to five years.

**Securities** 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 financial assets, loans and investment funds are classified as “available for sale”.

#### Financial instruments – Other accounts receivable and other assets

Other accounts receivable 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, deposits at the Deutsche Bundesbank and due on demand bank deposits insofar as these are not to be allocated to the banking business of MLP Finanzdienstleistungen AG. They are measured at face value.

#### Financial instruments – Impairment

MLP tests the carrying amounts of the financial assets that are not measured at fair value through profit and loss individually at each closing date to determine whether there is objective, material evidence of **impairment of the financial assets**. For receivables from banking business and for other receivables and other assets, impairment losses on portfolio basis are formed for receivables for which no specific allowances are recognised. The allowances are determined based on the dunning level, the age of the receivables and on the basis of the past experience. Any impairment losses at the level of the difference between the carrying amount and lower recoverable amount are recognised in profit or loss on the corresponding impairment account. If a receivable is uncollectable (i.e. payment is almost certainly impossible), it will be written off.



If changes to the fair value of available-for-sale financial assets led to formation of a negative reserve in the shareholders' equity, these must now be reclassified from equity in the amount of the impairment determined 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. MLP records any further increase of the fair value under shareholders' equity with no effect on the operating result. A write-up of financial instruments "available for sale" recognise on the statement of financial position will not take place.

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 expected future cash flows are discounted using the current interest rate that corresponds to the investment's special risk position.

#### 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, if applicable including deduction of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

#### Financial instruments – Other liabilities

Trade accounts payable and other liabilities are recognised at amortised cost.

#### Financial instruments – Derivative financial instruments

The derivative financial instruments of the MLP Group primarily cover interest rate swaps. They are initially recognised at fair value excluding transaction costs and subsequently remeasured at fair value. Derivatives with positive market values are recognised in the statement of financial position item "Other accounts receivable and other assets" and derivatives with negative market values in the item "Other 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.

#### Non-current assets held for sale and disposal groups

Individual, formerly non-current assets and disposal groups, whose sale is to be expected within twelve months after classification as "held for sale" are recorded either at the adjusted carrying amount at the time of reclassification or their fair value minus the costs to sell.

### 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. For the recognition of gains or losses resulting from the difference between the projected pension obligation and the actual defined benefit obligation MLP makes use of the option of only recognising gains and losses if they breach the 10% limit of the defined benefit obligation (corridor method).

Payments for defined contribution plans represent the costs for periods 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), MLP recognises the reimbursement 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.

### 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 other operating expenses over the period during which the vesting conditions are to be met. This time period ends as soon as the eligible employee is irrevocably entitled to receive the awards. 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 or as commission expenses and at the same time as a provision. The fair value determined based on the Monte-Carlo simulation or another suitable valuation model is recalculated on each reporting date and on the payment date. Any change to the fair value is to be recognised 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.

## Taxes

Actual **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 reporting date.

**Deferred taxes** are recognised in accordance with the statement of financial position liability method for all taxable unrecognised differences existing on the reporting date between the values of the IFRS consolidated statement of financial position and the taxable values of the individual companies.

Deferred taxes are measured at the tax rates that apply when an asset is realised or a liability settled. They are recognised in the income statement, except where the temporary difference has a direct effect on equity.

Deferred tax liabilities are recognised for all taxable temporary differences. This does not apply to unrecognised differences arising from the initial recognition of goodwill or from the recognition of other assets or liabilities for the first time that do not result from a business combination and which neither affect the taxable income nor net income at the date of recognition.

In addition to tax advantages from deductible unrecognised differences, deferred tax assets also comprise tax load reducing claims resulting from an expected future carryover of existing losses. No consideration is made for deductible unrecognised differences in the case of assets or liabilities which do not result from a business combination and which neither affect the taxable income nor net income at the date of recognition.

Deferred tax assets are recognised if it is probable that there will be offsetable taxable income available at the time of reversing the deductible temporary differences or that loss carryforwards can be used within a limited timeframe. Deferred tax assets are reviewed at each reporting 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 reporting date and recognised to the extent that it has become probable that future taxable profit will make realisation possible.

Deferred tax assets and deferred tax liabilities are offset against one another if there is 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.

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

**8 Revenue**

All figures in €'000	2010	2009
Old-age provision	288,273	311,144
Wealth management	78,539	71,559
Health insurance	61,273	46,487
Non-life insurance	27,882	26,488
Financing	12,196	12,609
Other commission and fees	4,006	4,122
<b>Commission and fees</b>	<b>472,169</b>	<b>472,408</b>
<b>Interest Income</b>	<b>25,154</b>	<b>31,367</b>
<b>Total</b>	<b>497,322</b>	<b>503,775</b>

[Table 53]

**9 Other revenue**

All figures in €'000	2010	2009
Cost transfers to commercial agents	7,424	7,800
Income from re-insuring pension obligations	–	3,888
Income from investments	3,236	1,941
Reversal of impairment losses/income from written-off receivables	2,984	1,854
Income from the reversal of deferred obligations	2,222	1,846
Remuneration of management	1,807	1,797
Rent	1,351	1,252
Income from the adjustment of variable purchase price liabilities	–	942
Income from the reversal of provisions	1,469	890
Own work capitalised	434	479
Income from securities of the participation programme	269	239
Sundry other income	4,063	5,441
<b>Total</b>	<b>25,259</b>	<b>28,368</b>

[Table 54]

The sub-item “Cost transfers to commercial agents” covers among other things income from the renting out of laptops and the cost transfers of other material costs.

As of 2010 employer's liability insurance policies fulfil the conditions of plan assets. For this reason, the claims from reinsurance policies are netted against corresponding pension provisions in the statement of financial position. The total of insurance premiums, income from plan assets and current service cost are recorded under other operating expenses.

The "Income from investments" is mainly attributable to foreign subsidiaries.

The item "Reversal of impairment losses/income from written-off receivables" relates to the items "Receivables from clients from the banking business" and "Other accounts receivable and other assets," which is offset by allowances for bad debts disclosed under "Other operating expenses".

The item "Remuneration of management" contains pre-allocated profits due to management tasks for private equity companies.

## 10 Commission expenses

Commission expenses mainly consist of the commission payments and other remuneration components for the self-employed MLP consultants.

## 11 Interest expenses

All figures in €'000	2010	2009
<b>Interest and similar expenses</b>		
Financial instruments measured at amortised cost	8,503	11,992
Available-for-sale financial instruments	222	70
<b>Change fair value option</b>		
Financial instruments at fair value through profit and loss	346	194
<b>Total</b>	<b>9,071</b>	<b>12,256</b>

[Table 55]

## 12 Personnel expenses

All figures in €'000	2010	2009
Salaries and wages	91,017	94,406
Social security contributions	12,178	12,798
Expenses for old-age provisions and benefits	2,679	4,184
<b>Total</b>	<b>105,874</b>	<b>111,387</b>

[Table 56]

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, such as social security insurance premiums. Expenses for old-age provisions and benefits mainly include the employer's shares of supplementary occupational provision.

## 13 Depreciation/amortisation and impairment

All figures in €'000	2010	2009
Depreciation/amortisation		
Intangible assets	9,710	11,331
Property, plant and equipment	5,870	6,507
Investment property	267	268
	<b>15,848</b>	<b>18,106</b>
Impairment		
Property, plant and equipment	0	14
	0	14
<b>Total</b>	<b>15,848</b>	<b>18,120</b>

[Table 57]

The development of the non-current assets is disclosed in note 17 (intangible assets), note 18 (property, plant and equipment) and note 19 (investment property).

## 14 Other operating expenses

All figures in €'000	2010	2009
IT operations	48,471	44,750
Rental and leasing	16,065	18,957
Consultancy	14,307	18,212
Administration operations	14,071	14,581
External services – banking business	7,643	8,027
Representation and advertising	7,014	10,234
Write-downs and impairments of other receivables and other assets	5,281	4,085
Expenses for commercial agents	5,153	5,547
Premiums and fees	4,997	5,715
Training and further education	4,086	4,134
Write-downs and impairments of other receivables from clients in the banking business	4,081	3,494
Travel expenses	3,886	4,824
Insurance	2,957	6,378
Entertainment	2,940	3,260
Maintenance	1,745	2,028
Audit	1,136	956
Other personnel costs	1,108	1,176
Expenses from the disposal of assets	68	460
Sundry other operating expenses	12,359	9,129
<b>Total</b>	<b>157,368</b>	<b>165,947</b>

[Table 58]

The costs of IT operations are mainly attributable to IT services and computer centre services that have been outsourced to an external service provider. The consulting costs are made up of tax advice costs, legal advice costs as well as general and IT consulting costs. The consulting costs in 2009 contained one-off expenses in connection with takeover defence measures. The expenses for administration operations contain costs relating to building operations, office costs and communication costs. External services – banking business mainly contain securities settlement and transaction costs in connection with the MLP credit card. The costs recognised under representation and advertising are attributable to media presence and client information activities. Write-downs and impairments of other accounts receivable and other assets comprise allowances for receivables from commercial agents. The expense for commercial agents includes expenses for former consultants and the training allowance for new consultants. Insurance premiums were netted against the income from the employer's liability insurance for pension obligations in the reporting year. Sundry other operating expenses mainly consist of external services, car costs, donations and specialist literature. In addition, this item also includes expenses in connection with the participation programme for commercial agents and employees.

## 15 Earnings from shares accounted for using the equity method

All figures in €'000	2010	2009
Revenue of MLP Hyp GmbH, Schwetzingen	7,675	4,835
Earnings of MLP Hyp GmbH, Schwetzingen	1,947	739
<b>Earnings from shares accounted for using the equity method</b>	<b>1,265</b>	<b>368</b>

[Table 59]

## 16 Finance cost

All figures in €'000	2010	2009
<b>Other interest and similar income</b>	<b>6,282</b>	<b>7,820</b>
Interest from financial instruments	-5,083	-9,709
Accrued interest on pension provisions	-1,060	-527
Losses on the disposal of financial assets	-110	-110
<b>Other interest and similar expenses</b>	<b>-6,254</b>	<b>-10,346</b>
<b>Finance cost</b>	<b>28</b>	<b>-2,526</b>

[Table 60]

The reduction in other interest and similar income is essentially attributable to lower interest rates for cash holdings. The fall in other interest and similar expenses is mainly due to lower distributions to other shareholders of Feri Finance AG amounting to € 653 thsd (previous year: € 2,368 thsd) and the abolition of interest charges on tax liabilities, recognised in the previous year due to a tax audit. This is offset by higher write-downs of financial assets amounting to € 1,277 thsd (previous year: € 35 thsd).



## NOTES TO THE STATEMENT OF FINANCIAL POSITION

## 17 Intangible assets

All figures in €'000	Goodwill	Software (created internally)	Software (purchased)	Advance payments and developments in progress	Other intangible assets	Total
<b>Acquisition costs</b>						
<b>As at Jan 1, 2009</b>	<b>98,798</b>	<b>15,953</b>	<b>75,751</b>	<b>520</b>	<b>39,037</b>	<b>230,059</b>
Changes to the scope of consolidation	4,272	–	2,227	–	8,402	14,901
Adjustment of purchase price allocation	–11,304	–	–	–	–	–11,304
Additions	–	463	448	1,478	5	2,395
Disposals	–	–	–	–199	–40	–239
Transfers	–	–	1,720	–1,720	–	0
Discontinued operation	–	–	–3	–	–	–3
<b>As at Dec 31, 2009</b>	<b>91,766</b>	<b>16,417</b>	<b>80,143</b>	<b>80</b>	<b>47,404</b>	<b>235,810</b>
Additions	–	434	370	1,432	37	2,273
Disposals	–536	–	–29	–	–82	–647
Transfers	–	–	31	–31	–	0
<b>As at Dec 31, 2010</b>	<b>91,229</b>	<b>16,851</b>	<b>80,515</b>	<b>1,482</b>	<b>47,359</b>	<b>237,436</b>
<b>Amortisation and impairment</b>						
<b>As at Jan 1, 2009</b>	<b>3</b>	<b>15,024</b>	<b>48,843</b>	<b>–</b>	<b>3,767</b>	<b>67,637</b>
Changes to the scope of consolidation	–	–	665	–	81	746
Amortisation	–	787	8,198	–	2,346	11,331
Impairment	–	–	0	–	–	0
Reversal of impairment	–	–	–41	–	–	–41
Discontinued operation	–	–	–3	–	–	–3
<b>As at Dec 31, 2009</b>	<b>3</b>	<b>15,811</b>	<b>57,664</b>	<b>–</b>	<b>6,194</b>	<b>79,671</b>
Amortisation	–	482	6,868	–	2,361	9,710
Disposals	–	–	–20	–	–82	–102
<b>As at Dec 31, 2010</b>	<b>3</b>	<b>16,293</b>	<b>64,511</b>	<b>–</b>	<b>8,473</b>	<b>89,280</b>
Carrying amount Jan 1, 2009	98,795	929	26,907	520	35,270	162,422
<b>Carrying amount Dec 31, 2009</b>	<b>91,763</b>	<b>605</b>	<b>22,480</b>	<b>80</b>	<b>41,210</b>	<b>156,138</b>
Carrying amount Jan 1, 2010	91,763	605	22,480	80	41,210	156,138
<b>Carrying amount Dec 31, 2010</b>	<b>91,227</b>	<b>558</b>	<b>16,004</b>	<b>1,482</b>	<b>38,886</b>	<b>148,157</b>

[Table 61]

Intangible assets created in-house concern development costs for internally developed software. All development costs incurred in the financial year 2010 met the criteria for capitalisation in line with IAS 38.57 (2010: € 434 thsd; 2009: € 479 thsd).

The other intangible assets obtained include client relations, orders on hand, licences and similar rights.

“Changes to the scope of consolidation” comprise the acquisition of all shares in ZSH in the previous year. As in the previous year, there was no need for an impairment of capitalised goodwill in the financial year 2010 (see note 6).

The item “Adjustment of purchase price allocation” shows changes due to the adjustment of variable purchase price components (see note 6).

Amortisation and impairment of intangible assets relating to continuing operations is shown in note 13. No amortisation or impairment charge was recognised for discontinued operations in the financial year (previous year: € 1 thsd).

There are no restraints and pledges with regard to intangible assets. As at December 31, 2010 there are no contractual obligations for the purchase of intangible assets.

## 18 Property, plant and equipment

All figures in €'000	Land, leasehold rights and buildings	Other fixtures, fittings and office equipment	Payments on account and assets under construction	Total
<b>Acquisition costs</b>				
<b>As at Jan 1, 2009</b>	<b>81,752</b>	<b>63,442</b>	<b>456</b>	<b>145,650</b>
Changes to the scope of consolidation	4,121	2,340	–	6,461
Additions	249	1,196	162	1,607
Disposals	–415	–2,181	–231	–2,828
Transfers	357	27	–384	0
Reclassification of IFRS 5 issues	–87	–117	–	–204
<b>As at Dec 31, 2009</b>	<b>85,976</b>	<b>64,707</b>	<b>4</b>	<b>150,686</b>
Additions	115	1,129	386	1,630
Disposals	–797	–2,107	–	–2,904
Transfers	289	8	–297	0
<b>As at Dec 31, 2010</b>	<b>85,583</b>	<b>63,737</b>	<b>92</b>	<b>149,412</b>
<b>Depreciation and impairment</b>				
<b>As at Jan 1, 2009</b>	<b>21,545</b>	<b>43,696</b>	<b>–</b>	<b>65,241</b>
Changes to the scope of consolidation	603	1,766	–	2,369
Depreciation	2,282	4,228	–	6,510
Impairment	83	78	–	160
Disposals	–302	–1,869	–	–2,171
Reclassification of IFRS 5 issues	–87	–117	–	–204
<b>As at Dec 31, 2009</b>	<b>24,123</b>	<b>47,782</b>	<b>–</b>	<b>71,905</b>
Depreciation	2,192	3,678	–	5,870
Impairment	–	0	–	0
Disposals	–783	–1,984	–	–2,767
Transfers	1	–1	–	0
<b>As at Dec 31, 2010</b>	<b>25,534</b>	<b>49,475</b>	<b>–</b>	<b>75,009</b>
Carrying amount Jan 1, 2009	60,206	19,746	456	80,409
<b>Carrying amount Dec 31, 2009</b>	<b>61,853</b>	<b>16,925</b>	<b>4</b>	<b>78,781</b>
Carrying amount Jan 1, 2010	61,853	16,925	4	78,781
<b>Carrying amount Dec 31, 2010</b>	<b>60,049</b>	<b>14,262</b>	<b>92</b>	<b>74,403</b>

[Table 62]

Depreciation and impairment relating to continuing operations is shown in note 13. No depreciation or impairment charge was recognised for discontinued operations in the financial year. In the previous year depreciation costs of € 3 thsd and impairment losses of € 147 thsd were attributable to discontinued operations.

There are no restraints or pledges with regard to property, plant and equipment. Contractual obligations for the purchase of property, plant and equipment amount to € 9 thsd as at December 31, 2010.

## 19 Investment property

All figures in €'000	Investment property
<b>Acquisition costs</b>	
<b>As at Jan 1, 2009</b>	<b>25,033</b>
<b>As at Dec 31, 2009</b>	<b>25,033</b>
Additions	14
<b>As at Dec 31, 2010</b>	<b>25,047</b>
<b>Depreciation and impairment</b>	
<b>As at Jan 1, 2009</b>	<b>13,333</b>
Depreciation	268
<b>As at Dec 31, 2009</b>	<b>13,601</b>
Depreciation	267
<b>As at Dec 31, 2010</b>	<b>13,868</b>
Carrying amount Jan 1, 2009	11,700
<b>Carrying amount Dec 31, 2009</b>	<b>11,432</b>
Carrying amount Jan 1, 2010	11,432
<b>Carrying amount Dec 31, 2010</b>	<b>11,178</b>

[Table 63]

The investment property held by the Group concerns an office and administration building which is rented out under an operating lease. As at December 31, 2010, the value in use is € 11,132 thsd (previous year: € 11,468 thsd). This evaluation was carried out in line with the gross rental method for buildings and with the sales comparison approach for land.

In order to calculate the land value, the standard land value is used as a basis, taking into account the derived floor space index in accordance with the advice of the local expert advisory committee. There was no change compared to the previous year.

The gross rental value is determined on an estimate of the sustainable gross rental income. Taking into account the specific location of the real estate and the estimated development of the rental tariffs of comparable objects at the same location, the sustainable annual gross proceeds have been reduced marginally compared to the previous year. The anticipated property return is 5.5 % (previous year: 5.5 %).

Rent income from the letting of investment property held by the Group amounts to € 1,261 thsd in 2010 (previous year: € 1,252 thsd). The expenses in connection with the investment property totalled € 346 thsd in the financial year 2010 (previous year: € 417 thsd).

As a lessor, MLP is obliged to maintain the exterior of the building and the technical equipment and facilities.

The total of minimum leasing payments due to irredeemable operating leases breaks down as follows:

< 1 year	>= 1 - < 5 years	>= 5 years	Total
€ 1,261 thsd	€ 4,731 thsd	€ 0 thsd	€ 5,992 thsd

## 20 Shares accounted for using the equity method

The shares accounted for using the equity method relate only to the 49.8% share in MLP Hyp GmbH and have developed as follows:

All figures in €'000	2010	2009
Share as at Jan 1	2,013	2,319
Dividend payouts	- 368	- 674
Pro rata profit after tax	1,265	368
<b>Share as at Dec 31</b>	<b>2,910</b>	<b>2,013</b>

[Table 64]

The following table contains summarised financial information on MLP Hyp GmbH:

All figures in €'000	Dec 31, 2010	Dec 31, 2009
Assets of MLP Hyp GmbH	5,887	4,405
Outstanding debts of MLP Hyp GmbH	940	665
Shareholders' equity	4,947	3,739
<b>Equity attributable to MLP (49.8%)</b>	<b>2,464</b>	<b>1,862</b>

[Table 65]

## 21 Receivables from banking business

The statement of financial position items "Receivables from clients in the banking business" and "Receivables from banks in the banking business" are summarised in the table below.

All figures in €'000	Dec 31, 2010			Dec 31, 2009		
	Current	Non-current	Total	Current	Non-current	Total
Receivables from banks	460,023	25,000	485,023	485,701	12,500	498,201
Receivables from clients	145,306	213,577	358,882	139,026	188,439	327,465
<b>Total, gross</b>	<b>605,329</b>	<b>238,577</b>	<b>843,906</b>	<b>624,727</b>	<b>200,939</b>	<b>825,665</b>
Impairment	-11,323	-4,106	-15,429	-10,745	-3,226	-13,791
<b>Total, net</b>	<b>594,005</b>	<b>234,471</b>	<b>828,476</b>	<b>613,982</b>	<b>197,712</b>	<b>811,694</b>

[Table 66]

The **receivables from clients** mainly concern receivables from loans, current accounts and credit cards.

All figures in €'000	Gross value at Dec 31, 2010	Of which financial assets at Dec 31, 2010	Financial assets at Dec 31, 2010, neither impaired nor overdue	Financial assets at Dec 31, 2010, neither impaired nor overdue within the following time span		
				< 90 days	90-180 days	> 180 days
Receivables from clients	358,882	358,882	348,726	1,415	155	767
<b>Total</b>	<b>358,882</b>	<b>358,882</b>	<b>348,726</b>	<b>1,415</b>	<b>155</b>	<b>767</b>

[Table 67]

All figures in €'000	Gross value at Dec 31, 2009	Of which financial assets at Dec 31, 2009	Financial assets at Dec 31, 2009, neither impaired nor overdue	Financial assets at Dec 31, 2009, neither impaired nor overdue within the following time span		
				< 90 days	90-180 days	> 180 days
Receivables from clients	327,465	327,465	316,518	3,554	397	2,121
<b>Total</b>	<b>327,465</b>	<b>327,465</b>	<b>316,518</b>	<b>3,554</b>	<b>397</b>	<b>2,121</b>

[Table 68]

Receivables from clients due to originated loans are generally secured by mortgages (€ 47,584 thsd), liens predominantly on securities (€ 14,020 thsd) or assignments (€ 12,287 thsd). 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, at the closing date there was nothing to indicate that debtors will not meet their payment obligations.

Receivables from banking business for which new terms were agreed and which would otherwise have been overdue or impaired amounted to € 251 thsd on the closing date (previous year: € 250 thsd).

Due to defaults of debtors of € 1,853 thsd during the financial year (previous year: € 1,717 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 € 1,853 thsd at the closing date (previous year: € 1,717 thsd). The assets mainly concern receivables from claimed life insurance policies.

Overdue accounts receivable for which no specific allowance has been made are secured with customary banking collaterals. Accounts receivable for which a specific allowance has been made are secured with customary banking collaterals amounting to € 1,549 thsd (previous year: € 1,951 thsd).

Allowances for losses on individual accounts of € 5,667 thsd (previous year: € 4,685 thsd) and impairment losses on portfolio basis of € 9,763 thsd (previous year: € 9,287 thsd) were recognised for counterparty default risks. Alongside the receivables deducted from the allowances for losses on the assets side of € 15,429 thsd (previous year: € 13,971 thsd), the allowances for losses on loans and advances include provisions for credit risks of € 1,572 thsd (previous year: € 1,864 thsd). Thus the total allowance for losses is € 17,001 thsd (previous year: € 15,835 thsd).

	Allowances for losses on individual account		Impairment loss on portfolio basis		Provisions		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
All figures in €'000								
As at Jan 1	4,685	3,751	9,287	9,390	1,864	1,614	15,835	14,754
Allocation/reclassification	1,956	1,143	1,221	478	163	746	3,340	2,367
Reversal/utilised	-974	-209	-745	-581	-456	-495	-2,174	-1,285
As at Dec 31	5,667	4,685	9,763	9,287	1,572	1,864	17,001	15,835
Of which allowances for bad debts measured at amortised cost	5,667	4,685	9,763	9,287	1,572	1,864	17,001	15,835

[Table 69]

Taking into account total direct amortisation of € 2,920 thsd (previous year: € 2,367 thsd) allocations to impairment losses recognised in the income statement of € 1,169 thsd (previous year: € 1,265 thsd) and reversals of € 1,161 thsd (previous year: € 1,123 thsd) resulted in a net cost of allowances for losses of € 2,707 thsd (previous year: € 2,001 thsd).

Accounts receivable for which specific allowances have been made total € 7,819 thsd (previous year: € 6,996 thsd). For € 1,224 thsd of these (previous year: € 2,235 thsd) the impairment was less than 50 % of the gross receivable, the remaining volume was written down by more than 50 %. The allowance for bad debts amounts to € 5,667 thsd (previous year: € 4,685 thsd). This corresponds to a percentage of 72 % (previous year 67 %)

Receivables from banks mainly concern time deposits. The accounts receivable with up to one year remaining to maturity amount to € 460,023 thsd (previous year: € 485,701 thsd), while those with more than one year remaining to maturity amount to € 25,000 thsd (previous year: € 12,500 thsd). The receivables are not collateralised. At the closing date there are no receivables from banks which are overdue or impaired.

More information on receivables from banking business is disclosed in note 38.

## 22 Financial assets

All figures in €'000	Dec 31, 2010	Dec 31, 2009
Available for sale		
Debt securities and holdings in investment funds	40,639	33,424
Investments	3,385	3,398
Held-to-maturity securities	83,379	45,385
Loans and receivables	125,284	110,183
<b>Total</b>	<b>252,687</b>	<b>192,389</b>

[Table 70]

### Available-for-sale debt securities and holdings in investment funds

All figures in €'000	(Amortised) acquisition costs		Accumulated unrealised gains		Accumulated unrealised losses		Market values	
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
Debt securities								
up to 1 year	–	–	–	–	–	–	–	–
more than 1 year and up to 5 years	22,888	16,582	129	–	–	–1,975	20,651	14,659
more than 5 years	–	–	–	–	–	–	–	–
Investment funds	–	18,408	1,576	709	–404	–353	19,988	18,764
<b>Total</b>	<b>22,888</b>	<b>34,991</b>	<b>1,705</b>	<b>709</b>	<b>–404</b>	<b>–2,327</b>	<b>40,639</b>	<b>33,424</b>

[Table 71]



Unrealised gains of € 2,937 thsd (previous year: € 0 thsd) and no unrealised losses (previous year: € 1,398 thsd) were taken directly to shareholders' equity "Securities marked to market" in the period under review. The realisation of losses from the market valuation of securities contributes € -3,771 thsd (previous year: € 1,086 thsd) to the net income for the period.

When determining realised gains and losses on securities and investment funds it is assumed that financial assets will be sold in the order they were acquired.

### Held-to-maturity securities

All figures in €'000	Amortised costs		Market values	
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
Securities				
up to 1 year	13,646	-	12,936	-
more than 1 year and up to 5 years	57,234	45,385	58,744	46,066
more than 5 years	12,500	-	12,450	-
<b>Total</b>	<b>83,379</b>	<b>45,385</b>	<b>84,131</b>	<b>46,066</b>

[Table 72]

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

Loans amount to a total of € 125,284 thsd (previous year: € 110,183 thsd), of which € 125,284 thsd (previous year: € 70,183 thsd) have a remaining term of up to one year.

### Assets pledged as collateral

A security amounting to € 1,035 thsd with a face value of € 1,000 thsd was pledged to Deutsche WertpapierService Bank AG as collateral for liabilities arising from security transactions. All collaterals transferred can only be utilised by the collateral taker in the event that MLP Finanzdienstleistungen AG is not able to meet its payment obligations on a permanent basis.

The availability of liquidity facilities provided by Deutsche Bundesbank is collateralised by marketable securities amounting to € 33,903 thsd with a face value of € 33,750 thsd.

For further disclosures regarding financial assets, please refer to note 38.

### 23 Other accounts receivable and other assets

All figures in €'000	Dec 31, 2010			Dec 31, 2009		
	Current	Non-current	Total	Current	Non-current	Total
Trade accounts receivable	61,740	–	61,740	63,000	–	63,000
Receivables from commercial agents	11,655	23,157	34,812	13,051	23,264	36,315
Advance payments	12,975	–	12,975	20,041	–	20,041
Interest derivatives	506	–	506	–	1,358	1,358
Purchase price receivables for MLP Finanzdienstleistungen AG, Austria	2,422	3,913	6,336	–	7,404	7,404
Other assets	20,656	618	21,274	18,049	649	18,698
<b>Total, gross</b>	<b>109,955</b>	<b>27,688</b>	<b>137,643</b>	<b>114,141</b>	<b>32,676</b>	<b>146,817</b>
Impairment	–3,747	–11,897	–15,644	–3,778	–10,951	–14,729
<b>Total, net</b>	<b>106,208</b>	<b>15,791</b>	<b>121,999</b>	<b>110,363</b>	<b>21,725</b>	<b>132,088</b>

[Table 73]

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 in advance on commissions for unit-linked life insurance policies.

The purchase price receivable from the sale of the shares in MLP Finanzdienstleistungen AG, Austria is due from AFSH GmbH, a subsidiary of Aragon AG. Further information on the purchase price can be found in note 36.

The other assets mainly comprise accrued receivables and income tax receivables amounting to € 7,834 thsd, which result from the field tax audit completed in 2009 and are connected to the discontinued foreign operations of MLP Finanzdienstleistungen AG. MLP considers it highly likely that this amount can be reclaimed by the financial authorities, if necessary following legal procedures. MLP appealed against the corporation tax statements resulting from the 2009 tax audit keeping within the applicable notice period.

The allowances for bad debts and other assets are as follows:

All figures in €'000	2010	2009
<b>Impairments as at Jan 1</b>	<b>14,729</b>	<b>12,839</b>
Utilisation	-2,071	-1,836
Allocation	4,998	4,089
Reversals	-1,593	-364
Reclassification of other statement of financial position items	-420	-
<b>Impairment losses as at Dec 31</b>	<b>15,644</b>	<b>14,729</b>

[Table 74]

Other accounts receivable and other assets are usually not collateralised. With regard to other accounts receivable and other assets which are neither impaired nor overdue, there is nothing to indicate 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 written down.

All figures in €'000	Gross value at Dec 31, 2010	Of which financial assets at Dec 31, 2010	Financial assets at Dec 31, 2010, neither impaired nor overdue	Financial assets at Dec 31, 2010, neither impaired nor overdue within the following time span		
				< 90 days	90-180 days	> 180 days
Trade accounts receivable	61,740	61,740	58,418	1,698	568	842
Receivables from commercial agents	34,812	34,812	24,069	359	283	236
Advance payments	12,975	12,975	12,975	-	-	-
Interest derivatives	506	506	506	-	-	-
Purchase price receivables for MLP Finanzdienstleistungen AG, Austria	6,336	6,336	5,025	-	1,310	-
Other assets	21,274	6,640	5,833	-	-	27
<b>Total</b>	<b>137,643</b>	<b>123,008</b>	<b>106,827</b>	<b>2,057</b>	<b>2,161</b>	<b>1,106</b>

[Table 75]

All figures in €'000	Gross value at Dec 31, 2009	Of which financial assets at Dec 31, 2009	Financial assets at Dec 31, 2009 neither impaired nor overdue	Financial assets at Dec 31, 2009 neither impaired nor overdue within the following time span		
				< 90 days	90-180 days	> 180 days
Trade accounts receivable	63,000	63,000	60,204	1,575	89	920
Receivables from commercial agents	36,315	36,315	28,214	228	92	304
Advance payments	20,041	20,041	20,041	–	–	–
Interest derivatives	1,358	1,358	1,358	–	–	–
Purchase price receivables for MLP Finanzdienstleistungen AG, Austria	7,404	7,404	7,404	–	–	–
Other assets	18,698	5,334	4,432	3	–	127
<b>Total</b>	<b>146,817</b>	<b>133,453</b>	<b>121,654</b>	<b>1,805</b>	<b>181</b>	<b>1,350</b>

[Table 76]

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 disputed and where legal action is pending. As at December 31, 2010, receivables for which specific allowances have been made amount to a total of € 10,858 thsd (previous year: € 8,462 thsd). For € 732 thsd of these (previous year: € 349 thsd) the allowance for bad debts was less than 50% of the gross receivable, the remaining volume was written down by more than 50%. The impairment loss comes to a total of € 9,979 thsd (previous year: € 7,746 thsd). This corresponds to an average impairment rate of 92% (previous year: 92%).

Additional information on the other receivables and assets is given in note 38.

## 24 Cash and cash equivalents

All figures in €'000	Dec 31, 2010	Dec 31, 2009
Bank deposits	26,621	34,651
Deposits at Deutsche Bundesbank	23,728	20,173
Cash on hand	121	144
<b>Total</b>	<b>50,470</b>	<b>54,968</b>

[Table 77]

Changes in cash and cash equivalents during the financial year are shown in the cash flow statement.

## 25 Shareholders' equity

All figures in €'000	Dec 31, 2010	Dec 31, 2009
Share capital	107,878	107,878
Capital reserves	142,184	142,184
Securities marked to market	1,193	-1,573
Other equity	177,136	170,044
<b>Total</b>	<b>428,390</b>	<b>418,532</b>

[Table 78]

### Changes in the fully paid-in shares outstanding

No. of shares	2010	2009
As at Jan 1	107,877,738	107,861,141
Conversion of convertible debentures	-	16,597
<b>As at Dec 31</b>	<b>107,877,738</b>	<b>107,877,738</b>

[Table 79]

### Share capital

The share capital of MLP AG is made up of 107,877,738 (December 31, 2009: 107,877,738) no-par-value shares. No new no-par-value shares were issued in the financial year 2010 up to December 31, 2010 as no conversion rights were exercised. 258,665 new no-par-value shares had previously been issued by exchanging convertible debentures. For further details on share-based payments, please refer to note 30.

### Conditional capital

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

Based on a resolution passed by the Annual General Meeting on May 20, 2010, the Executive Board is authorised, with the Supervisory Board's consent, to increase the company's share capital by up to € 22,000,000 by issuing new ordinary bearer shares in exchange for cash or non-cash contributions on one or more occasions until May 19, 2015. This resolution replaces the resolution passed by the Annual General Meeting on May 31, 2006.

**Capital reserves**

The difference between the exercise price for the conversion rights and the face value of the issued shares is recognised in capital reserves.

**Securities marked to market**

This item shows unrealised profits and losses on securities available for sale having accounted for deferred taxes.

**Other equity**

Other equity comprises retained earnings of the MLP Group and accumulated currency translation differences.

**Proposed appropriation of profit**

The Executive Board and Supervisory Board of MLP AG will propose a dividend of € 32,363 thsd (previous year: € 26,969 thsd) for the financial year 2010 at the Annual General Meeting. This corresponds to € 0.30 (previous year: € 0.25) per share.

**26 Provisions**

The pension provisions amount to € 14,412 thsd as at December 31, 2010 (previous year: € 16,190 thsd) and are explained in more detail in note 31. The other provisions comprise the following components:

All figures in €'000	Dec 31, 2010			Dec 31, 2009		
	Current	Non-current	Total	Current	Non-current	Total
Cancellation risks	8,135	7,624	15,759	8,246	7,675	15,921
Bonus schemes	10,824	–	10,824	10,360	–	10,360
Share-based payments	2,034	906	2,939	–	1,983	1,983
Lending business	1,387	435	1,822	742	1,122	1,864
Rent	526	475	1,001	988	784	1,772
Litigation risks/ costs	2,219	–	2,219	1,577	–	1,577
Phased retirement	141	477	618	198	495	693
Anniversaries	44	379	423	201	297	498
Economic loss	111	–	111	118	–	118
Other	1,403	428	1,831	1,005	403	1,409
<b>Total</b>	<b>26,824</b>	<b>10,724</b>	<b>37,548</b>	<b>23,435</b>	<b>12,759</b>	<b>36,194</b>

[Table 80]

Other provisions have changed as follows:

All figures in €'000	Jan 1, 2010	Utilisation	Released	Accrued interest	Allocation	Netting	Dec 31, 2010
Cancellation risks	15,921	-1,064	-	343	560	-	15,759
Bonus schemes	10,360	-10,275	-85	-	10,824	-	10,824
Share-based payments	1,983	-	-580	12	1,524	-	2,939
Lending business	1,864	-91	-48	1	96	-	1,822
Rent	1,772	-708	-536	17	455	-	1,001
Litigation risks/ costs	1,577	-495	-492	-	1,630	-	2,219
Phased retirement	693	-220	-1	22	561	-438	618
Anniversaries	498	-	-75	-	1	-	423
Economic loss	118	-21	-44	-	58	-	111
Other	1,409	-342	-24	1	788	-	1,831
<b>Total</b>	<b>36,194</b>	<b>-13,217</b>	<b>-1,885</b>	<b>396</b>	<b>16,498</b>	<b>-438</b>	<b>37,548</b>

[Table 81]

The provisions for cancellation risks allow for the risk of having to refund earned commissions due to a premature loss of brokered insurance policies.

Provisions for bonus schemes and share-based payments are recognised for incentive agreements and for profit-sharing schemes for Executive Board members, employees and self-employed commercial agents.

## 27 Liabilities due to banking business

This summary includes the statement of financial position items “Liabilities due to clients in the banking business” and “Liabilities due to banks in the banking business”.

All figures in €'000	Dec 31, 2010			Dec 31, 2009		
	Current	Non-current	Total	Current	Non-current	Total
Liabilities due to clients	819,038	256	819,294	750,027	256	750,282
Liabilities due to banks	1,399	14,992	16,391	51	20,723	20,774
<b>Total</b>	<b>820,437</b>	<b>15,248</b>	<b>835,685</b>	<b>750,078</b>	<b>20,979</b>	<b>771,057</b>

[Table 82]

The change in liabilities due to banking business of € 771,057 thsd to € 835,685 thsd is essentially attributable to the increase in client deposits.

At December 31, 2010, liabilities due to clients from savings deposits with an agreed notice period of three months amounted to € 12,208 thsd (previous year: € 11,196 thsd).

The liabilities due to clients or due to other banks do not comprise any large individual items.

Further information on liabilities due to banking business is disclosed in note 38.

## 28 Other liabilities

All figures in €'000	Dec 31, 2010			Dec 31, 2009		
	Current	Non-current	Total	Current	Non-current	Total
Purchase price liability Feri Finance AG	51,429	–	51,429	–	52,782	52,782
Purchase price liability Property Funds Research Ltd.	112	–	112	144	648	792
Purchase price liability ZSH GmbH Finanzdienstleistungen	769	–	769	724	381	1,105
Liabilities due to commercial agents	48,273	2,717	50,991	53,199	2,040	55,239
Advance payments received	23,881	–	23,881	32,689	–	32,689
Trade accounts payable	19,208	–	19,208	27,589	–	27,589
Interest derivatives	1,217	306	1,523	–	3,713	3,713
Liabilities due to other taxes	3,050	–	3,050	5,633	–	5,633
Convertible debentures	435	–	435	893	–	893
Liabilities due to banks	6	–	6	1,923	2,172	4,095
Liabilities from social security contributions	30	–	30	33	–	33
Other liabilities	21,595	4,687	26,282	23,011	4,240	27,251
<b>Total</b>	<b>170,007</b>	<b>7,710</b>	<b>177,716</b>	<b>145,838</b>	<b>65,978</b>	<b>211,816</b>

[Table 83]

For further information on the purchase price liability arising from the purchase of shares in Feri Finance AG, Property Funds Research Ltd. and ZSH GmbH Finanzdienstleistungen can be found in note 6.

Liabilities due to commercial agents represent unsettled commission claims. Usually they are non-interest-bearing and due on the 15th of the month following the settlement with the insurance company.

The item “Advance payments received” concerns paid-in-advance trail commissions from unit-linked life insurance policies.

MLP has agreed upon non-utilised lines of credit amounting to € 65,800 thsd.

The sub-item “Other liabilities” covers commissions withheld from MLP consultants due to cancellations amounting to € 8,095 thsd (previous year: € 7,682 thsd). Commissions withheld are charged with interest. Their term is mainly indefinite.

Details on the liabilities from convertible debentures are disclosed in note 30, while further details on other liabilities are provided in note 38.



## NOTES TO THE STATEMENT OF CASH FLOWS

**29 Notes on the consolidated cash flow statement**

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 consolidated net profit for the year from continuing operations, current earnings and profit from the sale of discontinued operations. As part of the indirect determination of the cash flow, the changes in statement of financial position items due to operating activities are adjusted by effects from changes to the scope of consolidation and currency translation. The changes in the respective statement of financial position items can therefore only be partially aligned with the corresponding values in the published consolidated statement of financial positions. Cash flow from operating activities has increased by € 18,506 year on year to a level of € 90,958 thsd.

Cash flows from **investing activities** primarily comprises changes in non-current assets.

The **financing activity** shows the cash-related equity 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.

Cash and cash equivalents with a term to maturity of not more than three months are recorded under cash and cash equivalents. Cash equivalents are short-term financial assets which can be converted into cash at any time and which are only subject to minor value fluctuation risks.

All figures in €'000	Dec 31, 2010	Dec 31, 2009
Cash and cash equivalents	50,470	54,968
Other investments < 3 months	75,000	70,000
Liabilities to banks due on demand	-6	-1,343
<b>Cash and cash equivalents</b>	<b>125,465</b>	<b>123,624</b>

[Table 84]

Receivables from banks of MLP Finanzdienstleistungen AG are not included in cash and cash equivalents. They are an integral part of the operating business of the banking business segment and are thus to be attributed to the cash flow from current business activities.

## OTHER DISCLOSURES

### 30 Share-based payments

The resolution passed by 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 made out to the bearer between 2002 and 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, as well as for MLP consultants acting as self-employed commercial agents and employees of affiliated companies pursuant to §§ 15 et seq. of the German Stock Corporation Act (AktG).

The convertible debentures rank *pari passu* with the partial debentures made out to the 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 eligible participants. When the right is exercised, each partial debenture with a nominal value of € 1 is exchanged for a new no-par value share of MLP AG.

The exercise hurdle for the third tranche issued in the financial year 2004 was reached in 2007. The bearers of convertible debentures were entitled to exercise their right to conversion during the exercise period from August 17, 2007 to August 16, 2010.

The exercise hurdle for the fourth tranche issued in the financial year 2005 was reached in 2006. During the exercise period from August 16, 2008 until August 15, 2011, the bearers of convertible debentures are entitled to exercise their right to conversion.

In the financial year 2010, no conversion rights (previous year: 16,597 conversion rights) were exercised. At € 1,441,335, conditional capital remained at the previous year's level.

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 conversion rights at the grant date using the Black-Scholes formula and taking into account the conditions upon which the conversion rights 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 measurement is made applying the effective interest rate method.

At December 31, 2010, the carrying amount of the liability from the issued convertible debentures amounted to € 435 thsd (previous year: € 893 thsd).

The following table shows details of the “Incentive Programme”:

	Tranche 2004	Tranche 2005
Exercise period		
Start	Aug 17, 2007	Aug 16, 2008
End	Aug 16, 2010	Aug 15, 2011
Nominal amount (€)	1,00	1,00
Exercise prices (€)	12.40	13.01
Subscribed convertible debenture (€ or units)	677,042	577,806
of which converted by Dec 31, 2009 (€ or units)	30,961	25,018
of which repaid in total by Dec 31, 2009 (€ or units)	155,498	86,234
Convertible debentures not converted by Dec 31, 2009 (€ or units)	490,583	466,554
of which Executive Board (€ or units)	32,300	–
Converted in 2010 (€ or units)	–	–
Repaid in 2010 (€ or units)	490,583	13,818
Convertible debentures not converted by Dec 31, 2010 (€ or units)	0	452,736
of which Executive Board (€ or units)	–	–
Weighted average share price 2007 (€)	11.61	–
Weighted average share price 2008 (€)	13.08	13.35
Weighted average share price 2009 (€)	8.7	–
Weighted average share price 2010 (€)	–	–
Parameters for the fair value:		
Dividend yield (%)	2.34	2.37
Expected volatility (%)	47.75	31.49
Risk-free interest rate (%)	3.56	2.86
Anticipated remaining term of option (years)	0	0.63

[Table 85]

The anticipated 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 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 changes to the share price. Performance shares (phantom shares) can be allocated here. These are allocated to the members of the Executive Board by the Supervisory Board. The payout for the 2005 tranche was made in 2008, the 2006 and 2007 tranches expired. For the tranches in the financial years from 2008 to 2010, the cash payout is determined on the basis of the triple earnings before interest and tax (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.

The LTI programme does not provide for settlement by issuance of equity instruments.

The anticipated costs resulting from the LTI programme are valued using the Monte-Carlo simulation based on the fair value of the phantom shares. MLP updates the valuation of the fair value for every reporting date and on the basis of the settlement value. The company records the anticipated total cost of the programme pro rata temporis over the time period up to the first possible exercise date of the phantom shares.

Details of the LTI can be found in the following table:

	Tranche 2008	Tranche 2009	Tranche 2010 *
Performance shares at time of allocation (units)	228,825	296,440	281,038
of which Executive Board	122,983	177,866	147,650
of which others (units)	105,842	118,574	133,388
Performance shares as at Dec 31, 2009 (units)	228,825	296,440	–
of which Executive Board (units)	122,983	177,866	–
of which others (units)	105,842	118,574	–
Performance shares expired in 2010	36,290	39,526	–
Performance shares paid out	–	–	–
Performance shares as at Dec 31, 2010 (units)	192,535	256,914	281,038
of which Executive Board (units)	86,693	138,340	147,650
of which others (number)	105,842	118,574	133,388
Parameters for fair value as at Dec 31, 2010:			
Dividend yield (%)	–	4.19	4.55
Expected volatility (%)	–	24.70	43.61
Risk-free interest rate (%)	–	1.29	1.55
Anticipated remaining term of option (years)	–	1	2
Parameters for fair value as at Dec 31, 2009:			
Dividend yield (%)	2.47	2.69	–
Expected volatility (%)	58.94	50.80	–
Risk-free interest rate (%)	1.24	1.79	–
Anticipated remaining term of option (years)	1	2	–

\*Subject to the resolution of the Supervisory Board.

[Table 86]

The costs included in the income statement 2010 arising from the Long Term Incentive Programme, tranche 2010 amount to € 300 thsd (previous year: € 535 thsd). As at December 31, 2010 a provision of € 300 thsd (previous year: € 535 thsd) was recognised for the Long Term Incentive Programme.

In the financial year 2008, MLP launched a participation programme for office managers, consultants and employees as an incentive to obtain their loyalty to the company over the long term. The programme grants a certain number of phantom shares (stock appreciation rights – SARs) for office managers and consultants based on their sales performance in the core fields of old-age provision, health insurance and investment, as well as for employees based on their position and gross annual income. The SARs of the tranches 2008 and 2009 were allocated in 2009 or 2010. The assessment period for determining the number of SARs allocated was the calendar year prior to the respective allocation. The SARs of the 2010 tranche were allocated in 2011 on the basis of the calendar year 2010. The total term of each tranche is 12 years and is broken down into 3 phases of 4 years each. The first year of phase 1 represents the assessment period, from which the number of phantom shares to be allocated is calculated. At the start of the second year, the phantom shares are then allocated. Payment of the phantom shares is made no earlier than at the end of the first phase, i.e. 3 years after allocation of the SARs. At the end of the first phase, eligible participants can also opt not to receive payment for the SARs and instead continue to participate in phase 2 (turbo 1 phase). Only in this case will they receive additional bonus SARs and anyone who is eligible but chooses not to receive payment at the end of phase 2, but rather continue to phase 3 (turbo II phase), will be granted further bonus SARs. All SARs are paid no later than at the end of phase 3. In the event of termination of employment, all entitlements granted up to this time expire, assuming they have not been vested beforehand. The SARs originally granted become vested at the end of the first phase, the bonus SARs of turbo I phase at the end of phase 2 and those of turbo 2 at the end of phase 3. Participation in the programme ends with termination of employment or disbursement of SARs.

The level of payment is based on the value of one MLP share at the time payment is requested. A share price guarantee is in place for both previous tranches, although this expires if the eligible participant decides to continue participation in the programme beyond phase 1. If an eligible participant decides to receive the payout to which he or she is entitled from the tranche once phase 1 has expired, the value he or she receives is based on either the share price guarantee or the current MLP share price (whichever is the higher value) multiplied by the number of phantom shares held from phase 1. At all other payout times, eligible participants receive the current share price multiplied by the number of vested phantom shares held.

If the contractual relationship with an eligible participant ends at a time before December 31 of the 12th year, he or she is only entitled to receive payment for vested phantom shares earned up to this time. Phantom shares allocated from vesting periods not yet completed are then forfeited.

In terms of eligibility, the 3 phases each represent completed vesting periods. Accordingly, the expenses due to the SARs originally granted are distributed over phase 1 (years 1 to 4), the expenses due to the bonus SARs of turbo I phase over years 5 to 8 and the expenses due to the bonus SARs of turbo 2 phase over years 9 to 12 (no front-loaded recognition of expenses).

	Tranche 2008	Tranche 2009	Tranche 2010
Inventory on Jan 1, 2010 (units)	294,060	–	–
Virtual SARs allocated in 2010 (units)	641	191,592	–
SARs expired in 2010 (units)	–12,300	–1,977	–
Paid out in 2010 (units)	0	0	–
Inventory on Dec 31, 2010 (units)	282,401	189,615	–
Guaranteed share price	€ 8.51	€ 7.40	€ 7.80
Expenses recognised in 2009 (€)	531,035	305,310	–
Income recognised in 2009 (€)	–9,001	–	–
	<b>522,034</b>	<b>305,310</b>	–
Expenses recognised in 2010 (€)	620,118	344,370	271,906
Income recognised in 2010 (€)	–41,261	–3,756	–
	<b>578,858</b>	<b>340,614</b>	<b>271,906</b>
Provision as at Dec 31, 2009	1,142,776	305,310	–
Provision as at Dec 31, 2010	1,721,634	645,924	271,906
Inventory certificates on Jan 1, 2010 (units)	882,180	–	–
<b>Inventory certificates on Dec 31, 2010 (units)</b>	<b>847,203</b>	<b>568,845</b>	–

[Table 87]

MLP has hedged the fair value risk attached to the measurement of the liability of the first tranche for the SARs and also the cash flow risk from the SARs allocated.

To hedge the cash flow risk, 925,000 certificates were initially acquired for the 2008 tranche and 600,000 certificates for the 2009 tranche, with the right to return them to the issuer at any time within the term of a tranche (or later) at the MLP share price valid at that time, minus a discount. The certificates have an unlimited term. MLP has therefore classified these certificates as equity instruments, which are measured at fair value recognised directly in equity. The fair value of the certificates is based directly on the price of the MLP share.

The expenses and the provision from the participation programme are recognised pro rata temporis over the individual phases (vesting periods). The provision is measured at fair value through profit and loss. The provision accrued on the respective closing date depends on the price of the MLP share, the number of SARs issued and the length of the remaining vesting period. To hedge the fair value risk associated with the measurement of the provision, MLP can sell the equity-based certificates listed above to the issuer and in return acquire limited term certificates. These represent debt instruments designated by MLP to be “measured at fair value through profit and loss” (fair value option).

By selling the equity-based certificates, measurement gains so far recognised directly in equity are realised and expenses from the increase in liability for the participation programme are compensated. The same applies to a decrease in expenses due to a drop in the price of the MLP share.

### 31 Pension schemes

At MLP, executive members 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, 62 or 65 years of age
- Disability pension
- Widow's and widower's pension of 60 % of the pension of the original recipient and
- Orphan's benefit of 10 % of the pension of the original recipient

The benefit obligations are partly covered by liability insurances. In the financial year 2010, the total expenses for defined pension plans amounted to € 2,393 thsd (previous year: € 2,346 thsd). As of 2010, employer's liability insurance policies fulfil the conditions of plan assets. For this reason the claims from employer's liability insurance policies are netted against corresponding pension provisions in the statement of financial position. The total of insurance premiums, income from plan assets and current service costs are recorded under other operating expenses. Accrued interest expenses for pension benefits and interest income from plan assets are disclosed in the income statement under other interest and similar expenses.

Total expenses for defined benefit schemes break down as follows:

All figures in €'000	2010	2009
Current service cost	1,399	1,288
Accrued interest on pension entitlements	1,258	1,147
Expected return on plan assets	-217	-
Actuarial gains/losses	-48	-89
<b>Total</b>	<b>2,393</b>	<b>2,346</b>

[Table 88]

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 (running single premiums method) using the 2005G mortality tables by 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. The exceeding amount is spread over the residual service time of active employees and is recognised in the income statement under "Other operating expenses".

The defined benefit obligation for retirement income, funded only by means of provisions, amounts to € 12,704 thsd (previous year: € 11,576 thsd). All other pension obligations (defined benefit obligation of € 13,678 thsd; previous year: € 11,591 thsd) are covered by employer's liability insurance contracts, which fulfil the conditions of plan assets.

The reconciliation of pension obligations to pension provisions is shown in the table below: Pension provisions recognised in the statement of financial position of € 847 thsd (previous year: € 2,531 thsd) are attributable to Executive Board members active at the end of the reporting period.

All figures in €'000	2010	2009
<b>Defined benefit obligation</b>		
Benefit obligations as at Jan 1	23,169	19,285
Current service cost	1,399	1,288
Actuarial interest	1,258	1,147
Actuarial losses	997	720
Benefits paid	-438	-416
Change in scope of consolidation	-	1,144
<b>Defined benefit obligation (DBO) as at Dec 31</b>	<b>26,382</b>	<b>23,169</b>
Fair value of the plan assets as at Dec 31	-11,337	-7,661
<b>Net obligation as at Dec 31</b>	<b>15,045</b>	<b>15,508</b>
Unrecognised actuarial gains and losses	-632	682
<b>Pension provisions recognised in the statement of financial position as at Dec 31</b>	<b>14,412</b>	<b>16,190</b>

[Table 89]

Plan assets saw the following developments:

	2010	2009
<b>Fair value of the plan assets as at Dec 1</b>	<b>7,661</b>	<b>-</b>
Expected return on plan assets	217	-
Employer's contributions	4,007	8,124
Benefits paid	-276	-276
Actuarial gains and losses/experience adjustments	-271	-187
<b>Fair value of the plan assets as at Dec 31</b>	<b>11,337</b>	<b>7,661</b>

[Table 90]



Actuarial calculations incorporate the following assumptions:

	2010	2009
Assumed interest rate	4.90 %	5.50 %
Anticipated annual salary development	2.60 %	2.60 %
Anticipated annual pension adjustment	2.00 %	1.50%/2.00 %
Anticipated income from the plan assets	2.25 %	2.25 %
Assumed retirement age	60, 62 or 65	60, 62 or 65

[Table 91]

Experience adjustments of defined benefit obligations are as follows:

All figures in €'000	2010	2009	2008	2007	2006
Expected defined benefit obligation	25,279	22,449	19,985	23,366	21,393
Experience adjustments	-1,028	-54	24	-2,461	-142
Change in the assumption on which calculations were based	2,131	774	-724	-3,010	-667
<b>Defined benefit obligation</b>	<b>26,382</b>	<b>23,169</b>	<b>19,285</b>	<b>17,895</b>	<b>20,584</b>

[Table 92]

In 2011 we anticipate payments with regard to net pension provisions of € 4,452 thsd (of which € 445 thsd is attributable to anticipated pension payments of the company and € 4,007 thsd to expected premiums for employer's liability insurance).

In addition there are defined contribution plans under which 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 2010 they total € 7,782 thsd (previous year: € 8,407 thsd).

### 32 Income taxes

All figures in €'000	2010	2009
Income tax attributable to continuing operations	12,950	12,486
of which current taxes on income and profit	13,551	11,856
of which deferred taxes	-601	630
Income tax attributable to discontinued operations	110	3,062
<b>Total</b>	<b>13,060</b>	<b>15,547</b>

[Table 93]

Current taxes on income from continuing operations include income of € 408 thsd which is attributable to previous periods.

Income taxes from Group companies outside Germany were attributed to discontinued operations.

The current and deferred tax is calculated using the relevant country-specific income tax rate. The combined income tax rate for domestic companies is made up of corporation tax at 15 % (previous year: 15 %), the solidarity surcharge at 5.5 % (previous year: 5.5 %) and an average municipal trade tax rate of 13.4 % or 12.3 % (previous year: 13.4 % or 12.3 %).

The effective income tax rate applicable to the earnings before tax is 27.5 % for continuing operations (previous year: 31.5 %). The following reconciliation account shows the relationship between the earnings before tax and the taxes on income and profit in the financial year. The anticipated tax expense is based on the German combined income tax rate of 29.25 % (previous year: 29.25 %).

All figures in €'000	2010	2009
Earnings before tax from continuing operations	47,051	39,656
Earnings before tax from discontinued operations	71	76
	<b>47,121</b>	<b>39,732</b>
Group income tax rate	29.25%	29.25%
<b>Calculated income tax expenditure in the financial year</b>	<b>13,783</b>	<b>11,621</b>
Tax-exempt earnings and permanent differences	-1,741	1,291
Non-deductible expenses	1,802	2,045
Divergent trade taxation charge	148	273
Effects of other taxation rates applicable abroad	-57	127
Income tax not relating to the period	-433	-638
Change in the tax effect due to unrecognised differences and tax losses for which no deferred tax assets were formed	-389	865
Other	-53	-37
<b>Income taxes</b>	<b>13,060</b>	<b>15,547</b>

[Table 94]

The item “Income tax not relating to the period” includes effects of the tax field audit for the period between 2002 and 2006, which was completed in 2009. The tax-exempt earnings and permanent differences include investment income of the Feri Group, the tax-free dividends in MLP Hyp GmbH and the tax effect of dividends paid to non-controlling interests.

### Deferred taxes

All figures in €'000	Deferred tax assets		Deferred tax liabilities	
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
Intangible assets	2,206	2,022	11,506	12,315
Property, plant and equipment	302	252	2,335	2,073
Financial assets	173	91	248	103
Investment property	–	–	950	747
Other assets	1,786	6,591	8	235
Tax loss carryforwards	–	14	–	–
Provisions	3,092	475	–	712
Liabilities	297	1,554	77	2,513
<b>Gross value</b>	<b>7,856</b>	<b>10,999</b>	<b>15,124</b>	<b>18,698</b>
Netting of deferred tax assets and liabilities	–4,573	–8,030	–4,573	–8,030
<b>Total</b>	<b>3,283</b>	<b>2,969</b>	<b>10,551</b>	<b>10,668</b>

[Table 95]

The foreign Group company in Austria was de-consolidated as at December 31, 2009. At the location in the Netherlands, deferred tax assets for tax loss carryforwards were not recognised in the statement of financial position. The option to utilise losses is essentially limited to a maximum of nine years here.

Deferred tax expense recognised in the statement of comprehensive income amount to € 171 thsd (previous year: € 78 thsd).

#### Tax refund claims

Tax refund claims include € 9,504 thsd (previous year: € 22,040 thsd) of corporation tax and € 2,342 thsd (previous year: € 11,018 thsd) of trade tax. The major portion of € 11,644 thsd (previous year: € 32,223 thsd) is attributable to MLP AG. The tax refund claims include € 572 thsd due to the results of the field tax audit completed in 2009 (see note 23).

#### Tax liabilities

Tax liabilities are made up of € 623 thsd (previous year: € 3,272 thsd) of corporation tax and € 486 thsd (previous year: € 5,757 thsd) of trade tax. An amount of € 490 thsd (previous year: € 7,818 thsd) is attributable to MLP AG.

The tax liabilities are due to taxes on the income and profit of the individual companies based on the corresponding national tax regime. Contingent tax liabilities are shown under deferred tax liabilities.

### 33 Notes on Group reporting by segment

The division of MLP into operating segments follows the structure in place for internal reporting. The MLP Group is subdivided into the following reportable operating segments:

- Financial services
- Feri
- Holding

In line with IFRS 8.12, MLP has merged the operating segments “financial services”, “occupational pension provision” and “ZSH” to form a single, reportable “financial services” operating segment.

To form the reportable business segment “Feri”, MLP merged the operating segments “Feri Family Trust”, “Feri Institutional Advisors” and “Feri EuroRating Services”.

The **Financial services** business segment consists of consulting services for academics and other discerning clients, particularly with regard to insurance, investments, occupational pension provision schemes and loans of all kinds, as well as the brokering of contracts concerning these financial services. This segment also includes finance portfolio management, the trustee credit business and the loan and credit card business. The financial services segment incorporates the divisions focused on the brokerage business of MLP Finanzdienstleistungen AG, Wiesloch, TPC THE PENSION CONSULTANCY GmbH, ZSH GmbH Finanzdienstleistungen, Heidelberg and the associate MLP Hyp GmbH, Schwetzingen.

MLP Private Finance plc., London, UK, MLP Private Finance Correduria de Seguros S.A., Madrid, Spain, MLP Private Finance AG, Zurich, Switzerland, MLP Finanzdienstleistungen AG, Vienna, Austria and the dependent business establishment of MLP Finanzdienstleistungen AG in the Netherlands together form the discontinued operations of the financial services operating segment. The companies were de-consolidated. You can find further details on discontinued operations in note 34.

The business operations of the **Feri** segment cover wealth and investment consulting. This segment is made up of Feri Finance AG for financial planning and research, Bad Homburg v.d. Höhe, Feri Family Trust GmbH, Bad Homburg v.d. Höhe, Feri Institutional Advisors GmbH, Bad Homburg v.d. Höhe and Feri EuroRating Services AG, Bad Homburg v.d. Höhe.

The **Holding** business segment consists of MLP AG, Wiesloch. The main internal services and activities are combined in this segment.

Intra-segment 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.

The management makes decisions on the allocation of resources and determines segment performance on the basis of the income statement for that segment. MLP employs the accounting policies applied in the consolidated financial statements to determine financial information on the segments.

All segments perform their economic activities predominantly in Germany. The Feri segment also operates in Luxembourg.

Revenue of € 141,671 thsd is generated in the financial services segment with two product partners. The same operating segment generated a revenue of € 97,804 thsd with one product partner in the previous year.

### 34 Discontinued operations/disposal groups

The dependent branch in the Netherlands was sold with a purchase contract of January 15, 2010. Expenses and income of discontinued operations break down as follows.

#### Income statement of discontinued operations

All figures in €'000	2010	2009
Revenue	–	6,305
Other revenue	–	513
<b>Total revenue</b>	<b>0</b>	<b>6,817</b>
Commission expenses	–	–2,636
Personnel expenses	–	–4,518
Depreciation/amortisation	–	–3
Other operating expenses	–	–2,930
<b>Earnings before interest and tax (EBIT)</b>	<b>0</b>	<b>–3,270</b>
Other interest and similar income	–	10
Other interest and similar expenses	–	–5
<b>Finance cost</b>	<b>0</b>	<b>5</b>
<b>Earnings before tax (EBT)</b>	<b>0</b>	<b>–3,265</b>
Income taxes	0	–42
<b>Operating profit</b>	<b>0</b>	<b>–3,307</b>
Earnings from the sale/closure of operations before tax	71	3,341
Income taxes	–110	–3,020
<b>Earnings from the sale of operations after tax</b>	<b>–39</b>	<b>321</b>
<b>Earnings from discontinued operations after tax</b>	<b>–39</b>	<b>–2,985</b>

[Table 96]

Earnings before tax from the sale of operations as at December 31, 2010 include expenses and income of € 416 thsd in connection with the sale of the subsidiary in Austria and the branch in the Netherlands, as well as subsequent expenses and income of € –345 thsd from earlier discontinuations of operations and disposals.

### Earnings per share

The earnings per share of the discontinued operations are disclosed in note 37.

### 35 Leasing

The Group has concluded operating leases for various motor vehicles, administration buildings and office machines. The average term of the contracts is 3 to 5 years for motor vehicles, 7 years for buildings and 4 years for office machines. Some of the lease contracts also include extension options.

The following future minimum lease payments (face values) due to irredeemable operating leases were in place on the reporting date:

	Due 2011	Due 2012-2015	Due from 2016	Total
Rent on buildings	14,635	36,572	11,341	62,548
Other rental/leasing liabilities	1,714	1,276	–	2,989
<b>Total</b>	<b>16,349</b>	<b>37,847</b>	<b>11,341</b>	<b>65,537</b>

[Table 97]

The Group entered into a lease agreement as lessor for an administration building. MLP classifies this contract as an operating lease, as the risks and opportunities associated with the ownership of the lease object remain with the lessor. [see note 19]

### 36 Contingent assets and liabilities, as well as other liabilities

As it is composed of companies from different operating 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 net assets, financial position and results of operations at the Group's expense are not anticipated with regard to the currently pending legal actions.

On the reporting date there are liabilities on account of sureties and warranties of € 9,638 thsd (previous year: € 23,300 thsd) and irrevocable credit commitments (contingent liabilities) of € 23,651 thsd (previous year: € 9,117 thsd).

Employer's liability insurance has been arranged for benefit obligations for the independent commercial agents. Final liability for the benefit obligation lies with MLP in accordance with § 1 (1) sentence 3 of the German Company Pension Law (BetrAVG). MLP does not currently anticipate any financial consequences as a result of this.

MLP Finanzdienstleistungen AG is a member in the depositor's guarantee fund of the Association of German Banks (BdB e.V.), Berlin. Due to the allocation obligation pursuant to § 12 of the company's articles of association, obligations to make additional payments may arise. There is a declaration of indemnification in accordance with § 5 (10) of the statute of the depositor's guarantee fund of the Association of German Banks e.V. (BdB) in favour of MLP Finanzdienstleistungen AG. For reasons of practicability, no information is provided on financial effects and maturity dates.

For details on the variable purchase price components, maturity dates and the expected cash outflows from the acquisitions of Property Fund Research Ltd., Reading, UK, TPC-Group GmbH and Feri Finance AG, please refer to note 6.

#### Purchase price adjustments and contingent assets/liabilities from the sale of MLP Finanzdienstleistungen AG, Vienna, Austria

The purchase contract concluded between MLP and the purchaser of MLP Finanzdienstleistungen AG, Vienna, includes a purchase price adjustment clause, which depends on the expenses for restructuring MLP Finanzdienstleistungen AG, Vienna by no later than April 30, 2011. In the best case, MLP will receive an additional € 3 million from the purchaser. In the worst case, MLP will have to reimburse the purchaser for any restructuring expenses that exceed € 3 million.

In addition to this, an agreement was reached with the purchaser that MLP will be entitled to 50% of the net trail commission income generated by MLP Finanzdienstleistungen AG, Vienna, Austria, for the years from 2010 up to and including 2014.

Contingent liabilities of € 1.8 million result from the sale of MLP Finanzdienstleistungen AG, Vienna. Potential tax refund entitlements for the time periods prior to the sale could lead to a contingent claim against AFSH GmbH, the amount of which cannot be determined at this stage.

#### Purchase price adjustments from the sale of MLP Versicherung AG

The purchase contract signed between MLP AG and Gothaer Allgemeine Versicherung AG, Cologne on the sale of MLP Versicherung AG contained a purchase price adjustment clause which, in the worst case, allowed for a maximum reduction in the purchase price of € 7.25 million in 2010. This circumstance did not result in any repayment claims in the last financial year.

### 37 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	2010	2009
Basis of the basic earnings per share (net profit)	34,062	24,185
Effect of the potential share dilution: Interest on convertible debentures (after tax)	33	44
<b>Basis of the diluted earnings per share</b>	<b>34,095</b>	<b>24,229</b>
<b>All figures in number of units</b>		
Weighted average number of shares for the basic earnings per share	107,877,738	107,869,037
Effect of the potential share dilution: Convertible debentures	452,736	957,137
<b>Weighted average number of shares for the diluted earnings per share</b>	<b>108,330,474</b>	<b>108,826,174</b>

[Table 98]

The basic earnings per share for continuing and discontinued operations is € 0.32 (previous year: € 0.22), while the diluted earnings per share amounts to € 0.31 (previous year: € 0.22).

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	2010	2009
Basis of the basic earnings per share (net profit)	34,101	27,170
Effect of the potential share dilution: Interest on convertible debentures (after tax)	32	41
<b>Basis of the diluted earnings per share</b>	<b>34,133</b>	<b>27,211</b>
<b>All figures in number of units</b>		
Weighted average number of shares for the basic earnings per share	107,877,738	107,869,037
Effect of the potential share dilution: Convertible debentures	452,736	957,137
<b>Weighted average number of shares for the diluted earnings per share</b>	<b>108,330,474</b>	<b>108,826,174</b>

[Table 99]



The basic earnings per share for continuing operations is € 0.32 (previous year: € 0.25), while the diluted earnings per share amounts to € 0.32 (previous year: € 0.25).

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	2010	2009
Basis of the basic earnings per share (net profit) Effect of the potential share dilution:	- 39	- 2,985
Interest on convertible debentures (after tax)	1	3
<b>Basis of the diluted earnings per share</b>	<b>- 38</b>	<b>- 2,982</b>
All figures in number of units		
Weighted average number of shares for the basic earnings per share	107,877,738	107,869,037
Effect of the potential share dilution: Convertible debentures	452,736	957,137
<b>Weighted average number of shares for the diluted earnings per share</b>	<b>108,330,474</b>	<b>108,826,174</b>

[Table 100]

The basic earnings per share for the earnings from discontinued operations is € 0.00 (previous year: € - 0.03), while the diluted earnings per share amounts to € 0.00 (previous year: € - 0.03).

### 38 Additional information on financial instruments

Based on the relevant items in the statement of financial position, 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 to the classification pursuant to IFRS 7.

The carrying amounts of financial assets and liabilities measured at fair value correspond to the market values.

							Dec 31, 2010
All figures in €'000	IAS 39 category	Carrying amount	Amortised cost	Fair value (with no effect on the operating result)	Fair value (recognised in the income statement)	Fair value	No financial instruments according to IAS32/39
Receivables from banking business – banks	L+R	485,023	485,023	–	–	485,873	–
Receivables from banking business – clients	L+R	338,229	338,229	–	–	369,353	–
Receivables from banking business – clients	FVPL	5,224	–	–	5,224	5,224	–
Financial assets – debt securities and investment fund shares	AFS	33,744	–	30,432	3,312	33,744	–
Financial assets – debt securities and Investment funds	FVPL	6,895	–	–	6,895	6,895	–
Financial assets – investments	AFS	3,385	3,385	–	–	–	–
Financial assets – securities	HtM	83,379	83,379	–	–	84,131	–
Financial assets – loans and receivables	L+R	125,284	125,284	–	–	125,284	–
Trade accounts receivable	L+R	61,452	61,452	–	–	61,452	–
Receivables from commercial agents	L+R	20,227	20,227	–	–	20,227	–
Advance payments	L+R	12,975	12,975	–	–	12,975	–
Purchase price receivables	L+R	6,336	6,336	–	–	6,336	–
Interest derivatives	HfT	506	–	–	506	506	–
Other assets	L+R	5,869	5,869	–	–	5,869	14,635
Cash and cash equivalents	L+R	50,470	50,470	–	–	50,470	–
Liabilities due to banking business – clients	AC	819,294	819,294	–	–	811,771	–
of which savings deposits		12,208	12,208	–	–	12,206	–
of which other		807,086	807,086	–	–	799,565	–
Liabilities due to banking business – banks	AC	16,391	16,391	–	–	16,812	–
Purchase price liability Feri Finance AG	AC	51,429	51,429	–	–	51,429	–
Purchase price liability Property Funds Research Ltd.	AC	112	112	–	–	112	–
Purchase price liability ZSH	AC	769	769	–	–	769	–
Liabilities due to commercial agents	AC	50,667	50,667	–	–	50,667	324
Advance payments received	AC	23,881	23,881	–	–	23,881	–
Trade accounts payable	AC	19,208	19,208	–	–	19,208	–
Interest derivatives	HfT	1,523	–	–	1,523	1,523	–
Share-based payments (convertible debentures)	AC	435	435	–	–	435	–
Liabilities due to banks	AC	6	6	–	–	6	–
Other liabilities	AC	11,787	11,787	–	–	11,787	14,496
Liabilities in connection with disposal groups held for sale	AC	–	–	–	–	–	–
<b>Aggregated in line with IAS 39 categories</b>		–	–	–	–	–	–
<b>Loans and receivables</b>	<b>L+R</b>	<b>1,105,866</b>	<b>1,105,866</b>	<b>–</b>	<b>–</b>	<b>1,137,839</b>	<b>–</b>
<b>Financial liabilities, measured at amortised cost</b>	<b>AC</b>	<b>993,979</b>	<b>993,979</b>	<b>–</b>	<b>–</b>	<b>986,876</b>	<b>–</b>
<b>Designated at fair value through profit and loss</b>	<b>FVPL</b>	<b>12,119</b>	<b>–</b>	<b>–</b>	<b>12,119</b>	<b>12,119</b>	<b>–</b>
<b>Held to maturity</b>	<b>HtM</b>	<b>83,379</b>	<b>83,379</b>	<b>–</b>	<b>–</b>	<b>84,131</b>	<b>–</b>
<b>Held for trading</b>	<b>HfT</b>	<b>1,017</b>	<b>–</b>	<b>–</b>	<b>1,017</b>	<b>1,017</b>	<b>–</b>
<b>Available for sale</b>	<b>AFS</b>	<b>37,128</b>	<b>3,385</b>	<b>30,432</b>	<b>3,312</b>	<b>33,744</b>	<b>–</b>

[Table 101]

							Dec 31, 2009
All figures in €'000	IAS 39 category	Carrying amount	Amortised cost	Fair value (with no effect on the operating result)	Fair value (recognised in the income statement)	Fair value	No financial instruments according to IAS32/39
Receivables from banking business – banks	L+R	498,201	498,201	–	–	499,786	–
Receivables from banking business – clients	L+R	308,093	308,093	–	–	333,024	–
Receivables from banking business – clients	FVPL	5,401	–	–	5,401	5,401	–
Financial assets – debt securities and Investment funds	AFS	32,343	–	30,963	1,380	32,343	–
Financial assets – debt securities and Investment funds	FVPL	1,080	–	–	1,080	1,080	–
Financial assets – investments	AFS	3,398	3,398	–	–	–	–
Financial assets – securities	HtM	45,385	45,385	–	–	46,066	–
Financial assets – loans and receivables	L+R	110,183	110,183	–	–	110,183	–
Trade accounts receivable	L+R	62,731	62,731	–	–	62,731	–
Receivables from commercial agents	L+R	22,598	22,598	–	–	22,598	–
Advance payments	L+R	20,041	20,041	–	–	20,041	–
Purchase price receivables	L+R	7,404	7,404	–	–	7,404	–
Interest derivatives	HFT	1,358	–	–	1,358	1,358	–
Other assets	L+R	4,592	4,592	–	–	4,592	13,364
Cash and cash equivalents	L+R	54,968	54,968	–	–	54,968	–
Liabilities due to banking business – clients	AC	750,282	750,282	–	–	757,065	–
of which savings deposits		11,196	11,196	–	–	11,209	–
of which other		739,086	739,086	–	–	745,856	–
Liabilities due to banking business – banks	AC	20,774	20,774	–	–	21,232	–
Purchase price liability Feri Finance AG	AC	52,782	52,782	–	–	52,782	–
Purchase price liability Property Funds Research Ltd.	AC	792	792	–	–	792	–
Purchase price liability ZSH	AC	1,105	1,105	–	–	1,105	–
Liabilities due to commercial agents	AC	54,361	54,361	–	–	54,361	878
Advance payments received	AC	32,689	32,689	–	–	32,689	–
Trade accounts payable	AC	27,589	27,589	–	–	27,589	–
Interest derivatives	HFT	3,713	–	–	3,713	3,713	–
Share-based payments (convertible debentures)	AC	893	893	–	–	893	–
Liabilities due to banks	AC	4,095	4,095	–	–	4,095	–
Other liabilities	AC	12,589	12,589	–	–	12,589	14,662
Liabilities in connection with disposal groups held for sale	AC	–	–	–	–	–	2,049
<b>Aggregated in line with IAS 39 categories</b>		–	–	–	–	–	–
<b>Loans and receivables</b>	L+R	<b>1,088,810</b>	<b>1,088,810</b>	–	–	<b>1,115,327</b>	–
<b>Financial liabilities, measured at amortised cost</b>	AC	<b>957,952</b>	<b>957,952</b>	–	–	<b>965,192</b>	–
<b>Designated at fair value through profit and loss</b>	FVPL	<b>6,481</b>	–	–	<b>6,481</b>	<b>6,481</b>	–
<b>Held to maturity</b>	HtM	<b>45,385</b>	<b>45,385</b>	–	–	<b>46,066</b>	–
<b>Held for trading</b>	HFT	<b>2,355</b>	–	–	<b>2,355</b>	<b>2,355</b>	–
<b>Available for sale</b>	AFS	<b>35,742</b>	<b>3,398</b>	<b>30,963</b>	<b>1,380</b>	<b>32,343</b>	–

[Table 102]

The fair value for the client receivables from banking business designated as at “fair value through profit and loss” is calculated as the present value of the payments using the current yield curve. For the financial assets classified as “available for sale”, MLP applies the share price in an active market, if available. The carrying amount and fair value are identical in these cases.

Due to the difficulty of reliably determining the fair value, the investments are valued at their cost of acquisition. 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. Their carrying amounts on the reporting date are therefore almost identical to the fair values. The same applies to the trade accounts payable.

The fair values of other non-current receivables, held-to-maturity financial assets due after one year and of liabilities due to banks 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, conditions and expectations. The fair values of other financial liabilities are calculated as the present values of the payments related to debts, based on the applicable yield curve.

The market value of interest derivatives (interest rate swaps) is determined by discounting the anticipated future cash flows over the remaining term of the derivative on the basis of current market interest rates and the yield curve. Compensation effects from the hedged item are not taken into account when determining the market value of derivative financial instruments.

IAS 39 provides the following hierarchy for determining fair values:

- Level 1: Listed (and assumed unchanged) market prices in an active market for identical assets and debts;
- Level 2: Use of information other than the quoted market used in level 1, but which can be observed either directly (e.g. prices) or indirectly (i.e. derived from prices) for the asset or the debt;
- Level 3: Use of information based on non-observable market data.

The following table shows the allocation of the financial assets and debts measured at fair value by MLP to the three levels of the fair value hierarchy as at December 31, 2010.

All figures in €'000	2010		
	Level 1	Level 2	Level 3
<b>Assets – measured at fair value</b>			
Receivables from clients in the banking business	–	5,224	–
Financial assets, debt securities and shares in investment funds	40,639	–	–
Interest derivatives	–	506	–
<b>Financial liabilities – measured at fair value</b>			
Interest derivatives	–	1,523	–

[Table 103]

All figures in €'000	2009		
	Level 1	Level 2	Level 3
<b>Assets – measured at fair value</b>			
Receivables from clients in the banking business	–	5,401	–
Financial assets, debt securities and shares in investment funds	33,424	–	–
Interest derivatives	–	1,358	–
<b>Financial liabilities – measured at fair value</b>			
Interest derivatives	–	3,713	–

[Table 104]

No reclassifications of the measurement between level 1 and 2 were made in the financial year 2010.

The next table shows the net gains or losses from financial instruments in line with the categories of IAS 39.

All figures in €'000	2010	2009
Net gains or losses from financial instruments of the category		
Loans and receivables (L+R)	24,456	27,468
Available for sale (AFS)	507	2,718
Fair value through profit and loss (FVPL)	-125	317
Held to maturity (HtM)	1,832	1,393
Liabilities at amortised cost (AC)	-9,520	-15,523
Held for trading (HfT)	-265	-353

[Table 105]

Net gains or losses include: interest income and expenses, dividend income, impairment losses, reversals of impairment losses, sales proceeds, subsequent income from written-off financial assets, 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 € 21,318 thsd and interest charges of € 9,727 thsd were accrued in the last financial year (previous year: € 37,497 thsd interest income, € 15,523 thsd interest charge).

For impairment losses we refer to the note for the items "Receivables from the banking business" and "Other accounts receivable and other assets". Impairment losses of € 1,199 thsd (previous year: € 0 thsd) were recorded for the financial instruments "Held to maturity" and "Available for sale". 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. 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. For the financial instruments of the other categories, the maximum default risk corresponds to the carrying amount of these financial instruments.

### 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 payer interest rate 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 Finanzdienstleistungen 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 risk of changes to the fair value of originated fixed interest-bearing loans). They are not included in a hedge accounting relationship.

All figures in €'000	Face value Dec 31, 2010	Fair value Dec 31, 2010	Face value Dec 31, 2009	Fair value Dec 31, 2009	End of term
Interest rate swap 1	30,000	-726	30,000	-2,063	Jan 17, 2011
Interest rate swap 2	20,000	-491	20,000	-1,402	Jan 17, 2011
Interest rate swap 3	20,000	200	20,000	539	Jan 17, 2011
Interest rate swap 4	30,000	306	30,000	819	Jan 15, 2011
Interest rate swap 5	1,000	-73	1,000	-67	July 01, 2014
Interest rate swap 6	1,500	-99	1,500	-86	July 01, 2014
Interest rate swap 7	2,500	-134	2,500	-95	April 01, 2015
<b>Total</b>	<b>105,000</b>	<b>-1,017</b>	<b>105,000</b>	<b>-2,355</b>	

[Table 106]

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).

As at December 31, 2010, the accumulated fair value of the interest derivatives was € -1,017 thsd (previous year: € -2,355 thsd). The valuation is based on the market values on the reporting date. The instruments with an accumulated negative market value totalling € 1,523 thsd (previous year: € 3,713 thsd) are reported under other liabilities. The instruments with an accumulated positive market value totalling € 506 thsd (previous year: € 1,358 thsd) are reported under other receivables and other assets. The changes in fair value of derivatives of € 1,338 thsd (previous year: € -353 thsd) were recorded in the financial result or under earnings from the interest rate business.

### 39 Financial risk management

MLP is faced with a number of financial risks. MLP's Group-wide early risk detection and monitoring system is used as the basis for active risk management throughout the Group. This system ensures appropriate identification, assessment, controlling, monitoring and communication of the major risks.

The **financial risks** relevant to MLP include in particular the counterparty default risk, the interest risk, the price risk, and the liquidity risk. There is no substantial foreign exchange risk, country risk and no other market price risks. Regular stress tests are performed for analysing the effects of unusual yet still plausible events. The effects of potential concentrations of risks are also taken into particular account here.

MLP's **counterparty default risks** are essentially made up of the client credit business under the company's own liability, the company's own business and the commission receivables from our product partners. Depending on the structure of a transaction, receivables from banking business are secured by collaterals customary in banking.

Loan approval, in particular in the client credit business, takes the form of credit limits being granted for the individual borrower or borrower unit. Individual credit decisions are reached by specialised employees that follow clearly defined guidelines based on the size, creditworthiness and collateral of the respective borrower.

In addition to the above-described risks, there is an issuer's risk from the bonds, debentures and other financial instruments acquired by MLP. We reduce the risk of default among issuers, whose securities we have acquired within the scope of capital investment management – also in light of current market trends – through the specified creditworthiness requirements of our capital investment directive. The maximum default risk of financial instruments corresponds to their carrying amount (see note 38).

The risk-weighted assets (after credit risk reduction) totalled € 1,565 thsd on December 31, 2010.

When financial instruments point to a variable interest rate, MLP is faced with 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).

The total stock of available-for-sale fixed income securities amounts to € 5,013 thsd (previous year: € 7,392 thsd). If the market interest rate level had been higher (lower) by 50 basis points on December 31, 2010, the market value of the total stock of these fixed interest-bearing financial instruments would have been reduced by € 1 thsd (previous year: by € 2 thsd) or increased by € 2 thsd (previous year: by € 3 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 shareholders' equity by € 1 thsd or increased it by € 2 thsd (previous year: reduced it by € 2 thsd or increased by € 3 thsd).



MLP faces a further **interest risk**, the maturity transformation risk, from the incongruities between the terms of interest of granted loans and those of the re-financing of these loans. These maturity transformation risks, which result from the incongruence in the terms of interest of granted loans and those of the re-financing 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, 2010, the fair value of the fixed interest-bearing loans and fixed interest-bearing re-financing, which have been designated as at “Fair value through profit and loss”, would have been increased by € 7 thsd or reduced by € 5 thsd. The net profit would thus have increased by € 7 thsd or reduced by € 5 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. There have been no changes in the fair value due to credit standing.

We understand **liquidity risks** to mean uncertainty in terms of the availability of funds to meet payment obligations or reduce risk items which is either insufficient or which can only be secured by accepting unfavourable terms. Liquidity risks can result from both internal and external risk factors.

In controlling the liquidity risk, we employ two different approaches, operational and structural.

The central instruments and control variables of operational liquidity control at MLP include itemisation of financial assets and refinancing sources in the company’s own business as per the reporting date within the scope of cash management, but also the liquidity and observation ratios of the liquidity regulation. In addition to this, the liquidity at risk, which represents the liquidity reserve required to cover the anticipated net cash outflows, is calculated and applied in the risk assessment within the scope of liquidity control.

The funding matrix is the central instrument of structural liquidity control at MLP and also a preliminary step towards economic analysis of additional refinancing costs. The liquidity gap analysis indicates for each time frame whether there is a surplus or shortfall of financing means and thereby allows open liquidity items to be controlled. The liquidity value at risk, which indicates the additional refinancing costs required to close open liquidity items, is another key instrument of structural liquidity control and is also used in risk capital management. When determining the liquidity value at risk as at December 31, 2010, net cash inflows for the year were in line with forecasts and no additional refinancing costs are thus expected to occur. If, contrary to expectations, net cash outflows should occur, sufficient cash reserves are available.

The fundamental principles of liquidity control and planning are defined in the internal capital investment directives. 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.

The tables below show the maturity structure of financial liabilities with contractually fixed terms to maturity:

<b>Total cash flow (principal and interest) in €'000 as at Dec 31, 2010</b>	<b>Due on demand</b>	<b>Up to 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Liabilities due to banking business – clients	813,908	12	28	256	814,204
Liabilities due to banking business – banks	1,126	1,371	9,808	6,745	19,050
Purchase price liability FERl	–	51,575	–	–	51,575
Purchase price liability PFR	–	–	128	–	128
Purchase price liability ZSH	–	831	–	–	831
Liabilities due to commercial agents	45,719	2,343	2,605	–	50,667
Trade accounts payable	–	19,208	–	–	19,208
Liabilities due to savings deposits	–	12,238	–	–	12,238
Liabilities due to banks	–	6	–	–	6
Interest derivatives	–	1,217	306	–	1,523
Advance payments received	–	23,881	–	–	23,881
Convertible debentures	–	435	–	–	435
Other liabilities	–	3,813	338	–	4,151
Sureties and warranties	9,638	–	–	–	9,638
Irrevocable credit commitments	23,651	–	–	–	23,651
<b>Total</b>	<b>894,042</b>	<b>116,930</b>	<b>13,214</b>	<b>7,000</b>	<b>1,031,186</b>

[Table 107]

Total cash flow (principal and interest) in €'000 In €'000 as at Dec 31, 2009	Due on demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Liabilities due to banking business – clients	766,557	57	296	–	766,910
Liabilities due to banking business – banks	59	2,749	7,502	14,275	24,585
Purchase price liability FERl	–	–	54,704	–	54,704
Purchase price liability PFR	–	144	648	–	792
Purchase price liability ZSH	–	744	417	–	1,160
Liabilities due to commercial agents	48,836	3,625	1,900	–	54,361
Trade accounts payable	–	27,589	–	–	27,589
Liabilities due to savings deposits	–	11,231	–	–	11,231
Liabilities due to banks	1,343	591	566	2,172	4,673
Interest derivatives	–	–	3,713	–	3,713
Advance payments received	–	32,689	–	–	32,689
Convertible debentures	–	893	–	–	893
Other liabilities	–	4,775	132	–	4,907
Sureties and warranties	23,300	–	–	–	23,300
Irrevocable credit commitments	9,117	–	–	–	9,117
<b>Total</b>	<b>849,212</b>	<b>85,087</b>	<b>69,878</b>	<b>16,447</b>	<b>1,020,624</b>

[Table 108]

**Other market** risks for financial instruments result from changes such as stock exchange prices for equity instruments. As at December 31, 2010, MLP has shareholdings of € 3,385 thsd (previous year: € 3,398 thsd) and available-for-sale securities of € 40,639 thsd (previous year: € 33,424 thsd). Available-for-sale securities include variable interest-bearing securities of € 9,715 thsd (previous year: € 7,361 thsd). The remaining available-for-sale securities of € 30,924 thsd (previous year: € 26,063 thsd) are non-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.

A detailed representation of business risks and a description of the risk management can be found in the risk report of this annual report, which forms a part of the management report.

#### **40 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-ag.com](http://www.mlp-ag.com) and in the corporate governance report of this annual report.

## 41 Related parties

### Executive Board

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**Dr. Uwe Schroeder-Wildberg**, Heidelberg, Chairman, responsible for Planning and Strategy, Legal Affairs, Communications, Human Resources, Audit, Marketing, Accounting, Controlling, Taxes, Treasury, Risk Management

**Gerhard Frieg**, Heidelberg, responsible for Product Management and Purchasing (until March 31, 2010)

**Manfred Bauer**, Leimen, responsible for Product Management and Purchasing (since May 1, 2010)

**Muhyddin Suleiman**, Rauenberg, responsible for Sales

**Ralf Schmid**, Gaiberg, responsible for Operations (Information Technology (IT), Group Purchasing, IT-Business Services, Group Quality Management, Group Business Organisation, Group Infrastructure Management)

### Supervisory Board

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**Dr. Peter Lütke-Bornefeld**, Everswinkel, Chairman

**Dr. h.c. Manfred Lautenschläger**, Gaiberg, Vice Chairman

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**Dr. Claus-Michael Dill**, Berlin

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**Johannes Maret**, Burgbrohl

**Maria Bähr**, Sandhausen, Employees' representative, Departmental head at MLP Finanzdienstleistungen AG

**Norbert Kohler**, Hockenheim, Employees' representative, Team leader at MLP Finanzdienstleistungen AG

Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
Feri Finance AG, Bad Homburg v.d.H., (Chairman)	–
Feri Finance AG, Bad Homburg v.d.H. (until March 31, 2010)	MLP Hyp GmbH, Schwetzingen (until March 31, 2010)
Feri Finance AG, Bad Homburg v.d.H. (since May 1, 2010)	MLP Hyp GmbH, Schwetzingen (since May, 1, 2010)
Feri Finance AG, Bad Homburg v.d.H.	–
–	–

[Table 109]

Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
<ul style="list-style-type: none"> <li>• VPV Lebensversicherungs-AG, Stuttgart</li> <li>• General Reinsurance AG (formerly Kölnische Rückversicherungs-Gesellschaft AG), Cologne</li> <li>• Delvag Rückversicherungs-AG, Cologne</li> <li>• Deutsche Insurance Asset Management GmbH, Cologne (since March 10, 2010)</li> <li>• MLP Finanzdienstleistungen AG, Wiesloch (Chairman)</li> </ul>	<ul style="list-style-type: none"> <li>• GeneralCologne Re Capital GmbH, Cologne (until January 15, 2010)</li> <li>• Faraday Holdings Limited, London, Great Britain (until March 31, 2010)</li> </ul>
–	<ul style="list-style-type: none"> <li>• University Hospital Heidelberg, Heidelberg (Supervisory Board)</li> </ul>
<ul style="list-style-type: none"> <li>• General Reinsurance AG (formerly Kölnische Rückversicherungs-Gesellschaft AG), Cologne (Chairman)</li> <li>• TÜV Rheinland Holding AG, Cologne (Chairman) (until December 31, 2010)</li> <li>• Damp Holding AG, Damp</li> <li>• Württembergische Lebensversicherungs AG, Stuttgart (since May 15, 2010)</li> </ul>	<ul style="list-style-type: none"> <li>• TÜV Rheinland Berlin Brandenburg Pfalz e. V., Cologne (Governing Board) (until December 31, 2010)</li> <li>• Golding Capital Partners, Munich (Advisory Board)</li> <li>• WestLB, Düsseldorf (Economic Advisory Board)</li> <li>• HUK Coburg AG, Coburg (Group Advisory Board)</li> <li>• Gothaer Versicherungen AG, Cologne (Social Policy Advisory Board) (until December 31, 2010)</li> </ul>
–	<ul style="list-style-type: none"> <li>• Gebrüder Rhodius KG, Burgbrohl (Chairman of the Advisory Board)</li> <li>• The Triton Fund, Jersey, GB (Investment Committee Member)</li> <li>• Xchanging plc., London (Non-Executive Director)</li> <li>• Basler Fashion Holding GmbH, Goldbach (Chairman of the Advisory Board)</li> <li>• BEX Beteiligungs GmbH, Bad Oeynhausen (Chairman of the Advisory Board)</li> </ul>
–	–
–	–

[Table 110]

### 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 payment transactions and security services (€ 258 thsd). The legal transactions were completed under standard market or employee conditions.

As at December 31, 2010, members of the executive bodies had current account debits and surety loans totalling € 13 thsd (previous year: € 169 thsd). Surety loans are charged an interest rate of 1.0 % (previous year: 0.5% to 1.0%) and current account debits 7.25% to 7.7% (previous year: 7.0% to 7.7%).

The total remuneration for members of the Executive Board active on the reporting date is € 2,699 thsd (previous year: € 2,280 thsd), of which € 1,680 thsd (previous year: € 1,606 thsd) is attributable to the fixed portion of remuneration and € 1,020 thsd (previous year: € 674 thsd) to the variable portion of remuneration. Expenses of € 100 thsd were generated for occupational pension provision during the financial year. As in the previous year, former members of the Executive Board received no compensation. As at December 31, 2010, pension provisions for former members of the Executive Board amounted to € 11,008 thsd (previous year: € 8,923 thsd).

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 Programmes 2005 to 2010.

Executive Board members active at December 31, 2010 no longer hold any convertible debentures issued by the company.

Within the scope of the **Long-Term Incentive Programme**, members of the Executive Board received performance shares (phantom shares) in the years 2005 to 2010. Refer to the following table for the number and values of the phantom shares, insofar as these have not been paid out or have expired:

	Tranche 2008	Tranche 2009	Tranche 2010*
Fair value at grant dat	€ 9.92	€ 7.59	€ 7.45
<b>All figures in number of units</b>			
Dr. Uwe Schroeder-Wildberg	50,403	65,876	67,114
Ralf Schmid (member of Executive Board since March 1, 2009)	–	32,938	40,268
Muhyddin Suleiman	36,290	39,526	40,268
<b>Total</b>	<b>86,693</b>	<b>138,340</b>	<b>147,650</b>

\*Subject to the resolution of the Supervisory Board.

[Table 111]

Expenses attributable to the Long Term Incentive Programme for Executive Board members of € 155 thsd (previous year: € 328 thsd) were recognised in the income statement 2010.

The members of the Supervisory Board received non-performance-related remuneration of € 500 thsd (previous year: € 333 thsd) for their activities in 2010. In addition, € 19 thsd (previous year: € 21 thsd) was paid as compensation for expenses.

For the detailed structure of the remuneration system and the remuneration of the Executive Board and Supervisory Board, please refer to the remuneration report in the “Corporate governance” chapter. The remuneration report is part of the management report.

#### Related companies

Not fully consolidated subsidiaries are considered 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 subsidiaries which are non-consolidated for reasons of materiality. 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.

In the financial year 2010, transactions were carried out with major related companies which led to the following items in the consolidated financial statements:

#### Related company 2010

All figures in €'000	Receivables	Liabilities	Income	Expenses
Academic Networks GmbH, Wiesloch	705	–	–	–
MLP Consult GmbH, Wiesloch	1	2,009	1	6
MLP Media GmbH, Wiesloch	–	14	8	130
Feri Trust AG (Switzerland), St. Gallen, Switzerland	435	–	40	1
Private Trust Management Company S.à.r.l., Luxembourg	319	–	3,263	–
Family Private Fund Management Company S.à.r.l., Luxembourg	309	–	2,897	–
Feri Corp., New York, USA	53	–	–	281
Heubeck-Feri Pension Asset Consulting GmbH, Bad Homburg	288	69	525	213
Ferrum Fund Management Company S.à.r.l., Luxembourg	–	–	1,979	–
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich	190	–	315	–
Institutional Trust Management Company S.à.r.l., Luxembourg	76	–	2,369	–
Ferrum Pension Management S.à.r.l., Luxembourg	5	–	450	–
<b>Total</b>	<b>2,381</b>	<b>2,092</b>	<b>11,848</b>	<b>630</b>

[Table 112]

## Related company 2009

All figures in €'000	Receivables	Liabilities	Income	Expenses
Academic Networks GmbH, Wiesloch	705	40	–	–
MLP Consult GmbH, Wiesloch	2	1,858	1	13
MLP Media GmbH, Wiesloch	33	1	8	259
Feri Trust AG (Switzerland), St. Gallen, Switzerland	272	–	12	–
Private Trust Management Company S.à.r.l., Luxembourg	359	–	3,612	–
Family Private Fund Management Company S.à.r.l., Luxembourg	335	–	3,529	–
Feri Corp., New York, USA	53	7	–	229
Heubeck-Feri Pension Asset Consulting GmbH, Bad Homburg	609	65	637	199
Ferrum Fund Management Company S.à.r.l., Luxembourg	432	–	2,525	–
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich	–	–	162	–
Institutional Trust Management Company S.à.r.l., Luxembourg	91	–	1,853	–
Ferrum Pension Management S.à.r.l., Luxembourg	–	–	321	–
<b>Total</b>	<b>2,892</b>	<b>1,971</b>	<b>12,659</b>	<b>700</b>

[Table 113]

## 42 Number of employees

The average number of staff employed decreased from 1,900 in 2009 to 1,672 in 2010.

	2010		2009	
		of which marginal part-time employees		of which marginal part-time employees
Financial services	1,407	140	1,624	276
Feri	251	64	265	66
Holding	14	1	11	1
<b>Total</b>	<b>1,672</b>	<b>205</b>	<b>1,900</b>	<b>343</b>

[Table 114]

An average of 100 people (previous year: 116) were trained in the financial year.



### 43 Auditor's fees

The fees in connection with services of the auditing firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart (auditor), in the financial year 2010 (including expenses, excluding statutory value added tax) amount to:

All figures in €'000	2010	2009
Audit	704	674
Other assurance and valuation services	136	104
Tax advisory services	0	63
Other services	67	185
<b>Total</b>	<b>906</b>	<b>1,026</b>

[Table 115]

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.

### 44 Disclosures on capital

A primary objective of investment control 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 minimum shareholders' equity backing on a consolidated basis. Pursuant to § 10a (3) no. 1 of the German Banking Act (KWG), the relevant Financial Holding Group comprises MLP AG, Wiesloch, MLP Finanzdienstleistungen AG, Wiesloch, Feri Finance AG, Bad Homburg v.d. Höhe, Feri Institutional Advisors GmbH, Bad Homburg v.d. Höhe, Feri Family Trust GmbH, Bad Homburg v.d. Höhe and ZSH GmbH Finanzdienstleistungen, Heidelberg. As a deposit-taking bank, MLP Finanzdienstleistungen AG, Wiesloch is a holding institution according to § 10a (3) no. 4 of the German Banking Act (KWG).

The following means and measures for controlling and adjusting the capital structure are available to MLP: (i) transfer to statutory reserve as class 1 tier 2 capital, (ii) issue of new shares, (iii) buy-back and redemption of treasury stock.

As a financial holding group, MLP is obliged to back its capital adequacy requirements for counterparty default risks (weighted risk assets) and capital adequacy requirements for operational risk with at least 8% of eligible own funds (own funds ratio) according to § 2 (6) of the Solvency Ordinance (SolvV - ordinance governing the capital adequacy of institutions, groups of institutions and financial holding groups) of December 14, 2006. MLP applies the credit risk standard approach for determining the risk-weighted exposure values (counterparty default risks) in accordance with § 24 et seq. of the Solvency Ordinance (SolvV). The amount eligible for inclusion in the operational risk is determined using the basic indicator approach (§§ 269 (2) and § 270 et seq. of the Solvency Ordinance (SolvV)).

The backing of risk assets with eligible own funds for the core capital (tier 1 capital) generally requires a minimum ratio of 4 %. As in the previous year, these requirements have not changed during the financial year 2010. The same also applies for MLP's internal processes, objectives and measures for investment control.

The core capital is made up, inter alia, of the following equity items of the relevant groups of institutions in line with § 10a of the German Banking Act (KWG): share capital, capital reserves and statutory reserve. 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 2010. The relationship between the risk assets and core capital at year-end closing is illustrated below.

All figures in €'000	2010	2009
<b>Core capital</b>	<b>348,407</b>	<b>340,258</b>
Tier 2 capital, class 1	2,000	2,000
Tier 3 capital	–	–
<b>Eligible own funds</b>	<b>350,407</b>	<b>342,258</b>
<b>Capital adequacy requirements for counterparty default risks</b>	<b>70,411</b>	<b>69,585</b>
<b>Capital adequacy requirements for operational risk</b>	<b>56,016</b>	<b>58,335</b>
<b>Equity ratio min. 8%</b>	<b>22.17</b>	<b>21.40</b>
<b>Core capital ratio min. 4%</b>	<b>22.05</b>	<b>21.28</b>

[Table 116]

MLP's tier 2 capital of class 1 is solely made up the contingency reserves in accordance with § 340f of the German Commercial Code (HGB).

#### 45 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 fell below the threshold of 25 % on August 22, 2008, and amounted to 23.38 % on that day (25,205,534 voting rights). This share comprises 20.98 % of the voting rights (22,618,932 voting rights) of Angelika Lautenschläger Beteiligungen Verwaltungs GmbH attributable to him in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

Angelika Lautenschläger Beteiligungen Verwaltungs GmbH, Gaiberg, 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 15 % and 20 % on April 21, 2008 and amounted to 23.08 % (22,618,932 voting rights) on that day.

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 voting rights) on that day. This share comprises 4.14 % (4,500,000 voting rights) of Manfred Lautenschläger Stiftung gGmbH attributable to it in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

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 voting rights) on that day. This share comprises 4.14 % (4,500,000 voting rights) of M.L. Stiftung gGmbH attributable to her in line with §§ 22 (1) sentence 1 no. 1, and 22 (1) sentence 2 of the German Securities Trading Act (WpHG). 4.14 % (4,500,000 voting rights) 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).

Barmenia Krankenversicherung a. G., Wuppertal, Germany informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that on December 21, 2009 its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % and amounted on that date to 6.67 % (corresponding to 7,197,664 voting rights). This share comprises 0.27 % (corresponding to 290,000 voting rights) attributable to Barmenia Krankenversicherung a.G. in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

Swiss Life Beteiligungs GmbH, Hanover, 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 fell below the thresholds of 15 % and 10 % on December 21, 2009 and now amounts to 9.90 % (corresponding to 10,679,892 voting rights).

Swiss Life Holding AG, Zurich, Switzerland 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 fell below the thresholds of 15 % and 10 % on December 21, 2009 and now amounts to 9.90 % (corresponding to 10,679,892 voting rights). The voting rights are attributable to Swiss Life Beteiligungs GmbH in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

Berenberg Bank, Joh. Berenberg Gossler & Co. KG, Hamburg, 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 fell below the threshold of 5 % on November 18, 2009 and now amounts to 4.84 % (corresponding to 5,223,957 voting rights).

AXA S.A., Paris, France, 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, fell below the threshold of 5 % on August 22, 2008 and amounted to 4.72 % (5,090,989 voting rights) on that day. 4.18 % of the voting rights (4,503,693 voting rights) is attributable to it in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG) and a further 0.54 % (587,296 voting rights) is attributable to it in line with § 22 (1) sentence 1 no. 6 in connection with sentence 2 of the German Securities Trading Act (WpHG).

AXA S.A., Paris, France, also informed us that the attributable voting rights are controlled by the following Group structure: AXA S.A., Paris, France, is the parent company and controls Vinci B.V., Utrecht, Netherlands; this controls AXA Konzern AG, Cologne, Germany; this in turn controls AXA Lebensversicherung AG, Cologne, Germany.

AXA S.A., Paris, France, informed us of the following in line with § 21 (1) of the German Securities Trading Act (WpHG):

The share of the voting rights of AXA Lebensversicherung AG, Cologne, Germany, in MLP AG, Wiesloch, Germany, exceeded the threshold of 3 % on August 21, 2008, and amounted to 4.60 % (corresponding to 4,503,693 voting rights) on that date.

The share of the voting rights of AXA Konzern AG, Cologne, Germany, in MLP AG, Wiesloch, Germany, exceeded the threshold of 3 % on August 21, 2008, and amounted to 4.60 % (corresponding to 4,503,693 voting rights) on that date. The inclusion of these voting rights occurs in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

The share of the voting rights of Vinci B.V., Utrecht, Netherlands, in MLP AG, Wiesloch, Germany, exceeded the threshold of 3 % on August 21, 2008, and amounted to 4.60 % (corresponding to 4,503,693 voting rights) on that date. The inclusion of these voting rights occurs in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

The share of the voting rights of AXA S.A., Paris, France, in MLP AG, Wiesloch, Germany, exceeded the thresholds of 3 % and 5 % on August 21, 2008, and amounted to 5.17 % (corresponding to 5,063,489 voting rights) on that date. Of this, 4.60 % (4,503,693 voting rights) is attributable to AXA S.A. in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG) and a further 559,796 voting rights (0.57 %) are attributable in line with § 22 (1) sentence 1 no. 6 in connection with sentence 2 of the German Securities Trading Act (WpHG).

AXA S.A., Paris, France, also informed us that the attributable voting rights are controlled by the following Group structure: AXA S.A., Paris, France, is the parent company and controls Vinci B.V., Utrecht, Netherlands; this controls AXA Konzern AG, Cologne, Germany; this in turn controls AXA Lebensversicherung AG, Cologne, Germany.

Allianz SE, Munich, 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 thresholds of 3 % and 5 % on August 22, 2008 and amounted to 6.27 % (corresponding to 6,761,893 voting rights) on that day. The voting rights were attributable to it in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

The voting rights attributable to it were held by the following companies it controls, whose respective share of the voting rights in MLP AG amounted to 3 % or more: Allianz Deutschland AG, Jota Vermögensverwaltungsgesellschaft mbH, Allianz Lebensversicherung AG.

At the same time, Allianz SE informed us of the following in line with §§ 21 (1) in connection with § 24 of the German Securities Trading Act (WpHG):

The share of the voting rights held by Allianz Deutschland AG, Munich, Germany, in MLP AG, Wiesloch, Germany, exceeded the thresholds of 3 % and 5 % on August 22, 2008 and amounted to 6.27 % (corresponding to 6,761,893 voting rights). These voting rights are attributable to Allianz Deutschland AG in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

The voting rights attributable to Allianz Deutschland AG were held by the following companies it controls, whose respective share of the voting rights in MLP AG amounted to 3 % or more: Jota Vermögensverwaltungsgesellschaft mbH, Allianz Lebensversicherung AG.

The share of the voting rights held by Jota Vermögensverwaltungsgesellschaft mbH, Munich, Germany, in MLP AG, Wiesloch, Germany, exceeded the thresholds of 3 % and 5 % on August 22, 2008 and amounted to 6.27 % (corresponding to 6,761,893 voting rights). These voting rights are attributable to Jota Vermögensverwaltungsgesellschaft mbH in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

The voting rights attributable to Jota Vermögensverwaltungsgesellschaft mbH were held by the following company it controls, whose respective share of the voting rights in MLP AG amounted to 3 % or more: Allianz Lebensversicherung AG.

The share of the voting rights held by Allianz Lebensversicherung AG, Stuttgart, Germany, in MLP AG, Wiesloch, Germany, exceeded the thresholds of 3 % and 5 % on August 22, 2008 and amounted to 6.27 % (corresponding to 6,761,893 voting rights).

HDI-Gerling Sach Serviceholding AG, Hanover, 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 fell below the thresholds of 5 % and 3 % on August 04, 2010 and now amounts to 0 % (corresponding to 0 voting rights).

HDI-Gerling Pensionskasse AG, Cologne, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.39 % (corresponding to 10,132,969 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). HDI-Gerling Pensionskasse AG holds 0.50 % (corresponding to 539,000 voting rights) directly.

Aspecta Lebensversicherung AG, Cologne, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 8.40 % (corresponding to 9,054,969 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). Aspecta Lebensversicherung AG holds 1.50 % (corresponding to 1,617,000 voting rights) directly.

CiV Lebensversicherung AG, Hilden, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.65 % (corresponding to 10,408,201 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). CiV Lebensversicherung AG holds 0.24 % (corresponding to 263,768 voting rights) directly.

PBV Lebensversicherung AG, Hilden, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.65 % (corresponding to 10,408,201 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). PBV Lebensversicherung AG holds 0.24 % (corresponding to 263,768 voting rights) directly.

neue leben Lebensversicherung AG, Hamburg, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.16 % (corresponding to 9,878,255 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). neue leben Lebensversicherung AG holds 0.74 % (corresponding to 793,714 voting rights) directly.

neue leben Holding AG, Hamburg, Germany informed us in line with §§ 21 (1), 22 (1) sentence 1 no. 1 and (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.16 % (corresponding to 9,878,255 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG) and a further 0.74 % (corresponding to 793,714 voting rights) are attributable to it in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

Proactiv Holding AG, Hilden, Germany informed us in line with §§ 21 (1), 22 (1) sentence 1 no. 1 and (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 8.67 % (corresponding to 9,350,719 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG) and a further 1.22 % (corresponding to 1,321,250 voting rights) are attributable to it in line with § 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

HDI-Gerling Industrie Versicherung AG, Hanover, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.49 % (corresponding to 10,231,552 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). HDI-Gerling Industrie Versicherung AG holds 0.41 % (corresponding to 440,417 voting rights) directly.

HDI-Gerling Firmen und Privat Versicherung AG, Hanover, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.49 % (corresponding to 10,231,552 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). HDI-Gerling Firmen und Privat Versicherung AG holds 0.41 % (corresponding to 440,417 voting rights) directly.

HDI Direkt Versicherung AG, Hanover, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.49 % (corresponding to 10,231,553 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). HDI Direkt Versicherung AG holds 0.41 % (corresponding to 440,416 voting rights) directly.

Talanx Beteiligungs-GmbH & Co. KG, Hanover, Germany informed us in line with §§ 21 (1), 22 (1) sentence 1 no. 2 and (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 8.67 % (corresponding to 9,350,719 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG) and a further 1.22 % (corresponding to 1,321,250 voting rights) are attributable to it in line with § 22 (1) sentence 1 no. 2 of the German Securities Trading Act (WpHG).

Hannover Beteiligungsgesellschaft mbH, Hanover, Germany informed us in line with §§ 21 (1), 22 (1) sentence 1 no. 2 in connection with sentence 2 and (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 8.67 % (corresponding to 9,350,719 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG) and a further 1.22 % (corresponding to 1,321,250 voting rights) are attributable to it in line with § 22 (1) sentence 1 no. 2 in connection with sentence 2 of the German Securities Trading Act (WpHG).

Harris Associates L.P., Chicago, 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 5 % on October 14, 2009 and on that day amounted to 5.10 % (corresponding to 5,500,722 voting rights). 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).

#### 46 Events after the reporting date

There were no appreciable events after the reporting date affecting the company's net assets, financial position and results of operations.

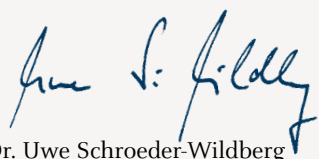
#### 47 Release of consolidated financial statements

The Executive Board drew up the consolidated financial statements on March 16, 2011 and will present them to the Supervisory Board on March 22, 2011 for publication.

Wiesloch, March 16, 2011

MLP AG

Executive Board



Dr. Uwe Schroeder-Wildberg



Manfred Bauer



Reinhard Loose



Ralf Schmid



Muhyddin Suleiman



## Audit Opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

“We have audited the consolidated financial statements prepared by the MLP AG, Wiesloch, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2010. 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 Sec. 315a (1) HGB [“Handelsgesetzbuch”: “German Commercial Code”] and supplementary provisions of the articles of incorporation and bylaws 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 Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). 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 Sec. 315a (1) HGB and supplementary articles of incorporation and bylaws 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 17, 2011

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft



Müller-Tronnier  
German Public Auditor



Frey  
German Public Auditor



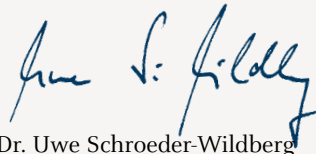
## Responsibility statement

“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 16, 2011

MLP AG

Executive Board



Dr. Uwe Schroeder-Wildberg



Manfred Bauer



Reinhard Loose



Ralf Schmid



Muhyddin Suleiman

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# Glossary

## Amortised cost

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

## Available for sale

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

## Call option

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.

## Cash flow statement

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

## Consolidation

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

## Contingent liabilities

Contingent liabilities are liabilities whose occurrence is improbable. Although they are not carried in the statement of financial position, they must be disclosed in the notes, e. g. as liabilities on account of sureties.

## Corporate Governance

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

## Deferred tax assets and liabilities

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

## Derivative financial instruments

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

## Earnings per share

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

## EBT

Earnings before tax.

## EBIT

Earnings before interest and tax.

## Fair value

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

## Goodwill

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

## Held-to-maturity securities

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

## Interest rate swaps

Interest rate swaps are used to exchange payment obligations that are denominated in the same currency but subject to different interest terms (fixed/variable).

## IAS and IFRS

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

## Put option

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

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

## Financial Calendar 2011

### NOVEMBER

#### **November 10, 2011**

Publication of the financial results for the first nine months of the year and for the third quarter  
MLP publishes the Interim Report for the first nine months and the third quarter.

### AUGUST

#### **August 11, 2011**

Publication of the financial results for the first half of the year and for the second quarter  
MLP publishes the Interim Report for the first half of the year and for the second quarter.

### JUNE

#### **June 10, 2011**

Annual General Meeting of MLP AG in Mannheim, Germany  
MLP AG convenes for the Annual General Meeting at the  
Rosengarten Mannheim, Germany.

### MAY

#### **May 12, 2011**

Publication of the financial results for the first quarter  
MLP publishes the Interim Report for the first quarter.

### MARCH

#### **March 31, 2011**

Bankhaus Lampe capital markets conference in Baden-Baden, Germany  
At this capital market conference, MLP presents its business activities,  
strategy and the long-term outlook for the company to investors.

#### **March 24, 2011**

Publication of the Annual Report 2010  
MLP publishes the Annual Report for 2010.

### FEBRUARY

#### **February 23, 2011**

Annual press conference and analyst conference  
MLP announces preliminary results for the business year 2010  
at the annual press and analyst conferences in Frankfurt, Germany.

### JANUARY

#### **January 17-19, 2011**

Cheuvreux German Conference in Frankfurt, Germany  
At this capital market conference, MLP presents its business activities,  
strategy and long-term outlook for the company to investors.



More information at  
[www.mlp-ag.com](http://www.mlp-ag.com), Investor Relations, Financial calendar

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