

# Management Report

## OVERALL ECONOMIC SITUATION

### Framework conditions

Economic framework conditions holding back business development

As Germany's leading independent financial and investment adviser, generating over 98 % of its total revenue in the German market, MLP is closely linked to the development of the country's economy. The employment market for academics and other discerning target clients, the development of purchasing power and the savings rate are all important indicators for the success of our business. Indeed, one thing always stands out in discussions with both existing and potential clients: the perceived level of economic security and trust in the future on the part of individual investors both have a major influence on the willingness of these investors to take up medium and long-term investments in old-age provision and wealth management concepts.

### National economic climate

In 2009, the global economy was largely characterised by the global financial and economic crisis. According to calculations of the International Monetary Fund (IMF), the global economic performance shrunk by 1.1 %. This is compared to economic growth of 3.4 % in the previous year. The industrial nations were only able to overcome the most severe recession for decades thanks to the massive support and rescue measures of the central banks and governments.

Some first signs of slight recovery started to emerge in the second half of the year. Yet despite this, experts at the OECD still expect to see a drop in economic performance for 2009 of 2.5 % in the US, 5.3 % in Japan and 4.0 % in the Eurozone (figures as at the beginning of February 2010). As a result of the improving export business, it was predominantly the German economy that picked up momentum in the second half of the year and dragged the other European states out of the recession. However, in 2009 Germany's economic performance fell by around 4.9 % in comparison with the previous year <sup>[Figure 02]</sup>. As such, our country has experienced the greatest economic slump since the Federal Republic was founded. We will only be able to assess and report on the long-term effects of the crisis on both the German and the global economy over the course of the next few years (see also "Forecast").

Crisis only affects parts of the real economy

Despite the economic slump, the income, consumption and savings behaviour of private households in Germany remained at around the previous year's level. And contrary to expectations, the employment market remained robust. The average unemployment rate for 2009 as a whole was 8.2 %, compared to 7.8 % in 2008. At Germany's Federal Employment Agency, some 3.3 million people were registered as unemployed at the end of December 2009.

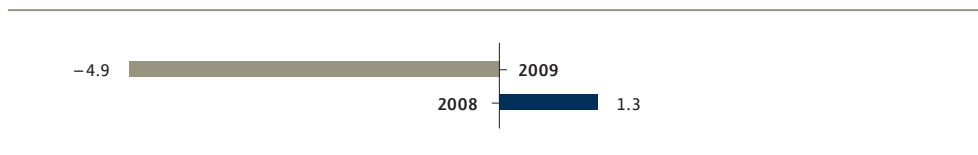
The level of unemployment among academics remained at a low level. A survey commissioned by Germany's Federal Ministry of Education determined an unemployment rate of just 1 % among university graduates in 2009. The proportion of those in work relative to the total population of the same age reached a level of 90 % among academics, compared to a level of 70.7 % in the population at large (so-called employment rate). These figures once again underline the fact that academics and other well trained employees - as most MLP clients are - also have better opportunities of employment in times of economic crisis than those with lower levels of qualification. Yet this does not mean that academics can escape the crisis completely unscathed. At the end of 2009, some 11.3 % more academics were without work than at the end of 2008.

Worry about unemployment on the rise

In the first half of 2009, the savings rate in Germany remained at the previous year's level of 11.2 %. Each German citizen saved an average of € 180 per month in this period, roughly the same amount as in the previous year. With an increase of just 0.4 %, consumer prices also saw only moderate increases in November compared to the previous year. However, consumer confidence cooled off towards the end of 2009. The "German Consumer Research Association (GfK)"

[Figure 02]

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



Source: Organisation for Economic Co-operation and Development (OECD)

[Table 02]

**National economic influencing factors on MLP’s business development**

	Influence on the business development of MLP in 2009
Expectations about Economic situation in the future	--
Higher rate of unemployment	-
Stable savings rate	0
Higher consumer price	-

determined increased levels of concern among the population regarding growing unemployment. The level of consumer interest went down – which had corresponding negative effects on the demand for old-age provision and wealth management concepts and business development at MLP.

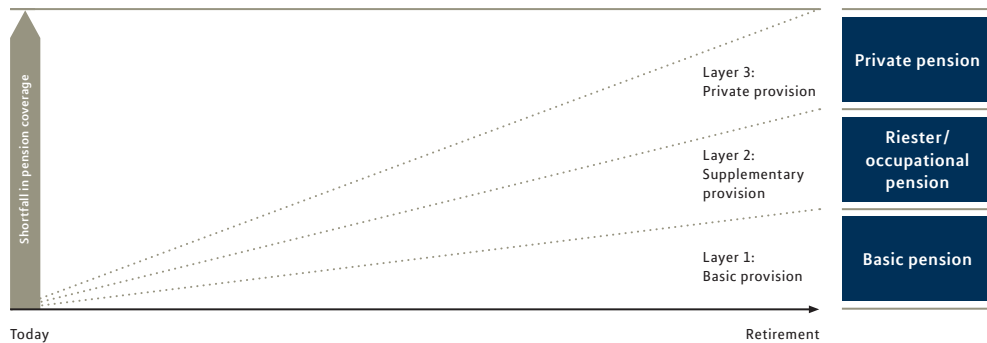
Based on the Executive Board’s general statement regarding the economic framework conditions for MLP’s business operations in 2009, we can now state that the future expectations of the German population form the key macroeconomic indicator for our business development [Table 02]. People who are afraid of losing their job or suffering financial losses for any other reason act cautiously when considering committing to long-term old-age provision and wealth management investment contracts that would require continuous payments on their part. Set against this background, the Executive Board at MLP sees the reduced level of trust in the future among Germans due to the financial and economic crisis as the central cause for the drop in revenue experienced over the last financial year in the business segments of provision and wealth management.

**INDUSTRY SITUATION AND COMPETITIVE ENVIRONMENT**

Changes in people’s investment behaviour, structural alterations in the financial sector and new legal requirements for financial consulting can all have an effect on MLP’s future prospects. In the following we offer an overview of developments in the field of old-age provision, the health-care sector and wealth management – the most important markets for MLP, in which we generate 91 % of our commission income – as well as the competitive situation in the last financial year.

Independent consulting as a hallmark

[Figure 03]  
**Three-layer-model of old-age provision in Germany**



Source: German Federal Ministry of Labour and Social Affairs

**Old-age provision**

Private provision required to close pension gap

Increased life expectancy, the low birth rate in Germany and ever shorter working lives have driven Germany’s “pay-as-you-go” social security system to its limits. The means available in the system can no longer guarantee all Germans an adequate old age pension. The state is therefore interested in getting citizens actively involved in providing for their own future during their working life. There are three general approaches here [Figure 03]:

- Basic provision: Statutory pension and state-supported pensions such as the Rürup pension
- Private supplementary pension provision: Riester pension and occupational pension provision
- Endowment life insurances and private pension insurances

Rürup pension becoming increasingly important

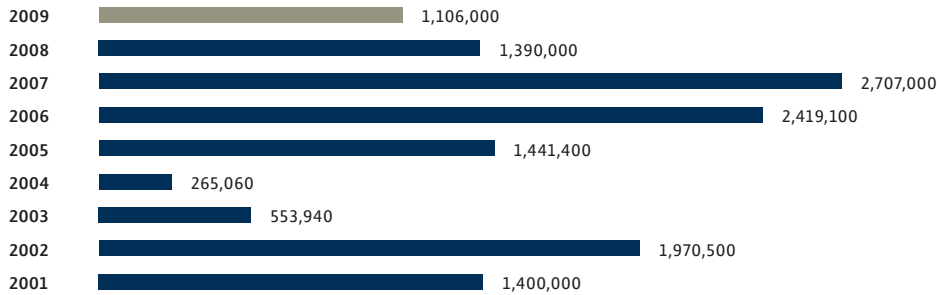
The Rürup pension offers groups of individuals such as self-employed and freelance workers, who only pay into the statutory pension in exceptional cases, incentives to invest in private old-age provision through tax incentives. Payments made into agreements of this nature are initially recognised as special expenses in income tax returns and are not subject to taxation until the retirement age is reached. However, this concept has only met with limited success among the target group. According to data published by the German Insurance Association (GDV), only around 150,700 new basic pension contracts were concluded in 2009 (cut-off date: September 30, 2009). As such, demand dropped by 20.6 % or 39,000 contracts compared to the previous year. Most investors preferred unit-linked annuity contracts. Indeed, some 94,500 new contracts were concluded throughout the sector in this product group by the end of the third quarter of 2009 (2008: 132,000). The financial services sector currently manages around 1 million Rürup contracts overall.

Continued demand for Riester pension

The Riester pension is enjoying the greatest demand, with the total number of Riester contracts having reached the 13 million mark by the end of 2009. 197,000 people also chose to invest in the Riester subsidy for residential property launched at the end of 2008 [Figure 04].

Since its introduction, the Riester concept has become increasingly attractive. This is partly due to the “Wohn-Riester-Rente” (home annuity) scheme, in which even residential property used by the policy holder can be indirectly subsidised, yet also due to a judgement by the European Court of Justice from September 2009, which allows more people to benefit from Riester subsidies than before (see also “Forecast”).

[Figure 04]

**Concluded new Riester contracts – comparison 2001 – 2008**

Source: German Federal Ministry of Labour and Social Affairs

Based on estimates by the German Insurance Association, new business in the traditional life and pension insurance fields remained fairly stable in 2009 despite the financial market crisis. Indeed, a total of around 6.2 million new contracts were concluded (2008: 6.7 million). These included 528,017 endowment life insurance policies that had been concluded by the end of September 2009 (same period of previous year: 544,803) and 1.19 million pension insurance policies (same period of previous year: 1.18 million). However, sales of contracts with regular premiums paid in by the policyholders were down by 7.1 % to around 4.5 million. Although estimated earnings in the insurance industry were compensated by a heavy increase in one-off payments (+45 %).

In terms of new business with regular premiums, we have suffered a marginal loss of market share in the field of private old-age provisions in the financial year 2009. According to provisional figures from the GDV, MLP's market share fell from 4.2 % in 2008 to 3.9 % in the reporting year.

Based on our estimates, occupational pension provision only saw moderate development in the reporting year. The number of occupational pension entitlements is likely to stagnate at a level of around 18 million, despite the fact that every employee has a legal entitlement to deferred compensation. The unstable economic situation clearly motivated many people to refrain from signing up for any additional occupational (or private) old-age provision policy in 2009. However, interest in the options offered by occupational pension provision with its benefits for both employees and employers is growing. And while at first interest predominantly came from major enterprises, occupational pension provision is now starting to become increasingly attractive for small and medium sized companies. For small companies, solutions at association level are particularly attractive.

There are five basic implementation routes that can be taken here: employer's pension commitments, provident funds, direct insurances, pension schemes and pension funds. MLP advisers are happy to discuss with their clients which instrument is best suited to each respective company. Together with our Group company TPC THE PENSION CONSULTANCY GmbH, the market leader in the field of industry-specific provision solutions in Germany, we offer a full range of services in occupational pension provision.

Downward trend in new contracts with regular payments

Occupational pension provision sees only slow development

Industry solutions on the rise

Old-age provision saving put on hold

Last year, many people put their private old-age provision payments on hold due to the worst economic crisis since the Federal Republic of Germany was founded. In some cases, existing old-age provision contracts were even dissolved. According to a survey commissioned by Postbank and performed by the Allensbach Institute, the willingness among young professionals aged between 16 and 29 to make private provision investments has declined. While just 11 % of those asked in 2008 said that they are not looking to strengthen their private old-age provisions, the number of those not planning any old-age provision investments increased to 19 % last year. This means that although the population at large is more acutely aware of the need for setting up their own old-age provision plans, economic uncertainty is limiting their willingness to make medium-term and long-term investments.

With regard to our business model we can therefore say that while there is clearly a great demand in the market for qualified consulting in all questions of old-age provision (indeed, a particularly large number of clients sought our advice in 2009), MLP has not been able to overcome the reservations with regard to signing new contracts triggered by the financial and economic crisis. As such, our total revenue in the field of old-age provision dropped by 9.8 %.

#### Health provision

Trust in the healthcare system now even lower than before

“The German healthcare system is one of the most expensive in the world, yet often only provides average results.” It was with quotes like this on December 9, 2009 that the “Frankfurter Allgemeine Zeitung” newspaper cited a survey performed by the Organisation for Economic Co-operation and Development (OECD), in which the healthcare systems of the industrialised nations were compared. The investigators listed exorbitant administrative expenses and high charges for doctors’ services and prescriptions as the main causes of the costs in the German healthcare system. As such, the situation in Germany’s healthcare system has not improved since the introduction of the German Health Fund on January 1, 2009, with its equal health insurance premiums for all statutory health insurers.

Those willing to change forced to be patient due to 3-year waiting period

In light of this ever decreasing performance and the high costs involved, many people are now keen to opt out of the statutory health provision system in Germany. Yet those willing to make the changeover to private healthcare were once again prevented from doing so in 2009. This is due to the legislator having made it harder for people to switch to private healthcare insurances in the course of the 2007 healthcare reform by setting a high statutory insurance limit and coupling this with a 3-year waiting period. However, this did not prevent the total number of those with full-scope health insurance from increasing by 98,800 persons in the first half of 2009 to a level of 8.74 million. At the end of 2008 the total number was 8.64 million.

Option tariffs and supplementary dental insurance in demand

Private supplementary insurance policies remained in demand and at a high level. Indeed, more than 150,000 statutory insurance policy holders opted for a supplementary health insurance policy in the reporting year. According to data published by the German Association of Private Health Insurers, the number of those holding supplementary health insurance policies after the first six months of 2009 had increased to around 21.14 million (+0.7 %) compared to 21.0 million as at December 31, 2008. Dental plans (+2.4 %), hospital option tariffs (+1.5 %) and supplementary outpatient insurances (+0.5 %) proved particularly popular in the period reviewed.

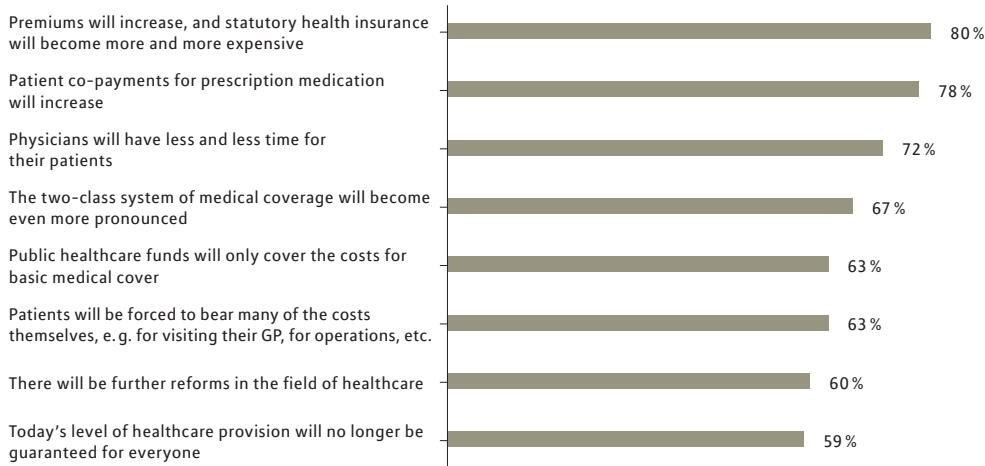
MLP kept its clients up-to-date with option tariffs through clear and targeted information. Option tariffs allow people to record their current health now but then make the switchover to private insurance at a time of their choosing. Supplementary dental insurance policies, travel health insurance and special hospital option tariffs proved particularly popular.

Our market share in health provision has continually risen over the last few years. In 2004 we had a share of 1.8 % of privately insured individuals, which has steadily risen to 2.1 % by the first half of 2009.

[Figure 05]

**Citizens anticipate further limitations and increasing charges in the German statutory health care system**

Expectations for the next 10 years -



Basis: Federal Republic of Germany, population from 16 years old and above  
 Source: MLP Health Report 2009

Broad sections of the population are now increasingly aware that the statutory health insurance funds can no longer cope with the demands being placed on them. The 3-year waiting period is therefore unlikely to deter anyone keen to make the switch to private insurance. Indeed, as soon as the waiting period is abolished in 2011 – as announced by the new German government – the number of people opting out of the state system and taking up full-scope private health insurance will increase even further (see also “Forecast”). It was therefore only logical that our advisers made our clients aware of the benefits of optional and supplementary insurances in 2009. The success of our sales in the field of healthcare provision was also largely unaffected by the financial and economic crisis in 2009. In fact, we were even able to increase revenue in this segment by 1.3% to a level of €46.5 million.

Demand for supplementary insurance continues unabated – private, full-scope healthcare insurance still waiting in the loop

**Wealth management**

Based on information provided by the German Bundesbank, the monetary assets of private German households has now started to increase again following the collapse in 2008. With an increase of around €90 billion, monetary assets once again reached a level of €4,534 billion by mid-2009. At the same time, the behaviour of German investors with regard to investments in securities – which had previously often been sold based on experience in the financial market crisis – also stabilised in the course of the year. According to the German Association of Investment and Asset Management (BVI) investors invested a total of €33.1 billion in mutual and special funds over the course of 2009. Mutual equity funds were able to profit particularly from this, recording an inflow of funds of €14.6 billion. On the other hand, investors withdrew €30.0 billion from money market funds [Figure 06].

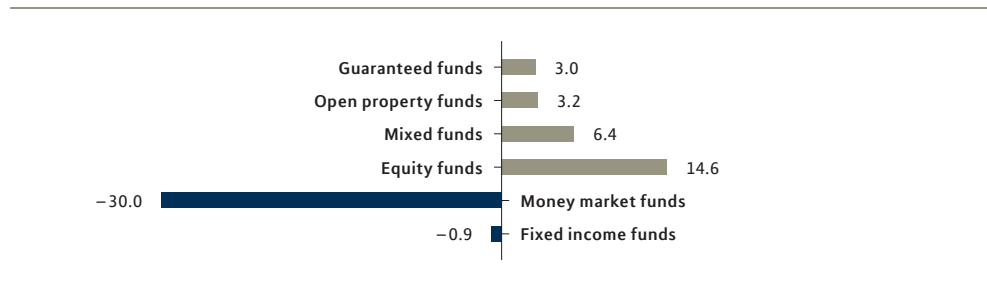
Monetary assets enjoying growth again

Overall, the fund assets of German mutual and special funds increased by 13.0% to €1,376 billion in the last financial year.

Based on the method of calculation employed by the BVI for assets under management, MLP has increased its market share over the last two years. While this figure only increased by 0.2% for the German market as a whole from 2007 to 2009, MLP was able to record an increase of 34%.

[Figure 06]

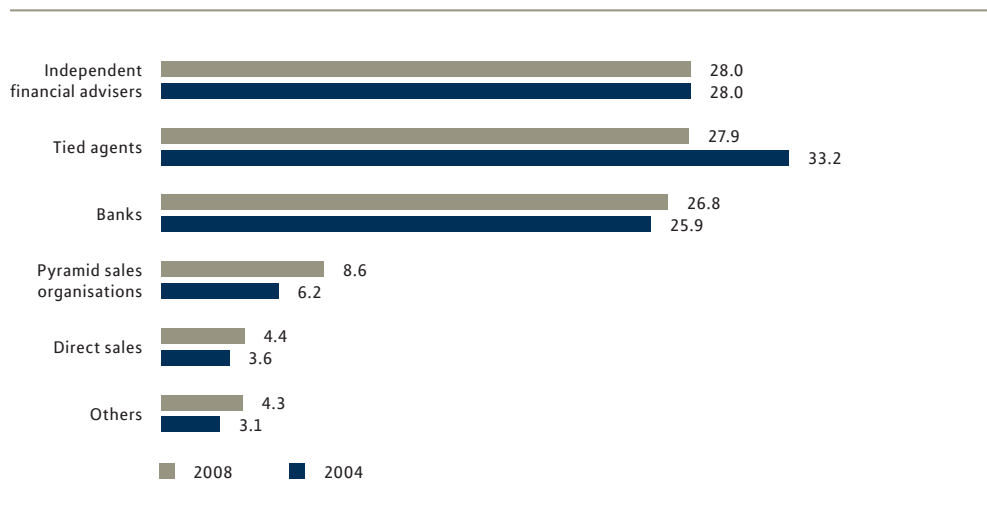
**Inflows and outflows in various types of mutual investment funds in Germany in 2009  
(all figures in € billion)**



Source: German Federal Association of Investment and Asset Management e. V. (BVI)

[Figure 07]

**Market shares of various sales channels for life insurances in Germany (all figures in %)**



Source: Towers Perrin

General statement:  
Funds under management  
at new all-time high

MLP’s wealth management service once again demonstrated its power in 2009. With the help of risk-controlled investment concepts from investment experts at our subsidiary Feri Finance AG, we were able to initially limit the losses of investors in the extremely difficult market environment of the financial crisis. And with the return of a more friendly capital market climate since the second quarter of 2009, all profit-making opportunities were again being exploited for investors. As such, the assets under management last year increased by 12.3 % to a level of € 12.8 billion. This is the highest value in MLP’s history (2008: € 11.4 billion).

Market consolidation  
continues

**Competition**

The financial services market in Germany is characterised by cut-throat competition. Banks, investment companies, insurance companies, investment advisers, pyramid sales organisations, independent financial consultants, etc. are all vying for clients. Overall, the market is very heavily fragmented. Added to this are the problems the sector faces due to new legislation such as

[Table 03]

**Industry-specific influencing factors on the business development of MLP**

	Influence on business development in the industry in 2009	Influence on MLP's business development in 2009
Effect of the financial and economic crisis on old-age provision	--	--
Trends 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	+

the EU Insurance Mediation Directive, the Markets in Financial Instruments Directive (MiFID) and the German Insurance Act, introduced in part for consumer protection, as well as stagnating commission revenue. Small and medium-sized insurance offices are now in a position where they can barely meet the ever increasing requirements of quality consulting and financial power. The market is seeing consolidation.

In 2009, MLP once again used market consolidation to expand its market share through acquisitions. Following the 2008 acquisition of TPC, the specialist in occupational pension provision, the finance broker ZSH was taken over this reporting year. ZSH looks after wealthy private clients, including many physicians and dentists, one of MLP's main target groups. With these targeted purchases, MLP is strengthening its leading role in the independent financial service provider market [Figure 07]. According to the Tillinghast sales channel survey performed by Towers Perrin, some 56 % of insurance companies rate independent financial service brokerage as their most important form of sales. No other sales channel can boast this success or such great growth forecasts (see also "Forecast").

MLP builds on its  
competitive advantage

**BUSINESS MODEL AND STRATEGY****Business model: Independent consulting firm**

MLP is Germany's leading independent consulting firm. 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 companies. MLP 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 provision, wealth management, health care, insurance, financing 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 provision and asset and risk management [Figure 08].

[Figure 08]

**MLP – The consulting firm**

Clear target group in the consumer business

One of MLP's core skills lies in providing independent, comprehensive consulting and support to its target client group of academics and other discerning clients. Our business model is geared towards long-term client relations. Indeed, many consultants get to know their clients during their studies and then continue to support them all the way up to retirement age. This closeness to clients allows our consultants to assume the role of reliable financial coaches for our clients and their families.

High quality consulting through outstanding training

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 during their career. The Corporate University therefore assumes an important role in MLP's business model. Our company-owned training institute is also one of only 15 corporate academies in Europe to have gained accreditation from the renowned European Foundation for Management Development, thereby securing the high level of expertise among our consultants. You can find more information on the Corporate University in the chapter entitled Client support (page 60 et seq.).

MLP's client consulting guidelines were laid down in 2009 in a consulting code. We also implemented in full the guidelines of the Association of German Banks (BdB) in 2009 to strengthen investor confidence. Our clients can see the advantages of the holistic and independent consulting approach we provide and are therefore willing to recommend us to others. Thanks to these recommendations, our client base continued to grow in the reporting year. At the end of the year, we had the trust of 785,500 clients. With this our client base grew by 7.9% compared to the previous year.

## Strategy

As an independent consulting firm, MLP enjoys a very strong position in Germany's financial services market. We focus our efforts on the growth markets of old-age provision, health care and wealth management, where our goal is to generate greater growth than the market as a whole and thereby increase our already high market share. And when we have the chance to acquire companies, we do not hesitate to seize our opportunity. However, the prerequisites for an acquisition include an acceptable price, synergies on the revenue and profit side and alignment with MLP's culture and business model. We have defined strengthening our sales force in Germany's retail market and increasing the volume of assets we manage for clients as a basic acquisition objective.

Excellent market position in Germany

In 2009, we had the chance to acquire the independent finance broker ZSH, which we took over with all its wealthy private clients – including many physicians and dentists – at the start of the year. With this move we were able to expand our sales force in Germany and increase our market share among dentists.

We consistently take our opportunities

In 2008 we also had the excellent opportunity of expanding our market share in the field of occupational pension provision through the acquisition of TPC THE PENSION CONSULTANCY GmbH in Hamburg, Germany, the market leader in the field of industry solutions for occupational pension provision. We had already secured a majority holding in Feri Finance AG back in 2006 and thereby completed our entry into the field of wealth management.

And acquisitions within the field of our subsidiary Feri Finance AG are also possible over the course of the next few years. This applies in particular to the sector of asset managers, which is currently in a phase of reorganisation due to the financial crisis and changes in the banking sector. Many specialised asset managers and fund boutiques are now looking for a powerful partner. We could also well envisage entering into partnerships and generating growth in our business with institutional clients – above all to grant us further internationalisation.

Yet we are also just as resolute when markets or investments fail to meet our profitability requirements. In the reporting year this was the case with our business activities in Austria and the Netherlands. As such, we withdrew completely from Austria by the end of the financial year 2009 and from the Netherlands by the start of 2010. We now use our entire sales force to focus on the key growth markets in Germany's financial services market, i. e. old-age provision, health care and wealth management.

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 47 et seq.).

Within the scope of our growth strategy in the field of wealth management, we have invested consistently in the performance of our wealth management concepts over the last few years. Together with our renowned subsidiary Feri Finance AG, we have now become the leading independent investment adviser in Germany. Today we can offer professional asset and wealth management consulting services to our company/institutional clients, to wealthy families and also to young clients seeking to start off with small amounts. This comprehensive, wide-ranging offer is rare in Germany's financial services landscape.

In an excellent position with Feri as our partner

Feri advises more than 1,000 institutional clients and 220 wealthy families with at least € 5 million each in assets. And the company has even been able to expand its client base throughout the financial and economic crisis. At the same time, the number of wealthy clients in MLP's client base seeking wealth management advice has also risen. More than 40% of our clients were in the 40+ age group in 2009. Clients that were students back when MLP was founded are now well-positioned as managers with greater need for wealth management services. MLP has adapted to changes in demand and can now offer clients wealth management services of the highest standard through the recognised expertise of Feri.

Demand for wealth management remains high

### Legal corporate structure

MLP is managed with a holding structure. MLP AG held the subsidiaries MLP Finanzdienstleistungen AG and Feri Finance AG on the balance sheet date of December 31, 2009. Feri Finance AG is the ratings, research and wealth management specialist in the MLP Group. At its company headquarters in Bad Homburg v. d. Höhe, Germany, it draws up investment concepts and looks after wealthy institutional and private investors under their own mandate. We currently hold a 56.6% share in Feri Finance AG and are set to acquire all remaining shares in 2011.

Client support with the central services and offices is all performed under the umbrella of MLP Finanzdienstleistungen AG. With its full banking licence, the company holds a particularly important USP. Alongside this, the services of various subsidiaries round off the company's portfolio. Key companies to note in this regard are TPC THE PENSION CONSULTANCY GmbH, Hamburg, Germany, the market leader for industry solutions in the field of occupational pension provision, and the joint venture MLP Hyp GmbH, Schwetzingen, Germany, held together with the mortgage broker Interhyp (see also "Industry situation and competitive environment"). Through our purchase of ZSH GmbH Finanzdienstleistungen at the start of 2009, we have also further strengthened our sales force in Germany's retail market.

No significant changes to the Group structure are currently in planning. An overview of the Group's current structure can be found on inner back cover page.

### Organisation and administration

Close to clients

MLP is based in the south of Germany. The registered office is located in the town of Wiesloch in the economically prosperous federal state of Baden-Württemberg. The company was managed by a committee of four Executive Board members in the reporting year. MLP also expanded its Executive Board through the appointment of a Chief Operating Officer (COO), with effect from March 1, 2009. In this connection, the Supervisory Board appointed Ralf Schmid as the new Executive Board member up to December 31, 2012 on February 16, 2009. The monitoring of the Executive Board required by German law is performed by the Supervisory Board, which is made up of six members. Flat hierarchies ensure that information is passed on quickly within the company and that decision making processes are kept short.

Working exclusively  
for MLP

In 2009, we generated more than 98% of revenue in our domestic market of Germany, where we have offices at all important university locations and in all urban centres [Figure 09]. On the balance sheet data of December 31, 2009, the number of offices operated was 238 (2008: 241). With this we are represented throughout the whole of Germany. There are no plans to further expand the network of offices. Due to the decentralised structure and small average size of the offices (10 consultants per office), the availability of office space and employees is not a limiting factor in the administrative field. 2,383 consultants (2008: 2,413) were available for client consulting.

Our client consultants are predominantly free commercial agents who are paid by commission. It is important for our business model that all consultants work exclusively with MLP, as this is the only way to ensure MLP's independent and holistic consulting philosophy is maintained across-the-board.

### Research and development

MLP is a pure service provider. We therefore do not engage in research or development activities.

[Figure 09]

**MLP locations in Germany**

## DISCLOSURES PURSUANT TO §§ 289 (4), 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

As at December 31, 2009 the company's share capital is €107,877,738 and is divided into 107,877,738 ordinary bearer shares with a nominal value of €1 per share.

MLP AG was notified of two shareholders which directly or indirectly exceeded 10 % of the voting rights [Table 04].

[Table 04]

**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, 2009

<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

## Executive Board

The company's articles of association specify that the Executive Board must consist of at least two people. The members of the Executive Board are appointed for a maximum of five years. A further appointment or extension of the time in office, each for a maximum of five years, is permitted. The Supervisory Board can withdraw the appointment to a member of the board before the time in office expires with good cause. Such cause would be gross breach of duty, inability to manage properly or a vote of no confidence by the Annual General Meeting.

The Supervisory Board decides on the number of board members, their appointment and the withdrawal of their appointment as well as the conclusion, alteration and termination of the employment contracts with board members. The Supervisory Board can appoint one Chairman and one or more Vice Chairmen.

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.

## Authorized capital

A resolution passed by the Annual General Meeting on May 31, 2006 authorised the Executive Board, with the Supervisory Board's approval, to increase the company's share capital by up to € 21,000,000 in total by May 30, 2011 by issuing on one or more occasions new ordinary bearer shares in exchange for cash or non-cash contributions and, with the Supervisory Board's approval, to exclude the shareholders' subscription rights for the issuance of shares in exchange for non-cash contributions.

If the share capital is increased in exchange for cash contributions, the shareholders shall be granted a subscription right. However, the Executive Board has been authorised, with the approval of the Supervisory Board, to exclude the subscription right of the shareholders if the issue price does not fall significantly short of the stock market price of company shares with the same structure. However, this authorisation is subject to the condition that shares issued in exclusion of subscription rights in accordance with § 186 (3) sentence 4 of the German Stock Corporation Act (AktG) do not exceed 10 % of the share capital, either at the time of coming into effect or at the time it is implemented (authorised capital). With the Supervisory Board's consent, the Executive Board of MLP AG decided on a partial utilisation of the authorised capital on August 21, 2008 and issued 9,799,152 new shares, excluding subscription rights, in exchange for cash contributions of € 123,763,290. This has increased the share capital accordingly by € 9,799,152.

## Authorisation to acquire own shares

A resolution passed by the Annual General Meeting of June 16, 2009 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 December 15, 2010. No shares were bought by the company on the basis of this authorisation up to December 31, 2009.

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 purchases at least 51 % of the entire share capital of MLP AG by December 31, 2010 and exercises the voting rights from these shares in the Annual General Meeting following the acquisition or in a later Annual General Meeting, the vendors of the options are entitled to a minimum purchase price if the acquisition of shares results in the business model agreed between MLP and Feri becoming inoperable.

The contracts of employment between the company and the Chairman of the Board, Dr. Uwe Schroeder-Wildberg, and Executive Board members Gerhard Frieg, Muhyddin 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. Dr. Schroeder-Wildberg's and Mr. Ralf Schmid's contract of employment are each set to run until December 31, 2012, while Mr. Frieg's contract is set to run until May 18, 2012 and Mr. Suleiman's contract until September 3, 2012. In the case of a termination of contract within two years of the scheduled termination, the severance payment shall be paid pro rata temporis.

## COMPANY OBJECTIVES AND CORPORATE MANAGEMENT

### Company objectives

The Executive Board at MLP operates an active system of value management. The objectives of its business activities are profitable growth and to sustainably increase company value. Our explicit aim is also to let our shareholders, clients and employees participate in the long-term increase in the value of MLP. As such, all departments and units are committed to the task of strengthening the company's strategic competitive advantages and systematically further developing the success factors in the business model of an independent financial and investment adviser.

Within the scope of the value-added process we employ, our offices form a core unit and are of key significance in our overall performance. The quality of the client consulting and support services that our clients receive from the freelance finance brokers at our offices essentially determines MLP's success and brand value.

As an independent consulting firm that focuses on old-age provision, health care and wealth management, we feel a special responsibility towards society. After all, we advise and support our clients in all questions of particularly high individual and social significance. We are aware of this responsibility and have therefore decided to summarise our client consulting guidelines in our consulting code (see also "Client support"). This code expresses our desire to always offer our clients holistic advice of the highest quality (see also "Corporate responsibility report"). Yet it also creates transparency for everyone involved, as all clients can also refer to the code.

Executive Board  
committed to sustainable  
increase in value

Offices make or break  
success

### Corporate management

**Value reporting** Our system of external reporting within the scope of our value-oriented management focuses sharply on the company's value drivers. As such, we provide our investors and other stakeholders with a sound basis of information, so that they can get a clear picture of the company value (value reporting). We concentrate our efforts and work with a high degree of sensitivity on meeting the ever increasing requirements of capital market communication through our sustainable, integrated and reliable system of corporate reporting. The detailed information in the consolidated management report and the consolidated financial statements supplement publications made throughout the year, such as interim financial reports.

**Controlling focuses on the financial services segment** With its precise structure, our central planning and controlling system stretches over the entire added value chain at MLP and is tailored to the specific requirements of a sales organisation with independent financial brokers. All control instruments focus on the financial services segment, in which 92 % of our total revenue was generated last year.

**Two-tier corporate management** Corporate management at MLP is broken down into two tiers, the operative and the strategic tier. Initially, operative controlling lays down the company strategy based on a planning horizon of three to five years in line with defined targets. The aim here is a sustainable increase in client value, for which we examine our business areas, products, projects and investments, while also ensuring optimum resource allocation as the basis for medium and long-term company development. Here, the resource allocation must cater both to management plans and also to the requirements of the capital market.

In sales management, controlling concentrates on the branch offices. Insurance applications submitted at the offices are recorded on a daily basis and then summarised in weekly and monthly reports. These reports provide management with a good basis for gathering information on how the business is running. Target-performance comparisons between planned and actual business, as well as comparisons of figures with previous periods enable management to implement measures in good time, should trends in real business deviate from planned developments.

**Rolling cost controlling** Costs at MLP are also recorded in just as much detail as revenue, with controlling employing the same methodology as on the revenue side. The key players in rolling cost controlling are the cost managers appointed for each department. Their task is to monitor the costs of their department and then report to their Executive Board member on cost trends. New forecasts examining anticipated cost trends for the coming 15 months are drawn up in each quarter. This helps ensure that the company can react quickly to any cost variations – whether through an increase in budget with approval of the respective Executive Board member or introduction of a spending freeze.

Risk controlling is another important constituent of corporate management. It includes the identification and assessment of risks and the monitoring of upper loss limits. Appropriate guidelines and an efficient monitoring process also ensure that regulatory requirements for risk management and controlling are met by the Group companies. A substantial risk reporting scheme forms the basis of appropriate controlling. To this end, we have instituted a comprehensive internal reporting system, which ensures that the decision-makers are promptly informed of the current risk situation. Risk reports are generated at fixed intervals or, if necessary, produced ad-hoc. Particular attention is paid to compliance with the risk-bearing ability and the risk loading here. 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. Further details on this can be found in the risk and disclosure report on pages 67 et seq.

[Table 05]

## Selected key controlling figures

	2008	Target for 2009	Actual figure achieved in 2009	Growth	Medium-term target	Long-term target
Total revenues in € million	595.2	No external disclosed target	532.1	-10.6%	Growth	Growth
EBIT (continuing operations) in € million	56.2	No external disclosed target	42.2	-24.9%	Growth	Growth
EBIT margin	9.4%	No external disclosed target	7.9%	-	15% in 2012	Growth
Number of consultants	2,413	No external disclosed target	2,383	-1.2%	Growth	Growth
Productivity (revenue per consultant) in €	214,000	No external disclosed target	198,000	-7.5%	Growth	Growth
Number of clients	728,000	Growth	785,500	7.9%	Growth	Growth
Cross-selling ratio	7.3	Growth	7.5	-	Growth	Growth
Assets under management	11.4	Growth	12.8	12.3%	Growth	Growth

## Key figures and early indicators used by corporate controlling

Our total revenue and EBIT (earnings before interest and tax) are the target and controlling variables at MLP. These figures result directly from the Group accounting. As our business model is not capital-intensive and we do not rely on borrowed capital to finance our business, it is safe to assume that medium to long-term profitable growth or an increase to the EBIT margin will lead to increased company value.

Total revenue and EBIT are key controlling variables

Various key operating figures, such as the number of client consultants, their productivity (revenue per consultant), developments in the number of clients, revenue per client, the number of contracts per client (cross-selling quota) and the development of the assets under management all have an influence on the development of our total revenue [Table 05].

We use the key figure of “arranged new business” throughout the year in all business units as an early indicator of our operating success.

In the field of old-age provision, we class brokered new business as the sum of premiums from life, pension and occupational disability insurance policies clients have applied for. In the field of health insurance, this is made up of the annual premium that clients are required to pay for private health insurance. In the case of loans, brokered new business represents the total amount borrowed. We use the development of assets under management as an early indicator in the field of wealth management. Generally these key figures form the basis for calculating the commission revenue we receive from our product partners. In the field of old-age provision, we can also determine these key figures retrospectively with a time lag of 24 hours. By comparing these with our projected figures or figures from previous periods, we can then draw conclusions on the development of our commission revenue in a running period.

Early indicators of business development

[Table 06]

**Early indicators**

	2008	Target for 2009	Actual figure achieved in 2009
Arranged new business in old age provisions in € billion	6.6	No external disclosed target	5.1
Arranged new business in health insurance in € million	49.0	No external disclosed target	54.2
Arranged new business in loans and mortgages in € million	919	No external disclosed target	1.119
Fluctuation of consultants	17%	12%–15%	16%

An important early indicator for all departments and segments is consultant turnover. Our goal here is to keep this within or below the range of 12 % – 15 % per year. In the financial year 2009, consultant turnover reached a level of 16 %. The regulatory changes introduced over the last three years have led to increased competition for well trained financial consultants. We already reacted to this in 2008 through targeted measures to stimulate consultant loyalty. Introduction of client support commission and a participation programme are just two examples of this. These measures started to bear fruit during the course of 2009, resulting in a drop of consultant turnover rate from 17 % in 2008 to 16 % in the last financial year [Table 06].

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

At the start of 2009, it was not yet possible to estimate the severity or duration of the economic downturn caused by the financial crisis. As such, we were unable to assess the potential effects of the crisis on the investment behaviour of our clients and thereby on our revenue and earnings. We therefore decided not to make any concrete revenue or earnings forecasts.

Cost cutting target exceeded

Although no revenue or earnings forecasts were made, we did offer a forecast on the development of our costs. Our goal here was to lower our fixed costs (personnel expenses, depreciation/amortisation and impairments, other operating expenses; prior to one-off effects and cost increases caused by acquisitions) from € 312 million in 2008 to € 290 million in the last financial year. We not only met this target, we also exceeded it. The adjusted fixed costs were € 282,9 million for the financial year 2009 (please also refer to the chapter “Results of operations”, p. 41 et seq.).

Our finance cost also enjoyed slightly better than planned development. We are forecasting a significant improvement from € – 9.5 million in 2008 to a level somewhere in the negative medium single-figure million range here. In 2009, we achieved a value of € – 2.5 million (please also refer to the chapter “Results of operations”, p. 41 et seq.).

In terms of the tax rate for continuing operations, we assumed a range of 33 % – 35 %. The actual tax rate for 2009 was 31.5 % [Table 07].

[Table 07]

**Fulfilment of objectives in 2009 and medium-term target figures**

	2008	Target 2009	Actual figure achieved in 2009	Medium-term target
Fixed costs (excluding one-off effects and before cost increases due to acquisitions)	€ 312 million	€ 290 million	€ 282.9 million	€ 273 million in 2010
Finance cost	€ -9.5 million	Mid single-digit million amount	€ -2.5 million	No external disclosed target
Tax rate	34.1 %	33%–35 %	31.5 %	32 %–33 %

## 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 the individualised payments are disclosed in the remuneration report in the “Corporate Governance” section of this annual report. This remuneration report is part of the management report.



More information at  
[www.mlp-ag.com](http://www.mlp-ag.com),  
 Corporate Governance

## RESULTS OF OPERATIONS

**Significant events that affect business**

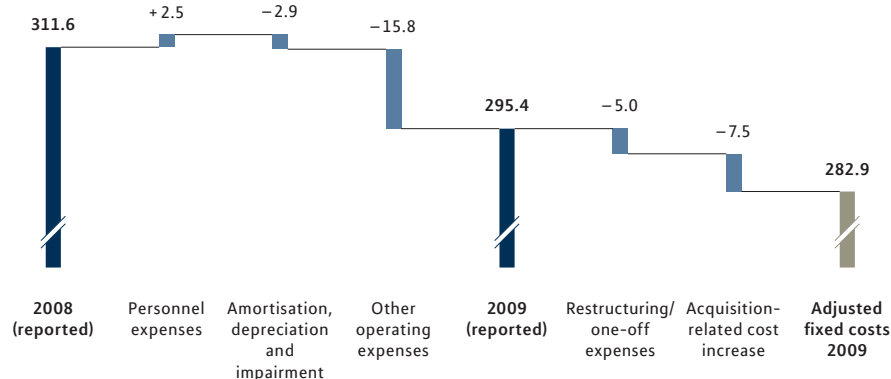
We have identified three factors that had a significant effect on our total revenue in the last financial year. The first was the financial and economic crisis (see also the section entitled “Overall economic situation”), which made many of our clients extremely reluctant to sign old-age provision contracts and make longer-term investment decisions in the area of wealth management. Revenue in these two areas fell by €44.3 million, explaining as much as 70 % of the €63.1 million decline in total revenue. The positive trend in health insurance, loans and mortgages, and non-life insurance was not enough to offset the decline. Due to the general drop in interest rates and the fall in client deposits, we also suffered a €9.4 million decline in interest income. A further factor to bear in mind is that the final increase in subsidised contributions to the Riester pension had a positive impact on prior-year revenue from old-age provision.

Financial and economic crisis has a negative impact on revenue

[Figure 10]

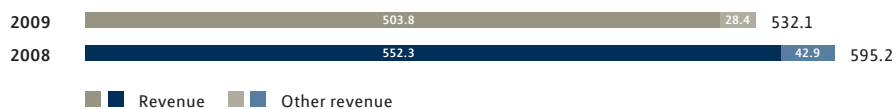
**Fixed costs (all figures in € million)**

Successful cost-cutting programme\*



\* Reduction in the fixed cost base excluding one-off items and acquisition-related cost increases

[Figure 11]

**Total revenues in continuing operations (all figures in € million)**

Successful cost-cutting programme limits the decline in earnings

In order to protect our earnings from the anticipated negative impacts on revenue, a cost-cutting programme was launched at the beginning of 2009 and implemented successfully during the course of the year. Our aim here was to reduce our fixed cost base (personnel expenses, depreciation, amortisation and impairment, and other operating expenses excluding both one-off items and acquisition-related cost increases) by € 34 million to approximately € 280 million by the end of 2010. In the past financial year, we planned to cut costs to approximately € 290 million, an interim target that we met and exceeded. Excluding one-off items and acquisition-related cost increases, we achieved cost savings of € 28.7 million in 2009 (for details, see [Figure 10]).

In financial year 2009, one-off items included the costs we incurred in connection with Swiss Life's acquisition of an equity stake (€ 3.0 million) and one-off restructuring expenses at subsidiaries (€ 2.0 million).

Finance cost shows a significant improvement

Another factor helping to stabilise our results of operations was the significant improvement in our finance cost. This fell from the € -9.5 million reported in 2008 to € -2.5 million in the reporting period. In 2007, our subsidiary Feri Finance AG sold one of its second tier subsidiaries. For this reason, in the previous year, the dividend payment to the remaining minority shareholders in Feri Finance AG reached € 7.8 million. In the reporting period, a dividend of just € 2.4 million was distributed for financial year 2008.

[Table 08]

**Breakdown of revenue (continuing operations)**

All figures in € million	2009	2008	Change
Old-age provision	311.1	344.8	-9.8 %
Wealth management	71.6	82.2	-12.9 %
Health insurance	46.5	45.9	1.3 %
Non-life insurance	26.5	23.1	14.7 %
Loans and mortgages	12.6	11.6	8.6 %
Other commissions and fees	4.1	4.0	2.5 %
<b>Commission and fees</b>	<b>472.4</b>	<b>511.5</b>	<b>-7.6 %</b>
<b>Interest income</b>	<b>31.4</b>	<b>40.8</b>	<b>-23.0 %</b>
<b>Total</b>	<b>503.8</b>	<b>552.3</b>	<b>-8.8 %</b>

The improvement in earnings from discontinued operations also helped to stabilise our results of operations. Mainly as a result of the successful sale of our subsidiary in Austria and the reversal of unnecessary provisions relating to the sale of MLP Lebensversicherung AG in 2005, we were able to raise earnings from discontinued operations by €3.1 million to €-3.0 million.

**Company management's general statement on business**

Mainly because of the effects of the financial and economic crisis, business was unfavourable in financial year 2009. Both total revenue and earnings declined. With the introduction of the cost-cutting programme, we exceeded our interim target for the reduction of fixed costs for the financial year 2009 by €4.7 million. At €24.2 million, net profit was only slightly down on the previous year (€24.6 million). This means that, in a difficult financial year, we were able to stabilise the Group's profitability and capability to payout dividends. Overall, therefore, we are satisfied with the company's development in a challenging environment.

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 are key for further improving our competitive position, particularly during times of crisis.

Company management  
satisfied with development

Excellent competitive  
position

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

In the last financial year, total revenue fell by 10.6 % to €532.1 million. Other revenue dropped sharply from €42.9 million to €28.4 million. This was due primarily to the year-on-year reduction in income from investments attributable to our subsidiary Feri Finance AG. In addition, the prior-year figure included a subsequent profit component from the sale of MLP Lebensversicherung AG in 2005 in the amount of €4.0 million. This profit component was granted for the last time in 2008 [Figure 11].

[Table 09]

**Expense structure**

All figures in € million	2009	In % of total expenses	2008	In % of total expenses	Change
Commission expenses	182.6	37.2%	204.7	37.9%	-10.8%
Interest expenses	12.3	2.5%	23.5	4.4%	-47.7%
Personnel expenses	111.4	22.7%	108.9	20.2%	2.3%
Amortisation, depreciation and impairment	18.1	3.7%	21.0	3.9%	-13.8%
Other operating expenses	165.9	33.8%	181.8	33.7%	-8.7%
<b>Total</b>	<b>490.3</b>		<b>539.8</b>		<b>-9.2%</b>

Revenue declines

Revenue declined by 8.8 % to € 503.8 million. The financial and economic crisis made many clients reluctant to sign longer-term old-age provision contracts and to invest in wealth management concepts, sharply reducing commissions in the areas of old-age provision and wealth management (see also the section entitled “Significant events that affect business”). The gratifying trend in the areas of health insurance, non-life insurance, and loans and mortgages was not enough to offset this. The decline in commission income is solely attributable to volumes. The commissions obtainable (price) have not changed year on year [Table 08].

Due to the decline in client deposits available for investment (liabilities due to clients from the banking business) and the general drop in interest rates, our interest income fell sharply by 23.0 % to € 31.4 million.

**Order situation**

MLP is a pure service provider. It 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 figure 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 item in expenses. The performance-linked commission payments to our sales force are recorded here. These payments fell by 10.8 % to € 182.6 million. We therefore achieved a commission result of € 289.8 million (€ 306.8 million).

[Figure 12]

**EBIT from continuing operations (all figures in € million)**

Interest expenses decreased from €23.5 million to €12.3 million. In addition to the decline in client deposits, this was also due to the drop in interest rates. However, as interest expenses fell more sharply than interest income, we were able to increase our net interest income in the reporting period from €17.3 million to €19.1 million.

Net interest  
income improved

Gross profit amounted to €337.3 million (€367.0 million) in the reporting period. The decline is attributable to the sharp reduction in other revenue and the fall in the commission result. By contrast, we were able to raise the gross profit margin from 61.7 % to 63.4 %.

Personnel expenses increased by a marginal 2.3 % to €111.4 million. This was due primarily to the first-time inclusion of employees at ZSH GmbH and one-off restructuring expenses. We expect personnel costs to fall in the current financial year.

Depreciation, amortisation and impairment dropped from €21.0 million to €18.1 million. The prior-year figure included an impairment loss of €2.5 million on a let office and administration building that is held as an investment property.

Other operating expenses were 8.7 % lower at €165.9 million, reflecting the success of the cost-cutting programme initiated at the start of the reporting period. Through targeted process optimisation, we were able to significantly reduce consultancy costs, training and seminar expenses, and advertising expenses (you can find further information on the objectives of the cost-cutting programme in the sections entitled “Significant events that affect business” and “Forecast”).

Successful cost cutting

The structure of the individual types of expense did not change during the reporting period [Table 09].

Earnings before interest and tax (EBIT) reached €42.2 million (€56.2 million) in the last financial year [Figure 12].

EBIT of € 42.2 million

We achieved a significant year-on-year improvement in our finance cost, reducing it from €-9.5 million to €-2.5 million (for an explanation, please see “Significant events that affect business”). Therefore, at 14.8 %, the decline in earnings before tax (EBT) is also much less significant than the decline in EBIT. EBT amounted to €39.7 million compared with €46.6 million in the same period of the previous year. The tax rate dropped slightly from 34.1 % to 31.5 %. Income tax expenditure in the reporting year is €12.5 million (€15.9 million).

Earnings from continuing operations comes to €27.2 million (€30.7 million). As such, earnings per share (diluted) fell from €0.30 to €0.25 [Table 10].

[Table 10]

**Structure and changes in earnings (continuing operations)**

All figures in € million	2009	2008	Change
Total revenue	532.1	595.2	-10.6%
Gross profit	337.3	367.0	-8.1%
Gross profit margin	63.4%	61.7%	-
EBIT	42.2	56.2	-24.9%
EBIT margin	7.9%	9.4%	-
Finance cost	-2.5	-9.5	73.7%
EBT	39.7	46.6	-14.8%
EBT margin	7.5%	7.8%	-
Income taxes	-12.5	-15.9	-21.4%
Net profit (continuing operations)	27.2	30.7	-11.4%
Net margin	5.1%	5.2%	-

**Discontinued operations**

Discontinued operations include MLP Lebensversicherung AG and MLP Versicherung AG, both former subsidiaries sold in 2005, as well as the business activities discontinued at our subsidiaries in Switzerland, the United Kingdom 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 our business activities in Austria with effect from December 31, 2009. The business activities in the Netherlands were sold with a purchase contract dated January 15, 2010. Both units are disclosed as discontinued operations.

We significantly improved earnings from discontinued operations in 2009. This item fell from a loss of €6.1 million to a loss of €3.0 million (for an explanation, please see "Significant events that affect business").

**Group**

Net profit only slightly lower year on year

Overall we were able to achieve Group net profit of €24.2 million (€24.6 million) in the reporting period. Basic and diluted earnings per share are therefore €0.22 (€0.24) [Table 11].

**Appropriation of profits**

In the last financial year, we paid our shareholders €0.28 per share in the form of a regular dividend for financial year 2008. The total dividend was therefore €30.2 million, which equates to a distribution rate of slightly more than 100% based on earnings from continuing operations. Thanks to the company's excellent equity capitalisation and liquidity, we have now raised our distribution rate in the interest of our shareholders to a level significantly above the 60% to 65% targeted originally.

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

Dividend virtually unchanged

As the Group's equity capitalisation and liquidity remain excellent, the Executive and Supervisory Boards will propose a dividend of €0.25 per share to the Annual General Meeting on May 20, 2010. This corresponds to a total dividend of €27.0 million.

[Table 11]

**Net profit**

All figures in € million	2009	2008	Change
Continuing operations	27.2	30.7	-11.4 %
Discontinued operations	-3.0	-6.1	50.8 %
<b>Group</b>	<b>24.2</b>	<b>24.6</b>	<b>-1.6 %</b>
Earnings per share in € (basic)	0.22	0.24	-8.3 %
Earnings per share in € (diluted)	0.22	0.24	-8.3 %
Number of shares in millions (diluted)	108.8	103.2	

**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 41 "Financial risk management", p. 207.

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.

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. It is our aim to play an active part in this consolidation. And our excellent equity base is a good prerequisite for this. Shareholders' equity dropped only slightly in the reporting period from € 425.9 million to € 418.5 million. Significant influences on this were dividend payments for the financial year 2008 of € 30.2 million and the net profit for the financial year 2009 of € 24.2 million. As our net assets also saw a drop, the equity ratio improved from 27.8 % to 28.4 %. The equity capitalisation therefore remains excellent.

Excellent equity base

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 € 771.1 million (€ 803.9 million) mainly concern client deposits which have no financing function for the Group. These liabilities are offset by receivables from clients and banks from the banking business of € 811.7 million (€ 881.0 million).

[Table 12]  
**Capital expenditures from 2005 to 2009**

All figures in € million	2009	2008	2007	2006	2005
<b>Intangible assets</b>	<b>2.4</b>	<b>8.1</b>	<b>11.5</b>	<b>17.5</b>	<b>12.0</b>
Goodwill	–	1.0	–	–	–
Software (developed internally)	0.5	0.5	0.5	0.1	–
Software (purchased)	0.4	1.2	2.0	0.5	1.2
Other intangible assets	–	0.4	0.1	0.1	–
Payments on account and assets under construction	1.5	5.0	8.9	16.8	10.8
<b>Fixed assets</b>	<b>1.6</b>	<b>4.1</b>	<b>4.7</b>	<b>2.5</b>	<b>4.7</b>
Land, leasehold rights and buildings	0.2	0.4	0.8	0.6	0.5
Investment property	–	–	0.3	0.2	–
Other fixtures, fittings and office equipment	1.2	2.2	2.6	1.6	2.5
Payments on account and assets under construction	0.2	1.5	1.0	0.1	1.7
<b>Total capital expenditures</b>	<b>4.0</b>	<b>12.2</b>	<b>16.2</b>	<b>20.0</b>	<b>16.7</b>

As provisions only account for 3.6 % (3.4 %) of net assets, they have no significant financing function for the MLP Group.

Group largely financed by  
shareholders' capital

The other liabilities dropped from € 239.2 million to € 211.8 million. Here, current liabilities were € 145.8 million (€ 162.6 million). These are essentially liabilities from operating activities. Non-current liabilities reached a level of € 66.0 million (€ 76.6 million) on the reporting date. This figure is largely made up of a purchase price liability from the acquisition of Feri Finance AG in 2006 amounting to € 52.8 million (€ 57.1 million), which will be due no earlier than April 15, 2011. Current liabilities are offset on the assets side of the statement of financial position by cash and cash equivalents of € 55.0 million (€ 38.1 million), financial investments of € 192.4 million (€ 179.9 million), as well as other current receivables and other assets of € 110.4 million (€ 129.6 million).

Further disclosures on the structure of our liabilities and provisions can be found in the notes on pages 179 et seq.

Other financial  
commitments

As at the end of the reporting period, financial commitments from rental and leasing agreements of € 17.2 million were in place for the financial year 2010. These mainly constitute liabilities from the renting of our branch offices, as well as leasing of motor vehicles and office machines. These can result in potential total liabilities of € 55.8 million up to the year 2014.

[Table 13]

**Capital expenditures for 2008 and 2009 by segment**

All figures in € million	2009	2008	Change
Financial services	3.0	8.7	-65.5 %
Feri	0.8	2.5	-68.0 %
Holding	0.2	1.0	-80.0 %
<b>Total</b>	<b>4.0</b>	<b>12.2</b>	<b>-67.2 %</b>

**Capital expenditures**

MLP generally finances capital expenditures from current cash flow. At €4.0 million (€12.2 million), the total investment volume was significantly lower in the last financial year than the previous year [Table 12]. Overall, capital expenditures in the Group have been following a consistent downward trend since 2006. This reflects the realignment of the Group. Since the sale of our subsidiaries MLP Lebensversicherung AG and MLP Versicherung AG in 2005, our business activities have focused 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 (recorded under “Advance payments and developments in progress”). With our IT systems having reached a performance level considered to be pioneering in the German financial services sector, these capital expenditures have also been reduced since 2006.

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 expenditures we use other resources for these projects, which are included as expenses in the income statement.

In the Feri segment, we invested exclusively in intangible assets and operating and office equipment in the reporting year. Total capital expenditures were €0.8 million here [Table 13].

**Liquidity analysis**

Cash flow from operating activities in continuing operations was €76.4 million (€80.5 million). This corresponds to 14.4 % of total revenue. Here, significant cash flows result from our deposit business with clients and from the investment of these funds predominantly among German financial institutions. The change in receivables and liabilities due to clients in the banking business resulted in a negative cash flow of €72.3 million, which is mainly broken down into an increase in receivables of €38.1 million and a reduction in client deposits of €28.6 million. This is offset by a positive change of €103.1 million from the receivables and liabilities due to banks in the banking business.

Business model requires only minimal capital expenditure

Cash flow from operating activities remains virtually unchanged

[Table 14]

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

All figures in € million	2009	2008
Cash and cash equivalents at beginning of period	38.0	36.6
Cash flow from operating activities	76.4	80.5
Cash flow from investing activities	43.1	-135.9
Cash flow from financing activities	-30.3	64.5
<b>Change in cash and cash equivalents</b>	<b>89.2</b>	<b>9.1</b>
Inflows/outflows due to divestments	-3.6	-7.7
Cash and cash equivalents at end of period	123.6	38.0

Cash flow from investing activities of continuing operations improved significantly from € -135.9 million to € 43.1 million. In the third quarter of the previous year, the cash inflow from the increase in capital stock was invested in the form of time deposits. These reached maturity in the last financial year and only some were re-invested with a maturity longer than three months. A payment of € 10.6 million to acquire ZSH GmbH Finanzdienstleistungen also had a significant effect.

Dividends influence cash flow from financing activities

Our cash flow from financing activities of continuing operations fell from € 64.5 million to € -30.3 million in the reporting period. The only significant cash flow in the financial year 2009 was the payment of dividends amounting to € 30.2 million. In the period under comparison we received around € 125 million due to an increase in capital stock, which was offset by payments for dividends and the buyback of own shares amounting to € 49.0 million and € 11.5 million. In addition to that, there were no significant financing activities in 2009 [Table 14].

As at the reporting date December 31, 2009, the MLP Group had around € 210 million in cash holdings (€ 210 million). The liquid funds available are therefore still very good. Thus there are sufficient cash reserves available to the MLP Group. In addition to the cash holdings, we also have lines of credit amounting to around € 109 million over the short and medium term (one and three years), which were hardly drawn on in the reporting period. No liquidity squeeze occurred in the reporting period, nor is any such shortfall expected. There are no limitations which restrict the availability of funds.

Capital costs

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

[Table 15]

**Assets as at December 31, 2009**

All figures in € million	2009	2008	Change	As % of net assets 2009
Intangible assets	156.1	162.4	-3.9%	10.6%
Property, plant and equipment	78.8	80.4	-2.0%	5.3%
Investment property	11.4	11.7	-2.6%	0.8%
Shares accounted for using the equity method	2.0	2.3	-13.0%	0.1%
Deferred tax assets	3.0	2.6	15.4%	0.2%
Receivables from clients in the banking business	313.5	275.4	13.8%	21.2%
Receivables from banks in the banking business	498.2	605.6	-17.7%	33.8%
Financial investments	192.4	179.9	6.9%	13.0%
Tax refund claims	33.1	26.9	23.0%	2.2%
Other accounts receivable and other assets	132.1	145.4	-9.1%	9.0%
Cash and cash equivalents	55.0	38.1	44.4%	3.7%
Non-current assets held for sale and disposal groups	-	3.3	>-100.0%	-
<b>Net assets</b>	<b>1,475.5</b>	<b>1,534.0</b>	<b>-3.8%</b>	

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

The net assets of the MLP Group fell by 3.8% to €1,476 million. On the assets side, intangible assets decreased from €162.4 million to €156.1 million due to changes in the scope of consolidation (ZSH GmbH), adjustments to the variable purchase price components for Feri Finance AG and TPC GmbH, as well as amortisation and impairment. Property, plant and equipment also saw a decline from €80.4 million to €78.8 million as a result of the change in the scope of consolidation, as well as depreciation. The item "Investment property" was down 2.6% to €11.4 million due to depreciation.

Net assets  
fell slightly

[Table 16]

**Liabilities and shareholders' equity as at December 31, 2009**

All figures in € million	2009	2008	Change	As % of the balance sheet total 2009
Shareholders' equity	418,5	425,9	-1,7%	28,4%
Provisions	52,4	52,9	-1,0%	3,6%
Deferred tax liabilities	10,7	9,6	11,5%	0,7%
Liabilities due to clients in the banking business	750,3	778,8	-3,7%	50,9%
Liabilities due to banks in the banking business	20,8	25,0	-16,8%	1,4%
Tax liabilities	9,0	-	> 100,0%	0,6%
Other liabilities	211,8	239,2	-11,5%	14,4%
Liabilities in connection with non-current assets held for sale and disposal groups	2,0	2,6	-23,1%	0,1%
<b>Total</b>	<b>1.475,5</b>	<b>1.534,0</b>	<b>-3,8%</b>	

Receivables from clients and from banks in the banking business together fell slightly by 7.9 % to € 811.7 million. These loans are essentially refinanced through the deposits of our clients (liabilities due to clients from the banking business).

We further increased financial investments by € 12.4 million to € 192.4 million. This was essentially due to shifting of short-term funds into longer term forms of investment.

Tax refund claims also increased significantly, reaching a level of € 33.1 million (€ 26.9 million) on the reporting date. Due to weaker business development than in the previous year, other accounts receivable and other assets also dropped from € 145.4 million to € 132.1 million. This item essentially contains commission receivables from insurance companies resulting from the brokerage of insurance products.

Cash and cash equivalents saw a marked increase, reaching a level of € 55.0 million (€ 38.1 million) on the reporting date [Table 15].

Increase in financial assets and cash and cash equivalents

By reducing net assets, we were able to further improve the Group's capital structure in the last financial year. The equity ratio increased from 27.8% to 28.4%. With shareholders' equity standing at €418.5 million (€425.9 million), the Group's equity capitalisation remains very good. Based on net profit, the return on equity remains unchanged at 5.8%.

Capital structure improved

We were able to reduce provisions on the reporting date December 31, 2009 from €52.9 million to €52.4 million.

Liabilities due to clients and banks from the banking business together dropped by 4.1% to €771.1 million. The deposits of our clients, predominantly held in accounts, credit cards and instant access accounts, dropped by 3.7% to €750.3 million. We reduced liabilities due to banks by 16.8% to €20.8 million.

Downward trend in liabilities

Other liabilities also fell by €27.4 million to €211.8 million. This item is mainly attributable to current liabilities to our consultants and branch managers due to open commission claims and a purchase price liability resulting from the acquisition of Feri Finance AG in 2006 (see also "Financial position", p. 47).


Disclosures on the structure of the asset and debt values in the individual segments can be found in the notes to the segment report on pages 134 – 135 [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. Despite the drop in total revenue, largely attributable to the global financial and economic crisis, implementation of a successful cost-cutting programme meant we were able to stabilise the results of operations and our ability to pay dividends. We will continue our cost-cutting programme as a way of further increasing our earning power in future (see "Forecast").

Economic situation positive

Even in these difficult economic times, we were able to improve MLP's financial position. Our cash flow and capital expenditures developed as scheduled. We have an excellent equity and liquidity basis – a strength few competitors can claim in the current crisis. 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").

A professional portrait of Jörg Ohlsen, a man with short, light-colored hair and blue eyes, wearing a dark pinstriped suit jacket, a light blue shirt, and a patterned tie. He is looking directly at the camera with a serious expression. The background is a dark, neutral gradient.

Jörg Ohlsen | 40 years old  
Managing Director/CEO of EDAG GmbH,  
MLP corporate client in the area of occupa-  
tional pension provision since 2008


EDAG is one of the world's leading development partners for products and production facilities in the automotive and aerospace industry. More than 5,000 employees are based at 30 international locations.

»Occupational

**pension provision** – does

it really make sense

for our employees?«

A professional portrait of Frank Jökel, an MLP consultant. He is a man with short dark hair and light eyes, wearing a dark suit jacket, a light blue dress shirt, and a dark tie. He is gesturing with both hands as if speaking. The background is a dark, gradient blue.

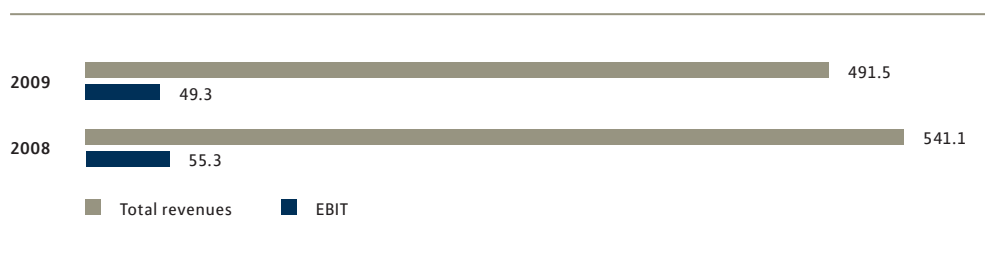
Frank Jökel | Fulda  
MLP consultant

»Occupational

## pension provision

offers attractive advantages for both sides: employees benefit from the extensive state subsidies and supplement their statutory pension by a highly profitable old-age provision. The employer on the other hand reduces its social security contributions and strengthens the loyalty of employees to the company.«

[Figure 13]

**Total revenues and EBIT for the financial services segment (all figures in € million)**

## SEGMENT REPORT

**Financial services segment**

In the financial services segment, total revenue fell by 9.2 % from € 541.1 million to € 491.5 million, largely because of the decline in revenue – especially in the areas of old-age provision and wealth management. The total revenue figure for the previous year included the increase in tax-privileged 'Riester' pension premiums (so called "Riester step") in the first quarter of 2008. Despite this, we succeeded in limiting the decline in segment earnings before interest and tax (EBIT) in the last financial year to no more than € 49.3 million (€ 55.3 million) [Figure 13].

EBIT in decline

Commission expenses, which are mostly variable, fell by 10.7 % to € 181.4 million (€ 203.1 million). Interest expenses fell by nearly half from € 24.0 million to € 12.3 million, largely as a result of lower client deposits and the decline in the general interest rate level.

Personnel expenses rose slightly as a result of acquisitions. At € 81.7 million, they are 1.9 % above the figure for the previous year (€ 80.2 million). However, we were able to reduce depreciation and impairments by 4.6 % to € 12.5 million. Thanks to our cost-cutting programme, we managed to cut our other operating expenses by 6.9 % to € 154.7 million (€ 166.2 million). Optimising our processes played a significant part in achieving this reduction. The resulting savings were registered in the areas of consultancy costs and advertising expenses, among others.

Segment earnings before interest and tax (EBIT) fell by 10.8% to € 49.3 million (€ 55.3 million). The finance cost was € -2.3 million (€ -1.4 million), taking the earnings before tax (EBT) to € 47.0 million (€ 53.9 million).

Significant increase in assets under management

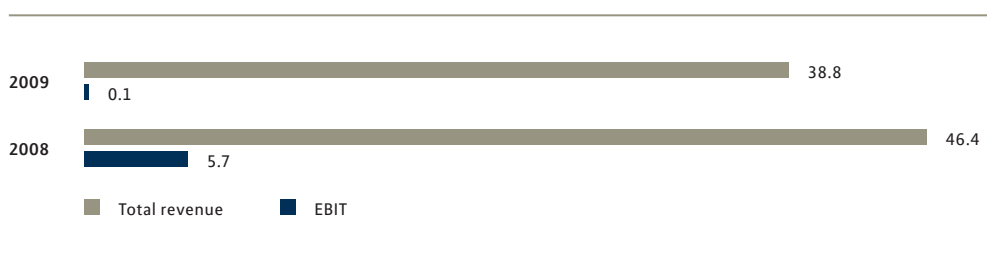
At December 31, 2009, new business in the area of old-age provision amounted to € 5.1 billion, which was lower than the previous year (€ 6.6 billion). It should be borne in mind that the previous year's figure includes the final increase in tax-privileged premiums for the Riester pension (so-called "Riester step"). We performed well in the private health insurance segment, achieving a clear increase in brokered annual premiums from € 49.0 million to € 54.2 million. Our financing volume was € 1.1 billion (€ 0.9 billion). The assets managed jointly with Feri Finance AG also increased and now amount to € 12.8 billion (€ 11.4 billion) [Table 17].

[Table 17]

**New business**

		2009	2008	2007	2006	2005	2004
Old-age provision	premium sum in € billion	5.1	6.6	6.8	6.8	6.3	10.9
Health insurance	annual premium in € million	54.2	49.0	50.0	68.2	55.1	59.0
Loans and mortgages	volume in € million	1,119	919	1,162	1,195	997	777
Assets under management	in € billion	12.8	11.4	11.4	10.8	8.3	2.6

[Figure 14]

**Total revenues and EBIT for the Feri segment (all figures in € million)****Feri segment**

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

As a result of the financial and economic crisis, clients in this segment continued to be cautious about making new investments in wealth management concepts. The trend towards investing funds in lower-risk portfolios also had a negative effect on fees and therefore on total revenue in this segment, which were € 38.8 million (€ 46.4 million).

Total expenses in this segment amounted to € 38.7 million (€ 40.8 million). Personnel expenses increased slightly by 2.9% to € 25.1 million (€ 24.4 million). Depreciation and impairments amounted to € 2.4 million, which represents an increase of 26.3% over the previous year (€ 1.9 million). On the other hand, other operating expenses fell by 23.6% to € 9.7 million.

Segment earnings before interest and tax (EBIT) fell from € 5.7 million to € 0.1 million. Taking the finance cost of € -0.2 million (€ 0.1 million) into account, earnings before tax (EBT) were € -0.1 million (€ 5.8 million) [Figure 14].

Feri affected by financial and economic crisis

### Holding segment

Cost-cutting  
programme takes effect

Total revenues in the Holding segment amounted to €16.9 million (€22.6 million) in the last financial year. The figures for the previous year contained a subsequent profit component of €4.0 million from the sale of MLP Lebensversicherung AG, which took place in 2005.

Total expenses dropped by 13.3%, with significant decreases in depreciation and impairments, which fell by 45.0% to €3.3 million (€6.0 million). Thanks to our cost-cutting programme, we were able to reduce other operating expenses in this segment as well, bringing them down by 7.4% to €16.3 million. Earnings before interest and tax (EBIT), which were €-5.2 million the previous year, fell to €-7.2 million in the reporting period.

Finance costs in this segment rose by 25.0% in the reporting period to €3.0 million (€2.4 million). Other interest and similar income fell from €15.8 million to €10.2 million. Similarly, other interest and similar expenses decreased by 46.3% to €-7.2 million (€-13.4 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 €3.1 million (€10.2 million). The dividend paid to the remaining shareholders was €2.4 million (€7.8 million).

### CLIENT SUPPORT

Holistic consulting  
philosophy

At MLP, we support our private clients via a nationwide network of offices with presences in all German urban areas and at all important university locations. With our 2,383 consultants we are never far away from our clients, for whom we pursue a holistic support philosophy. Our consultants concentrate on the requirements of selected professional groups and place their clients' wishes at the heart of the financial advice they provide. Their goal is to develop optimum financial solutions, building on individual analyses of the personal situation of the respective client. We offer full-scope, comprehensive financial plans, which provide our clients with complete protection and financial mobility throughout all phases of their life. Here, we select from the whole universe of around 20,000 different products, using objective and transparent quality criteria to find the best products in their class for our clients. After all, as an independent finance broker, we have obligations to no-one except our 785,500 clients.

The quality of our consulting services is underlined by several awards which we won in the last financial year. Having achieved the highest overall points score in an old-age provision consulting test undertaken by the "Wirtschaftswoche" magazine in May 2009, we were ranked as one of the top 3 mortgage lenders in Germany by the magazine "Euro" shortly after. And we are particularly proud of the latest confirmation of our consulting quality, having received grade "A" from the online review portal "WhoFinance". This is extremely important, as this rating is not decided by testers, but rather through active assessments of our actual clients.

### Training and further education

Our high quality consulting services require a great deal of willingness on the part of all MLP consultants to continuously improve and regularly adjust their own professional experience to the ever changing framework conditions. In MLP's corporate culture, education and training at our Corporate University therefore has strategic significance.

Strategic success factor:  
Corporate University

By ensuring that the prescribed quality and training standards are met, we are also making our own specific contribution to defining a future-oriented profession of a competent and independent financial and investment adviser well-recognised by society.

Qualified MLP trainers regularly pass on the knowledge they have acquired from many years of working as consultants to their new and young consultant colleagues. This helps ensure that the unique know-how in the company is passed on in a targeted manner for the benefit of all involved.

Having recorded over 27,000 central trainee days (= number of participants x number of training days) in 2009, MLP not only provides high quality training, but also an extremely high volume of training. The almost 5,000 trainer days were spent in teams of trainers, each with specially qualified and licenced MLP trainers. This approach contributes to further systematisation and professionalisation of the training provided. And this is supplemented by almost as many trainee days again in local events.

During the 24-month extra-occupational primary training, MLP consultants gain comprehensive specialist knowledge in and around the field of financial management. After just 3 months, participants sit their competence test as per §34d of the Industrial Code (GewO). In the months that follow this, they then work on broadening their knowledge in areas including client requirements analyses, wealth management and financing.

The higher the qualification,  
the more qualified the  
consulting

Following their 24 months of initial training, all MLP consultants continue to regularly attend further training and deepen their special knowledge in seminars, workshops and conferences to ensure they are always ideally prepared for the constantly changing framework conditions within their role. In this way, MLP guarantees practical consumer protection that goes far beyond the legally stipulated level.

Experienced consultants can even round off their qualifications with an Executive Master of Business Administration (MBA) in Private Finance. The supplementary course of studies is offered in co-operation with the Hohenheim Management School and other high-ranking European business schools.

Executive MBA in Private  
Finance

The Certified Financial Planner® is the internationally recognised quality standard in the financial services sector. Quality assurance and auditing are performed by the Financial Planner Standard Board Deutschland e.V. (FPSB) here. The MLP Corporate University is currently in the process of gaining accreditation for the corresponding parts of its training. It will then be only the third training institute in Germany to be recognised by the FPSB.

Certified Financial Planner®

"Take the lead": Within the scope of this programme, the best MLP Senior Financial Consultants are prepared for the fascinating and challenging duties of a branch manager. Here, they can demonstrate their special aptitude for sales management positions in various theoretical and practical sessions. The basic training to become a branch manager is made up of 15 attendance days with 5 modules. After assuming responsibility for a branch, this basic training is then followed by systematic further training measures. Outstanding universities and excellent independent educational institutions serve as the benchmark for this high-grade training.

Career opportunities for MLP  
Senior Financial Consultants

### Success factor IT

Optimum client support requires high performance IT at consultants' workplaces. Having access to the latest hardware and software is one of the key strategic competitive factors in the financial services sector. Client consulting, with its vast array of client and product data as well as ever stricter stipulations regarding consumer protection, simply cannot be performed effectively without end-to-end IT support. MLP prepared itself for the requirements early on and today benefits from an ultra-modern IT landscape.

Having implemented the new legal documentation requirements with tailor-made IT solutions in 2008, we were able to concentrate on optimising the programmes in 2009. With the modern client relationship management system we introduced in 2008, we are now in the design optimisation phase and working on making all procedures even more user-friendly and efficient. On the basis of process analyses at 25 selected branches, in 2009 all consulting and order applications were checked and further optimisations addressed.

IT outsourcing:  
Lower costs –  
greater efficiency

An important milestone in this context was to outsource part of our IT to Hewlett-Packard on August 1, 2009. The company took on all 55 of MLP's IT employees and now provides the technical service for us. Through this partnership, MLP has been able to significantly increase its efficiency while also saving costs in the millions.

Less administration and more  
time for client meetings

Within the scope of the sector initiative to promote process optimisation (BiPRo), progress was also made in 2009 – although the sector has still not been able to agree on uniform, end-to-end standards. We therefore reached individual agreements with several of our product partners and anticipate that we will soon be able to process around 80% of the administration work required within the scope of our life insurance business fully automatically.

### Marketing and communication

Significant increase  
in awareness level

In 2009, MLP succeeded in significantly increasing its brand awareness. With the brand campaign "The strategy of your life" and accompanying communication measures such as media cooperations and events, the level of awareness among our target client group of academics has been sustainably increased. This has been documented in a market research survey performed by the University of Bremen, Germany.

Not only has the MLP brand been able to distance itself from the general loss of trust in the financial sector among consumers, it has also managed to significantly increase its popularity among its target group. Indeed, MLP's target group of academics now associates the brand more and more with "independence", "individual consulting" and "sound consulting" – the brand's core messages. This is a major success for us. The year 2009 was ideal for a brand campaign, as the economic crisis meant that conditions at the media enterprises were favourable and the intensity of competition among our competitors was comparably low – good prerequisites for an efficient and effective use of resources.

In the field of event management, the MLP Golf Journal Trophy was a highlight in 2009, with 35 tournaments attracting some 3,500 participants. And thousands more checked out the event on its homepage at [www.mlp-golfjournaltrophy.de](http://www.mlp-golfjournaltrophy.de).

When we examine the various communication channels used by MLP, online communication is becoming ever more important. The spectrum covered here by the Marketing Department ranges from branch homepages, through dedicated homepages on the most diverse of financial subjects, right up to co-operations with university portals (see also “University management”). And given the high proportion of young clients, online communication is set to become even more important within the communication landscape at MLP, as it is the best way to reach these target clients.

### University management

MLP cultivates intensive contacts with German universities. We offer students free-of-charge personality and specialist seminars and also collaborate systematically with various research institutes. With the “University and Education” conference, MLP launched a new platform in 2009. More than 200 high-ranking representatives from the world of education and training got together with us to discuss necessary changes to Germany’s university landscape. We view the conference as an excellent addition to the “Three-Module Programme for High Potentials”.

Online presence is also becoming increasingly important within the scope of university management. Since 2009 we have also been fostering a co-operation with [www.absolventa.de](http://www.absolventa.de), the leading online job market for students and young professionals. With this approach, MLP is able to reach precisely the desired target groups. And use of MLP’s online-offers is constantly on the increase among students. In 2009, the personality and salary analyses were called up particularly often at [absolventa.de](http://absolventa.de), with the number of MLP salary analyses performed almost doubling compared to the previous year. Through offers and services of this nature, MLP acquires contact details and offers students more in-depth discussions within the scope of its holistic client support approach.

“University and Education”  
conference

### Partner management

The quality of our client consulting depends not least on our clients being able to rely on receiving the best products in their class from us. This requires a comprehensive and quality-assured product selection process. We therefore place great emphasis on systematic partner management, subjecting every product to critical examination before it is included in our product portfolio. The quality of service given by our providers is also tightly controlled through regular checks. We also quiz our consultants about their experiences with our partners and consistently seek to further develop our partnerships. Our partner companies know and understand MLP’s insistence on high quality and are more than willing to put together new and continually improved offers for our clients.

Systematic partner  
management

[Table 18]

**Average number of employees**

Continuing operations	2009	2008	2007	2006	2005
Financial Services	1,624	1,718	1,564	1,508	1,403
Feri	265	257	246	40	*
Holding	11	11	9	10	14
<b>Total</b>	<b>1,900</b>	<b>1,986</b>	<b>1,819</b>	<b>1,558</b>	<b>1,417</b>
<b>of which in Germany</b>	<b>1,900</b>	<b>1,978</b>	<b>1,813</b>	<b>1,552</b>	<b>1,413</b>

\*Feri Finance AG was acquired in 2006

## PERSONNEL AND SOCIAL REPORT

HR management of  
strategic importance

A key principle in MLP's consulting code reads "We are committed to providing the highest quality and excellent services that will impress our clients." Our company's service culture is a central component in our corporate culture. As such, the HR department sees itself as a service provider for its internal clients, our employees. At the heart of everything we do is the question:

What can the company do

- to win the best talents and
- to form a connection between employees and their employer, on both an emotional and intellectual level, so that they remain committed to providing the best possible service at their workplace?

Our personnel policy is therefore of great strategic importance, as it must create the framework conditions that cater to employees' requirements and wishes with regard to their employer, while also allowing the company's targets to be met.

Increased efficiency  
at all levels

In the reporting year, project teams from all organisational levels within the company worked on making utilisation of resources at MLP even more efficient. Within the scope of this, the average annual number of employees in continuing operations in 2009 dropped as scheduled by 4.3 % over the previous year to a level of 1,900 employees (2008: 1,986) [Table 18]. We did not make any forced redundancies here, but rather offered individual, socially responsible solutions in dialogue with every single employee. The number of marginal part-time employees employed at the branch offices was also reduced. On the balance sheet date of December 31, 2009 the proportion of temporary workers among all personnel was below 1 %. In addition to this, 55 employees moved to our IT service provider Hewlett-Packard to increase the efficiency and quality of our IT services.

Personnel expenses of € 111.4 million (€ 108.9 million) were disclosed, of which € 94.4 million (€ 93.1 million) are attributable to salaries and wages, € 12.8 million (€ 12.1 million) to social security contributions and € 4.2 million (€ 3.6 million) to old-age provision. 1,624 (1,718) of our employees worked in the financial services segment in 2009. With 11 people, the number of employees in the holding company remained at the previous year's level. Feri Finance AG increased its head count to 265 (257).

We would like to draw particular attention to the fact that the employee turnover rate at MLP, which has been reflected within employee statistics for years, is largely due to the high proportion of female staff at the headquarters in Wiesloch (55 %) taking time off work to start a family.

[Figure 15]

**Age structure of MLP staff in 2009**

[Table 19]

**Key performance indicators for environmental, social and governance issues**

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

In the reporting year, some 65 female employees took extended maternity leave following the birth of their child. A total of 128 women and 4 men were off work on parental leave. MLP has a comparably young staff base, with 64 % of our employees under the age of 40. The average age was 35.9 years in the reporting year. In the HR department we therefore once again placed great emphasis on helping employees combine the requirements of their family and career. The following offers from MLP's family programme proved particularly successful in 2009:

- Child daycare: MLP covered up to 50 % of daycare costs for its employees with children not yet of school age, up to a limit of € 250 per month.
- Holiday camps for school children: Employees with children of school age had the opportunity to send their children to holiday camps during the summer holidays. 12 mothers and fathers took up this offer in the reporting year (2008: 17).
- Free-of-charge consulting on family issues: MLP employees were once again able to rely on a qualified consulting offer in and around family issues in 2009. They were offered free-of-charge and uncomplicated support on questions of childcare and care for the aged.

Other important modules geared towards combining family and career, as well as further qualifications, were offered within the large range of courses for employees at the Corporate University. The number and scope of courses on offer were once again significantly increased in the reporting year, with courses ranging from software training, through presentation training, right up to training events on topics such as conflict management. And within the scope of personnel development, a new training career was also created to open up new professional opportunities for employees from 2010 onwards.

Family-friendly  
employer

"Top Employer 2009"

MLP received further reinforcement of its positive image as an employer in the media when it received the "Top Employer" award. This award is presented annually by the Corporate Research Foundation (CRF) and the magazine "Junge Karriere". This year represented the third time in succession that we have won this prestigious award.

Being a family-friendly employer today goes hand in hand with being open to individual working hours models. Offering the highest possible level of freedom in terms of how employees perform their work and organise their working times are par for the course at MLP, as these factors stimulate motivation and loyalty to the company. As such, numerous part-time and job-sharing contracts were concluded and home office workplaces set up in 2009. Some 24 % of our employees worked part-time last year (2008: 22 %).

MLP's salary structure includes performance-linked and service-based components to stimulate the best possible performance among staff. Individual, target agreement-based remuneration components for managers are just as much a part of this performance-related system as the option to award team members bonuses and special payments for exceptional performance. In addition to this, phantom shares for all employees have been in use since 2008 to provide financial incentives and keep them loyal to the company. Occupational pension provision and the relief fund were further important social benefits in 2009.

Key figures for leadership  
quality

Alongside regulating working times and remuneration, the quality of leadership received by their direct line managers has a significant influence on the motivation levels of employees. Various measures were implemented in 2009 to anchor MLP's open leadership and communication culture in the operative personnel management instruments. Following intensive discussions between Executive Board, managers and employees, management guidelines were passed, standardised MLP employee appraisal meetings introduced and thereby the seeds sown for creating a KPI system to secure high quality management. In November 2009, employees also gave their superiors 180-degree feedback.

Last year, 15 students from Baden-Wuerttemberg Cooperative State University and 22 trainees began their training at MLP. As such, a total of 115 employees were in training or still completing their studies. 3 trainees and 4 students of combined degree programmes were able to successfully complete their training with us in 2009. Within the scope of HR marketing, our company was represented at all relevant graduate fairs, while an average of 50 applicants attended the 12 Assessment Centres for finding new consultants in 2009.

Thank you from the  
Executive Board

The Executive Board wishes to thank all employees and consultants for their trusting cooperation in 2009. Given the difficult economic environment, the management would also like to offer its express gratitude for the constructive climate, in which the workforce helped carry the heavy load of the previous year. Internal solidarity among colleagues forms an important foundation for securing our future in a fiercely competitive market environment.

## RISK AND DISCLOSURE REPORT 2009

**Scope**

The disclosure pursuant to Article 144 of the Banking Directive (DI 2006/48/EC) is executed in line with § 2 a (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 § 10 a (3) of the German Banking Act (KWG), hereby implements the supervisory disclosure requirements by December 31, 2009 in accordance with § 26 a of the German Banking Act (KWG) in connection with §§ 319–337 of the Solvency Ordinance (SolvV).

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

The supervisory scope of consolidation of the MLP Financial Holding Group as per § 10 a 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, MLP Finanzdienstleistungen AG, Vienna (until December 31, 2009), and from January 21, 2009 also ZSH GmbH Finanzdienstleistungen, Heidelberg.

Within the scope of risk management, Feri EuroRating Services AG, Bad Homburg v. d. Höhe, and TPC THE PENSION CONSULTANCY GmbH, Hamburg, are also included in the supervisory scope of consolidation as per § 25 a (1 a) of the German Banking Act (KWG).

The relevant supervisory disclosures as per § 26 a 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 will not be possible to eliminate all risks, the objective must be a risk that is commensurate with the expected return. The aim is to identify risks as early as possible in order to react to them quickly and appropriately. MLP’s Group-wide early risk detection and monitoring system is used for the qualified and prompt identification of all major risks, which it then quantifies, aggregates and assesses to form the basis for proactive Group-wide risk management and controlling. This system ensures appropriate identification, assessment, controlling, monitoring and communication of the major risks. Risk management is embedded in the Group’s value-driven management and planning system. 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 derived on the basis of this, taking the Group's risk-bearing ability into consideration. This gives rise to framework conditions for risk-taking and risk management in the Group. The readiness to take risks is regularly checked and adjusted as necessary.

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

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

Irrespective of its internal responsibility assignments, the Executive Board is responsible for the proper organisation of the business and its further development. This responsibility includes defining appropriate strategies and setting up appropriate internal control procedures – thereby assuming responsibility for all significant elements of the risk strategy. It is also the responsibility of the Executive Board to implement the strategies, assess the risks associated with these 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 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 and risk controlling 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, gains and losses. Every three months the Supervisory Board is provided with comprehensive written information on the company's risk situation. The Supervisory Board is also made aware of any key risk-related information immediately.

### Risk capital management

Risk capital management is an integral part of corporate management at MLP. Active control to provide sufficient financial capital on the basis of risk values measured internally and the supervisory requirements ensure 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 should, in particular, prevent any risks that threaten the Group's continued existence.

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. Within the scope of the analysis of risk-bearing ability, the risk coverage fund is continuously compared with and checked against the risk potential associated with our business activities. Based on this, the Executive Board has defined the applicable upper loss limits per risk type and overall.

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.

In addition, scenario analyses are performed for special analysis of extreme market movements. These analyses quantify the effects of extraordinary events and extreme market conditions on MLP's assets. Within the scope of these analyses, the market value effects on the balance sheet and profit and loss items are also investigated. The effects of the scenarios are set against the respectively specified limits for each risk. The Executive Board is regularly informed of the results of the scenario analyses. The scenario analyses performed in the reporting year showed that the risk-bearing ability is also effective in the event of extreme market conditions.

Economic capital management is based on the internal methods of risk measurement. These take the key risk types for MLP into account. The financial risks are measured using value-at-risk approaches or approaches that express a comparable loss potential. The operational risk is measured on the basis of the supervisory basic indicator approach.

### Organisation

Our risk management concept within the scope of internal monitoring procedures 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.

We have defined and documented the risk organisation and associated tasks and responsibilities within risk management in accordance with supervisory requirements, both at Group level and at the level of the Group companies. The operational and organisational structure, as well as the risk controlling processes, are regularly checked and assessed through internal audits and are adapted to internal and external developments as they happen.

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

Functional separation

Head of Finance  
acts as Group Risk Manager

Risk management and  
controlling processes

Risk management at MLP and its local operative implementation in the risk-bearing business units is performed on the basis of the risk strategies. The units responsible for risk management reach decisions for conscious acceptance, reduction, transfer or avoidance of risks, observing the framework conditions specified centrally.

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 risk-bearing business units.

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

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

The methods used at MLP to assess risks are up-to-date 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 forecast by the risk models.

Group controlling  
monitors results risks

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

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 risks transparent for the Executive Board in the key strategic business segments.

Monitoring and risk  
management system in the  
accounting process

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 double control 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.

Internal audits

Internal audits, which assume monitoring and control tasks throughout the Group, are an important element of the risk management 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.

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

A substantial risk reporting scheme forms the basis of appropriate controlling. To this end, we have instituted a comprehensive internal reporting system, which ensures that the decision-makers are promptly informed of the current risk situation. Risk reports are generated at fixed intervals or, if necessary, produced ad-hoc. Particular attention is paid to compliance with the risk-bearing ability and the risk loading here. 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. Risk controlling is responsible for making decisions regarding the methodology employed as well as the content of risk reporting.

## 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 counterparty default 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 balance sheet date of December 31, 2009, gross loans of the Financial Holding Group were €1,536.7 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).

The MLP Group's credit risks predominantly result from the typical client credit business at MLP Finanzdienstleistungen AG.

There are no significant risks related to specific countries in accordance with § 327 (2) no. 2 of the Solvency Ordinance (SolvV), as lending is mainly limited to borrowers domiciled in the Federal Republic of Germany. The predominant geographical centre of the loan-bearing instruments is the Federal Republic of Germany (99.31%). The other regions (0.69%) are situated exclusively in the European Monetary Union (EMU).

To prevent risks from accumulating ("concentration of risks"), MLP pursues a strategy of diversification and risk avoidance. As such, investments are diversified into bonds, debentures and other financial instruments in the asset class "corporates" in various sectors. We have defined binding upper investment limits for the individual sectors and issuers in our capital investment directive.

In the consumer 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. This involves striving to spread parts of the credit risks to other market members where possible, but also minimising market price and liquidity risks by ensuring items of the statement of financial position are balanced by applying a maturity-matching strategy. Focusing on the target group of academics and other discerning private clients allows an attractive profit margin to be achieved.

[Table 20]

**Main sectors**

All figures in € million	Loans, commitments and other non-derivative off-balance- sheet assets	Securities	Derivative financial instruments*
Domestic banks	668.0	80.8	0.6
Deutsche Bundesbank	20.2	–	–
Foreign banks	0.5	–	–
Other financing institutions	10.0	–	–
Other companies	530.8	–	–
Self-employed persons	167.1	–	–
Employees	41.1	–	–
Other private individuals	8.9	–	–
Foreign companies and private individuals	10.6	–	–
<b>Total</b>	<b>1,455.3</b>	<b>80.8</b>	<b>0.6</b>

\*Notional volume

[Table 21]

**Residual terms**

All figures in € million	Loans, commitments and other non-derivative off-balance- sheet assets	Securities	Derivative financial instruments*
< 1 year	996.0	41.5	–
1 year – 5 years	168.6	39.3	–
> 5 years to open-ended	290.7	–	0.6
<b>Total</b>	<b>1,455.3</b>	<b>80.8</b>	<b>0.6</b>

\*Notional volume

The allocation to different sectors in accordance with § 327 (2) no. 3 of the Solvency Ordinance (SolvV) is shown in [Table 20].

The contractually fixed terms to maturity in accordance with § 327 (2) no. 4 of the Solvency Ordinance (SolvV) are stated in [Table 21].

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

[Table 22]

**Non-performing and defaulted loans**

Main sectors All figures in € million	Total availment of non- performing and de- faulted loans (including impairment)	Specific allowance for doubtful accounts	General allowance for doubtful accounts	Provisions	Net allocation/ reversals for specific and general allowance for doubtful accounts/ provisions	Direct write-off	Income from receivables which have already been written off	Defaulted loans (excluding impairment)
Self-employed persons	42.7	18.4		–	2.7	2.1	–	–
Employees and other individuals	12.1	8.3		1.9	0.1	1.1	0.2	–
<b>Total</b>			<b>1.2</b>					

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.

Loans to clients are granted on the basis of standardised principles under application of typical market credit assessment standards based on a scoring approach.

The creditworthiness of the borrower forms the basis for our credit decision. 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.

According to § 336 in connection with § 154 (1) no. 1 of the Solvency Ordinance (SolvV), the financial collateral of the Financial Holding Group to be taken into account within the scope of volume transactions is €8.7 million.

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 in [Table 22]. 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. Transactions are defined as being in default when they have been delayed by 90 days and this is also recognised as a default criterion in the banking systems.

[Table 23]

**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	24.0	5.3	0.8	1,7	–	26.7
General allowance for doubtful accounts	1.5	0.1	0.4	–	–	1.2
Provisions	1.6	0.7	0.4	–	–	1.9
<b>Total</b>	<b>27.1</b>	<b>6.1</b>	<b>1,6</b>	<b>1,7</b>	<b>–</b>	<b>29.9</b>

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

The development of allowances for losses in accordance with § 327 (2) no. 6 of the Solvency Ordinance (SolvV) is shown in [Table 23].

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.

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 assignment is disclosed in [Table 24] in accordance with § 328 of the Solvency Ordinance (SolvV).

The 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 € 193.9 million and listed securities of € 8.5 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 resulting from investments in accordance with § 332 no. 2 c – d of the Solvency Ordinance (SolvV) can be found in [Table 25].

The Financial Holding Group holds derivative counterparty default risk and offsetting items in line with § 326 of the Solvency Ordinance (SolvV). In order to fix the interest flows for the financing of individual construction phases of the Wiesloch building project completed in 2004, the Financial Holding Group 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, MLP purchased three interest rate swaps for the hedging of interest risks. The interest rate swaps do not serve any speculative purposes. They are held as hedges within the scope of hedging relationships. The face value of the swaps is € 105 million. The negative replacement value is € 2.3 million.

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

[Table 24]

**Risk weighting per receivables class**

Risk weighting in %	Total outstanding receivables in accordance with standard approach	
	before credit risk reduction in € million	after credit risk reduction in € million
0	40.1	40.1
10	10.1	10.1
20	660.7	660.7
35	15.3	15.3
50	0.1	0.1
70	–	–
75	276.4	254.5
90	–	–
100	456.2	454.2
115	–	–
150	18.3	18.3
190	–	–
250	–	–
290	–	–
350	–	–
370	–	–
1250	–	–
Alienation of capital	1,477.2	1,453.3

[Table 25]

**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 thereof included in tier 2 capital
<b>Total</b>	<b>–1.0</b>	<b>–1.7</b>	<b>0</b>

The market price risks are made up of the market price risk in the narrow sense and the market liquidity risk.

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

The market liquidity risk is the risk of a loss that can occur due to detrimental fluctuations in market liquidity – for example due to market disturbances.

Market price risks

[Table 26]

**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>-3.6</b>	<b>6.9</b>

At the Financial Holding Group, market risks essentially come about from incomplete congruency of interest rate agreements between the loans granted by MLP and their refinancing. A low level of market price risks also comes from internal business activities.

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

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. The change in value determined in the reporting period always remained below the threshold of 20 % of equity – a threshold which, if exceeded, must be reported by the institute according to the regulations of the Federal Financial Supervisory Authority.

In accordance with § 333 of the Solvency Ordinance (SolvV), the interest risks in the asset ledger of the Financial Holding Group are shown in [Table 26].

In order to reduce the cash flow-relevant interest risk, we use derivative financial instruments (interest rate swaps) on a small scale.

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.

The recognition of equity requirements for market risks in accordance with § 330 of the Solvency Ordinance (SolvV) is not relevant to the 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.

**Liquidity risks**

Liquidity risk is the danger that there are inadequate financial resources to meet payment obligations. Ensuring solvency at all times is the core function of our liquidity control system. This is secured through daily scheduling. Alongside possible cash flow scenarios, updated new business planning, investment planning and other capital transactions are all regularly taken into account. The controlling of financial instruments of the cash reserve in our inventory is based on the present value of our cash and cash equivalents and their potential development in various interest scenarios.

Using liquidity gap analyses we examine the anticipated development of our liquidity across various time frames. Here, we take into account all assets and liabilities relevant for the refinancing profile based on their term. 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. Alongside the development assumed in standard scenarios, we have also defined stress scenarios, so that we can detect any increased liquidity requirements early on and, if necessary, take any appropriate counter-measures. Within the scope of the stress scenarios, particular attention is paid to detecting any potential changes in the market environment.

The fundamental principles of liquidity control and planning are defined in the internal capital investment directives. 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.

The processes used are subjected to regular checks and adjusted as and when necessary.

### 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 company's main risks. Within this framework, experts from all departments examine and assess the operational risk within the scope of self-assessment processes 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 in the Group 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 determine the amount eligible for inclusion in 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 amount eligible for inclusion as per the supervisory regulations for the operational risk is determined using a fixed calculation scheme. The amount eligible is then 15 % of the average gross proceeds of the last three financial years, whereby only positive gross proceeds are taken into account.

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

Reduction of the operational risk 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.

Risks from internal procedures

Here, our Business Continuity Management (BCM) system identifies potentially critical business processes which could have a major effect on the Group'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 the business units and employees.

#### Human resources risks

MLP is dependent on qualified employees and managers in the back-office areas. With comprehensive personnel planning and targeted personnel marketing measures, we reduce the risk of staff shortages. Employees working with confidential information undertake to observe the respective regulations and handle the information responsibly. A clear separation of management and control functions restricts the risk of breaching internal and external regulations. Defined agency and successor regulations secure our business and decision-making processes.

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 results coming from this 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 and because of cost optimisation and scalability, MLP makes use of external partners for standard services. However, all key outsourcing activities of the MLP Financial Holding Group are coupled with risk management. As such, outsourced activities are incorporated in the risk controlling and management processes with continuous risk identification, evaluation, management and reporting. 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.

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 co-ordinates 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 the Group. The company's compliance with fiscal requirements is checked by internal and external experts in accordance with the tax regulations and the documents pertaining to these issued by the tax authority.

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 – the market in which MLP generates over 98% of its revenue – continued to be affected by the financial crisis in 2009. Following an extreme collapse in economic performance in the first quarter, first signs of stabilisation at a low level started to appear from the second quarter onwards. This trend then continued up to the end of the year. The stabilisation can largely be attributed to the positive effects of the comprehensive political and fiscal measures implemented by the central banks and the individual governments. Private consumption also played a particularly important part in stabilising the economy as a whole over the course of the year. The purchasing power of private households was supported by drops in employment levels remaining moderate and the stable price climate. The employment market continued to display remarkable stability and resilience.

However, the overall economic framework conditions in the financial year 2009 remained difficult for MLP. Pessimistic economic expectations continued to have negative effects, including ongoing reservations on the part of clients about signing long-term provision contracts or making investment decisions. Based on our investigations, these reservations are in particular due to uncertainty regarding further economic development and potential loss of workplaces.

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. However, the triggers for this development actually revolved around the tightening of the basic legal conditions (EU Insurance Mediation Directive, Markets in Financial Instruments Directive (MiFID), changes to the German Insurance Act). 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. MLP is actively engaged in consolidation of the market. With the acquisition of the independent finance broker ZSH, completed at the beginning of the year, we have been able to further expand our sales force in the German market. Competition to find qualified financial consultants has also increased.

Business environment and sector-related risks

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. The economic crisis has also become a determining factor in the further development of these markets. Clients make long-term investment decisions in the areas of old-age provision and wealth management. Since economic expectations remain rather pessimistic, private clients in particular are being extremely cautious and 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. On the basis of continual observation of the competitive environment, changes and developments on the national and international markets and the business environment are analysed and decisions are derived with a view to ensuring the Group's corporate success in the long-term.

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

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. Therefore, the effects on the company's success due to 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 office level are the object of periodic reporting. The effects of possible positive or negative trends in client development on the company's overall success are constantly analysed and evaluated.

[Table 27]

**Equity components**

All figures in € million	
Paid-in capital (business capital, share capital, capital stock, endowment capital and business assets) excluding cumulative preference shares	141.7
General reserves	360.6
Net accumulated losses from investments	–
Unappropriated profit, interim profit	–
Carrying amounts for Group companies	–189.1
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)	–20.8
Remaining goodwill according to § 10a (6) sentence 9 of the German Banking Act (KWG)	47.9
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>340.3</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>342.3</b>

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

**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

[Table 28]

**Capital ratios of principal companies**

Consolidated group of banks	Total capital ratio in %	Core capital ratio in %
MLP AG	88.2	88.2
MLP Finanzdienstleistungen AG*	5.3	5.2
FERI AG	13.2	13.2
FERI FT	8.8	8.8
FERI IA	2.1	2.1
ZSH GmbH	4.9	4.9

\*holding institution

## Supervisory risks/solvency

The 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 2009. The same applies for MLP's internal processes, objectives and measures for investment control.

The equity structure of MLP in accordance with § 324 of the Solvency Ordinance (SolvV) is disclosed in [Table 27].

MLP's 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 Finanzdienstleistungen AG 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 2009. The capital backing of the major companies of MLP is disclosed in [Table 28].

Equity requirements derived from the application of the credit risk standardised approach are shown in [Table 29].

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

[Table 29]

**Credit risk standard approach**

Equity requirements in € million	
Central governments	-
Regional governments and local government bodies	-
Other authorities	-
Multilateral development banks	-
International organisations	11.2
Institutions	-
Backed debentures emitted by financial institutions	-
Companies	18.8
Volume transactions	16.2
Items collateralised by property	0.4
Fund shares	1.4
Other items	14.1
Overdue items	2.2
<b>Risks from book values of investments in companies</b>	
Book values of investments in the standard approach	5.2
<b>Operational risks</b>	
Operational risks according to the basic indicator approach	58.3
<b>Total</b>	<b>127.8</b>

**Summary**

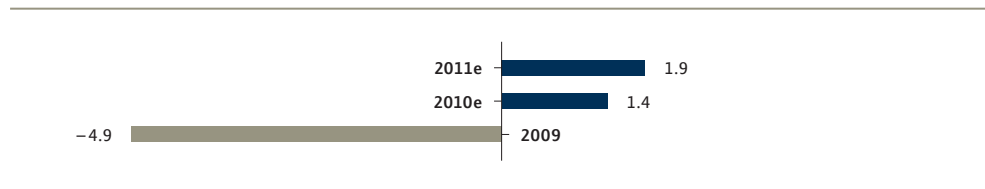
MLP's business development is essentially influenced by financial, operational and general business risks. Using our systems and comprehensive reporting, we ensure the identification, assessment, control and monitoring of our risks in terms of both current and future developments. The information provided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

Both the MLP Group as a whole and the Group companies always acted within the scope of their financial risk-bearing ability in 2009. 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. And we do not 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 effectiveness of our risk management system and its supervisory implementation are also checked cyclically by both external and internal auditors. The system of risk management and risk controlling is subject to continuous further development, in particular with regard to developing the volume and complexity of our business.

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.

[Figure 16]

**Expected economic growth in Germany (all figures in %)**

Source: Organisation for Economic Co-operation and Development (OECD)

**FORECAST****Future overall economic development**

MLP's business operations focus on financial and investment consulting to discerning private clients in Germany. Over 98 % of our total revenue is generated within Germany's borders. The development of the German economy and its legal framework conditions are therefore extremely important in terms of our business opportunities.

Economy has not yet stabilised

Based on the forecasts of economic research institutes, the global economy is set to recover in 2010 and 2011. Following two years of economic slump as a result of the financial and economic crisis in 2008 and 2009, global growth is now set to reach 6 % in 2010 based on estimates by the Organisation for Economic Cooperation and Development (OECD). Above all driven by recovering exports and economic stimulus packages, Germany's gross domestic product is set to rise to a level of around 1.4 % according to estimates by economic experts. And growth of 1.9 % is expected for the year 2011 [Figure 16].

Increasing unemployment

However, the return to positive growth in Germany is not likely to be accompanied by an increase in the number of jobs. Indeed, the OECD expects the unemployment rate to go up by 2 percentage points to 9.7 % by 2011. This translates to around 4.3 million unemployed people in Germany (2009: 3.3 million unemployed; 8.2 %). The anticipated economic upturn will therefore not rejuvenate the employment market. Set against this background, the OECD and leading economic experts are warning that increasing unemployment will lead to reduced tax revenues, while at the same time demanding greater social welfare payments. Both of these factors will have a serious impact on public funds, leaving little if any money available in Germany for economic stimulation measures over the course of the next few years.

Downturn in real income

Based on estimates of economic researchers, the disposable income of German citizens is likely to drop by 0.5 % next year in real terms. If oil prices continue to rise due to increased demand in the emerging markets – as forecast by the investment bank Goldman Sachs – this is also likely to hinder rather than stimulate consumer spending among Germans. Legislative initiatives to stimulate the economy, such as the Citizens Relief Act or the Growth Acceleration Act, both of which are set to take effect in 2010, will at best only be able to reduce the load slightly.

General statement: Demand for medium and long-term provision contracts remains stifled

Even if Germany's economic performance does indeed improve in the current financial year following the collapse in 2009, the fact that unemployment is on the increase and real income is in decline means that we are not expecting to see any appreciable growth impulses from the macroeconomic environment for our business. In fact, we expect people to remain cautious throughout the current financial year with regard to signing new medium and long-term old-age provision and health cover contracts or with the transfer of mandates in the field of wealth management [Table 30].

[Table 30]

**National economic influencing factors on MLP's business development in the years 2010 and 2011**

	2010	2011
Expectations about economic situation in the future	0	+
Higher rate of unemployment	-	-
Stable savings rate	0	0
Higher consumer prices	-	-

### Future industry situation

The situation in Germany's financial services industry has changed markedly over the course of the last few years. Competition has become fiercer, not least due to the appearance of more competitors. At the same time, regulatory requirements have been tightened with measures to increase consumer protection in Europe. Only the very best financial services providers can sustain long-term profit in an environment such as this. We therefore assume that the sector will see further consolidation over the next few years.

With its quality culture, its brand strength and its non-cost-intensive business model in the form of a free broker organisation, MLP is well established in the German market as an independent consulting firm for private and corporate clients, as well as institutional clients. We are the leading independent financial and investment adviser and have the power to draw benefits from market consolidation. And assuming we can find suitable candidates, we will take our opportunities to acquire new operations. In addition to this, the clear alignment of our business operations towards the growth areas in the German financial services market, i.e. old-age and health provision as well as wealth management, puts us in a sound position in the current competitive environment. We are observing first hand how the economic and political framework conditions in our growth areas are taking effect and are adjusting our sales based on actual and anticipated situations to target profitable growth.

### Old-age provision

Our core competency of old-age provision is an area that has enjoyed increased popularity over the last few years through Germany's pension reform. Increased awareness among Germany's population of having to at least provide a part of their old-age income through personal financing is helping sales of old-age provision products. Overall we can say that there is great demand for competent consulting in this field, as many still struggle to fully understand the three-tier old-age provision system in Germany. Indeed, most clients welcome structured advice on matters pertaining to old-age provision, although such advice is not a matter of course in Germany's financial services sector. In day-to-day business with private clients (retail business), sales of standalone products scarcely tailored to the needs of the individual are still more common than a balanced, holistic approach in the financial sector. Yet in comparison with the competition, the old-age provision specialists at MLP come out on top with their individual needs analyses and holistic old-age provision concepts, the effectiveness of which was recently underlined in a test on the topic of old-age provision performed by the magazine "Wirtschaftswoche".

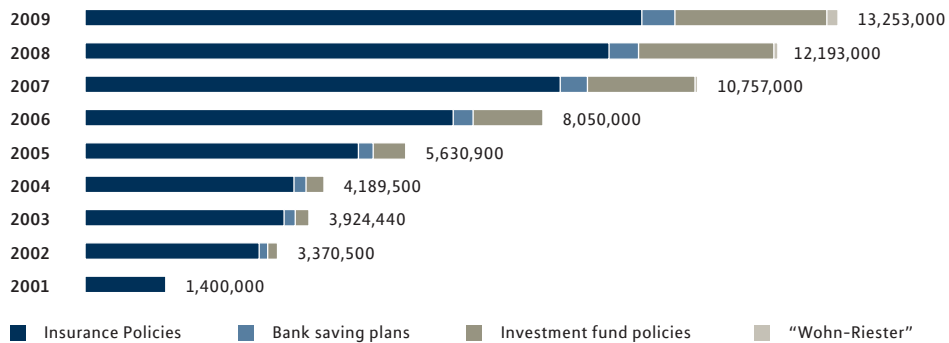
The demand for old-age provision concepts is far from saturated in Germany. As determined by the Allensbach Institute in 2009 on behalf of Postbank, every third employed person currently has no policies in place to provide private old-age income. And the Riester pension, which with 13 million policies already in place is currently the most popular form of private old-age provision in Germany, now offers even greater sales opportunities. With the product variant

Well established  
as a premium brand

Increased awareness  
of the need for old-age  
provision products

Old-age provision  
market not even close to  
being fully exploited

[Figure 17]

**Development in the number of Riester contracts**

Source: German Federal Ministry of Labour and Social Affairs

colloquially referred to as "Wohn-Riester", the Riester concept has now been extended to include subsidies on property which policyholders themselves use as their residence. And the legislator is also set to further expand the scope of those eligible for these subsidies in the coming months. Following a judgement of the European Court of Justice, those persons residing abroad but working in Germany, where they are obliged to pay into the statutory pension scheme, must also be eligible for the Riester subsidy. In addition, the judges in Luxembourg criticised the fact that the Riester subsidy had to date been restricted to domestic residential property. Germany's legislator must now correct both of these issues [Figure 17].

The potential sales market is even greater when we consider the Rürup pension. According to data published by the German Insurance Association (GDV), people have been slow to warm to this product. In fact, it has only sold just over 1 million contracts to date. However, the increase in the level of old-age provision expenses that can now be offset against tax and the introduction of more attractive product concepts are helping to boost sales of Rürup pensions.

Occupational pension provision is far from reaching its peak in Germany. And although with around 18 million contracts as it stands today, it is the second most important pillar of old-age provision, there is still a great deal of untapped potential. Small and medium-sized companies, which account for almost 60% of all employees in Germany, are only now slowly starting to discover what this instrument has to offer. Through its acquisition of the leading specialist in industry solutions for occupational pension provision, TPC THE PENSION CONSULTANCY GmbH, MLP is now in an excellent position to build on its market share in this segment in the future.

We are advising our clients to invest the tax savings they make in 2010 due to the Citizens Relief Act in an additional, tax-privileged old-age provision concept. This is especially important for those with good earnings (such as our discerning target clients), who have become accustomed to a comparably high income and without additional provision measures could well be left with a massive pension shortfall later in life, given the ever diminishing performance of the statutory pension.

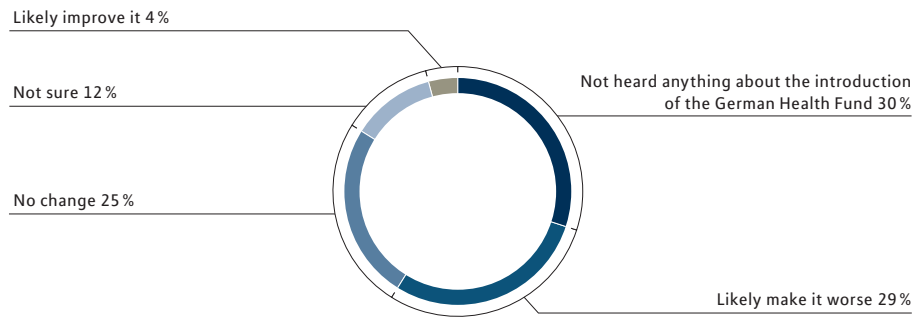
From today's perspective we do not expect to see any significant product innovations in the field of private or occupational pension provision in the years 2010 and 2011.

Small and medium-sized companies now starting to discover the benefits of occupational pension provision

[Figure 18]

### Different expectations regarding the effects of the German Health Fund

The German Health Fund will have the following effect on the quality of healthcare provision -



Basis: Federal Republic of Germany. Population from 16 years old and above  
Source: MLP Health Report 2009

### Health provision

The status quo in Germany's healthcare system has not improved, even more than a year after introduction of the German Health Fund. Within the scope of the MLP Health Report 2009, the Allensbach Institute determined that more than half the country's population and doctors are complaining about worse performance in healthcare provision in Germany. The gap between ever lower performance and ever increasing costs is widening. At the start of 2010, the first statutory health insurance funds announced that they would be demanding additional premiums from their policy holders, as the money raised by the German Health Fund is simply not enough to cover their running costs. Statutory insurance policy holders can hardly be happy with this situation, which in turn will lead to a high degree of willingness to make the switch to private health insurance [Figure 18].

The new German government has drawn some initial conclusions and announced that it will reduce the legally stipulated 3-year waiting period that must elapse before switching to a private health insurance to a 1-year waiting period. This makes it significantly easier for those wishing to make the switch to private health insurance. Policy holders who decide to make the switch this year will then be able to fulfil their wish in 2011.

Demand for private supplementary health insurance policies will also rise. German society is now increasingly aware of the need for insurance to cover potential illness and/or nursing care, not least due to the increased coverage of these topics in the media. While in 2005 just 34% of people considered taking out a private supplementary insurance policy, last year this figure increased to 46%. We therefore feel certain that demand for private healthcare provision will see a further, significant increase over current levels once the economic framework conditions pick up.

We do not expect to see any new products or services in the field of private health insurance over the next two years.

Demand for private healthcare provision still on the rise

### Wealth management

Continued growth prospects  
in private banking

Growth prospects in the high-end retail banking business and the field of wealth management also remain excellent, disregarding the temporary, negative influences of the financial and economic crisis. In 2008 there were 8.6 million private individuals worldwide with a combined wealth of US\$ 32.8 trillion. In Germany there were 809,700 private individuals with net financial assets of at least US\$ 1 million each (owner-occupied real estate and commodities are not included). These figures are taken from the World Wealth Report 2009 published by the investment bank Merrill Lynch and corporate consulting company Capgemini.

Trust in banks  
lower than ever

The high-end retail banking business, often referred to as private banking, has been the pinnacle of the financial services sector for years. Yet since the general public's trust in banks has dropped so sharply in the course of the financial crisis, there is a definite sense that this sector may too see some regulatory changes. According to an important poll performed by the Allensbach Institute on behalf of the "Frankfurter Allgemeine Zeitung" newspaper, only 23% of the population stated "complete trust" in the banks. Indeed, 70% reported "little or no trust" in banks. As such, investors in Germany are more critical of the credit and insurance industry than they were prior to the crisis and in future are more likely to scrutinise the quality of financial advice they receive more closely.

With its renowned subsidiary, Feri Finance AG, MLP has recognised expertise in the field of investment consulting. We are already the largest independent financial and investment adviser in Germany and will continue to build on and expand our market position.

In the field of wealth management, we do not expect to see any significant new products or services in the next two years.

### Competition

Consolidation offers  
opportunities for MLP

Competition in Germany's financial services sector, which has already been fierce for years, is now set to enter an even tougher dimension due to the lack of trust in the banking system caused by the financial and economic crisis. Indeed, Germany's "Stiftung Warentest" product test foundation gave a further damning review of the investment consulting offered by banks and savings banks as recently as December 2009, thereby providing consumer protection agencies with even more arguments to demand further legislation to protect private investors. As such, we should not be surprised to see further regulations enforced in the near future alongside existing regulatory requirements such as the EU Insurance Mediation Directive, the Markets in Financial Instruments Directive (MiFID) and the German Insurance Act. Since January 1, 2010 banks have already been obliged to document their investment consulting in a comprehensible manner and hand this documentation out to their clients. At the end of 2009, the Consumer Protection Ministry also announced that it was preparing a major package of measures designed to offer greater transparency in financial services consulting.

Regardless of whether new regulatory measures can actually bring about greater consumer protection, measures of this nature will certainly increase costs in the industry and put greater pressure on the margins. This will take its toll on small and medium-sized financial services providers, as only the strongest companies will be able to survive the stricter client requirements and extreme cost pressure to generate profitable growth in the long term.

Set against this background, the concept of independent consulting and sales will become ever more important, as underlined by the Tillinghast Sales Channel Survey published by Towers Perrin in 2009. This corporate consulting company anticipates that independent financial consultants will be able to increase their market share in the sale of financial products to 29% by 2016 (2008: 28%) [Figure 19].

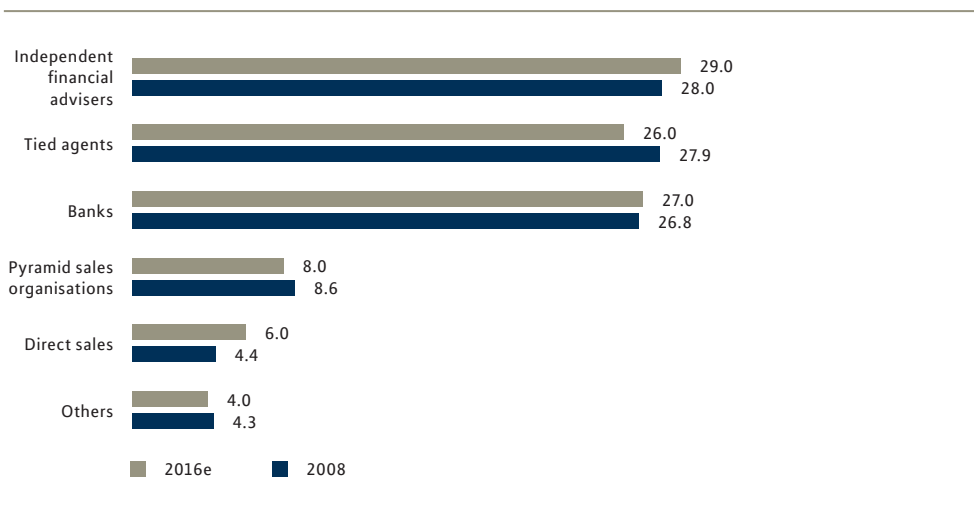
[Table 31]

**Effect of industry-specific factors on the anticipated business development of the industry and MLP in 2010 and 2011**

	Effect on business development in the industry		Effect on business development of MLP	
	2010	2011	2010	2011
Rising demand for private and occupational pension provision	+	+	+	+
Legal framework conditions for health insurance	0	+	0	+
Loss of confidence in banks due to the financial crisis	-	-	+	+
Increase in competitive intensity in the financial services sector	0	0	+	+

[Figure 19]

**Market shares of various sales channels for life insurance products in Germany 2008 and 2016 (all figures in %)**



Source: Towers Perrin

[Table 32]

**Anticipated development of revenue from 2010 to 2012**

	2010	2011/2012
Revenue: old-age provision	→	→
Revenue: wealth management	→	→
Revenue: health provision	→	→

**Expected development of business**MLP – A well-established,  
full-scope consulting firm

Today, MLP is a well-established, full-scope consulting firm with clear positioning and prospects. Supported by comprehensive research, the MLP Group works to a holistic and independent consulting approach that covers all economic and financial questions for private and corporate clients, as well as institutional investors. This broad scope of services is what makes our company so strong. We have also significantly strengthened our business with corporate clients in the last few years. An important goal for the next few years – alongside our retail business, which has always been strong – is to further build on this pillar of our business.

Based on what we know today, we are not currently planning any significant changes to our corporate policy or corporate structure for the next two financial years.

Framework conditions  
remain difficult in 2010

For the financial year 2010, and the first half of the year in particular, we expect framework conditions to remain as difficult as last year. Although we have now started to see first signs of recovery in our business with private and corporate clients, the market environment remains tense. As such, we do not expect the economic environment to provide any noticeable impulses for our business development. And although experts are predicting economic growth of 1.4 % in Germany for 2010, unemployment continues to rise.

As the market environment remains difficult, we have decided to only provide a qualitative forecast for revenue up to 2012. With framework conditions remaining difficult, we expect to see only stable revenue this year in our core sectors of old-age and health provision. However, our goal for the years 2011 and 2012 – by which time the economic environment should be more favourable – is to get back on track with healthy growth. In the field of wealth management, on the other hand, we are already expecting to see a moderate increase in revenue in the current financial year, which will also continue over the two subsequent years [Table 32].

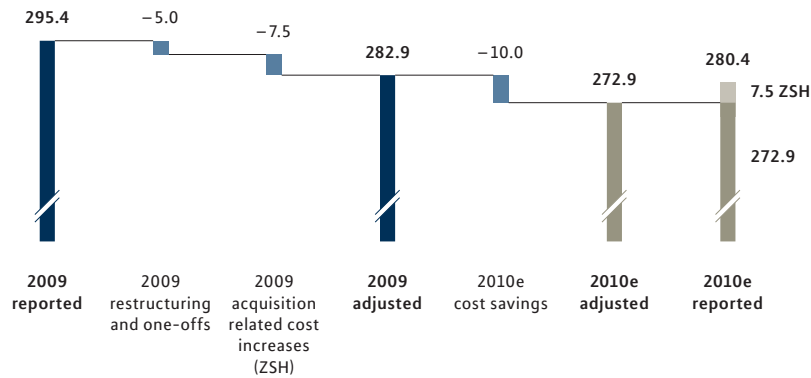
Further cost reductions

In addition to fully utilising our revenue potential, continuing our strict level of cost discipline will remain important in the current financial year. For 2009 we aimed at lowering fixed costs (personnel expenses, depreciation/amortisation and impairments, other operating expenses; excluding one-off effects and before acquisition-related cost increases) by € 24 million and in 2010 by a further € 10 million. In the last financial year we not only achieved this goal, but with savings of € 28.7 million were even able to exceed it. However, despite this excellent result, we have chosen to keep our goal for 2010 and reduce our fixed costs by a further € 10 million

[Figure 20].

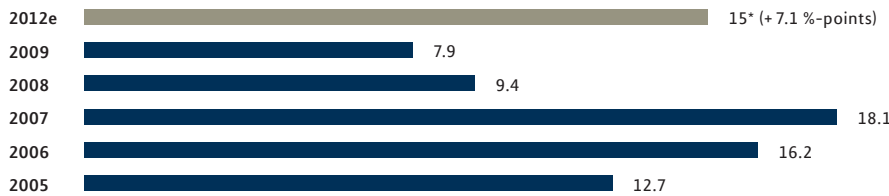
The expense items “Personnel”, “Depreciation/amortisation and impairment” and “Other operating expenses” will all drop as a result of the cost reductions. We are not planning any active personnel reduction measures, although we will take a restrictive approach in refilling vacant positions. Further optimisation of existing processes and reduction in administrative expenses will also allow other operating expenses to be reduced. The other two expense items in our income statement (Commission expenses and Interest expenses) are essentially variable costs that will follow the development of revenue in the respective segments.

[Figure 20]  
**Planned cost reduction in 2010 (all figures in € million) – Fixed costs\***



\* before acquisitions and one-offs

[Figure 21]  
**Development of the EBIT margin from 2005 to 2012 (all figures in %)**



\* before acquisitions and one-offs

In terms of our finance cost, we do not expect any significant changes in the current fiscal year. Our tax rate is likely to see only a slight increase over the course of the next few years from 31.5 % in 2009 to between 32 % and 33 %.

In the years 2005 to 2007, we succeeded in significantly increasing our company's profitability. In 2008 we then had to suffer a significant drop in this key performance indicator. One important reason for this was the additional costs associated with implementation of the new German Insurance Act. Added to this were the unforeseeable and severe effects of the economic and financial crisis, which had a massive influence on the revenue side in the last financial year. Our goal now, once the worst of the financial and economic crisis is over, is to get back on track and almost double our EBIT margin to 15 % by the end of the 2012 [Figure 21]. This is based on the intended reduction in the cost basis and the increase in revenue mainly anticipated in the years 2011 and 2012.

The topic of acquisitions also remains part of our management agenda. However, the prerequisites for an acquisition include an acceptable purchase price, synergies on the revenue and profit side and alignment with MLP's culture and business model. And acquisitions are not only

EBIT margin for 2012: 15 %

possible for expanding our traditional retail business in Germany, but also for strengthening our subsidiary Feri Family Trust in the wealth management sector. This industry is currently in a phase of restructuring due to the financial crisis and changes in the banking sector. Many specialised asset managers and investment boutiques are now looking for a powerful partner. Moreover, we can very well envisage entering into partnerships and generating growth in our business with institutional and corporate clients – above all to grant us further internationalisation.

Dividend of € 0.25

The Executive Board and Supervisory Board will propose a dividend of € 0.25 per share for the financial year 2009 at the Annual General Meeting on May 20, 2010. This corresponds to a total dividend of € 27.0 million. As such, the dividends remain at virtually the same level as the previous year (€ 0.28 per share, € 30.2 million). Measured against earnings from continuing operations, we will achieve a distribution rate of around 100 %. As a general rule, our dividend payout policy is always aligned to the respective financial and profit situation, as well as the Group's future liquidity requirements. Since our equity capital backing and liquidity are both excellent, we also expect to be able to increase dividends in the forecast period while maintaining the distribution rate, assuming that our expectations with regard to trends in revenue and earnings up to 2012 prove accurate.

#### Planned financing activities and investments

The MLP Group had access to sufficient cash holdings on the balance sheet date. Our business model is not capital-intensive and generates high cash flows. From today's perspective, this provides sufficient internal financing capacity for 2010 and 2011. In terms of the company's financing, we are largely independent of further developments in the capital markets. Even limited or more restrictive issuing of loans by financial institutions (so-called "credit crunch") would not have a negative effect on our financing options. 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

The investment volume will not see any significant change in comparison with the financial year 2009 (around € 4 million). We will continue to invest the majority of funds into further improving the quality of consulting and client service (please also refer to the chapter "Financial position" and "Client support") and thereby in the financial services segment. Alongside capitalisable investments expenditures we use other resources for these projects, which are included as expenses in the income statement. Our intention is to finance all investments from cash flow.

The return on equity relative to net profit remained unchanged in the reporting year at 5.8%. Although we do not use this figure as one of our key performance indicators, our goal is to continuously increase our return on equity over the course of the next few years.

Excellent liquidity

At around € 210 million on the balance sheet date, the Group's liquidity is excellent. As is typical and seasonal, over the course of the year this will initially be reduced by factors including the planned dividend payment of € 27.0 million, but then increase again in the second half of the year due to the year-end business. Acquisitions we finance with cash holdings would have a negative effect on the Group's liquidity. We do not expect a liquidity squeeze in the current year or next year.

[Figure 22]

**Number of university graduates in Germany (all figures in thsd.)**

Source: Institut der deutschen Wirtschaft, Cologne, Federal Statistical Office, Boston Consulting Group (BCG)

**Prospects**

Given the economic environment, we do not expect any significant impulses for our business development in the current financial year. The anticipated recovery with economic growth of 1.4 % is simply too low for this. However, should economic activity see faster or greater improvement than expected, this would also have effects on the future expectations of our clients. A more positive appraisal of their future economic situation could also increase willingness on the part of clients to invest in long-term old-age provision or wealth management concepts.

We are also expecting a positive effect on our business development from the Citizens Relief Act. Through various tax breaks, German citizens will have greater net income from January 2010 onwards. Looking at their needs, for many clients it makes sense to invest at least a part of these funds in old-age or health provision concepts or in capital accumulation.

The current political discussion on reform of the healthcare system in Germany underlines the fact that the present system is simply not sustainable from a financial perspective in light of the demographic change in our society and medical advances being made.

Once the political discussions have been completed, further reforms are to be expected in the current legislative period. It is highly likely that there will be a greater need for private provision, whatever the results of the discussion and whatever shape the future system takes. These increased requirements can only be covered with private full-scope or supplementary health insurance. This development would also offer MLP opportunities for consulting and brokering corresponding products.

The positioning of our company that we have undertaken over the last few years to create an independent, well-established, full-scope consulting firm offers us great opportunities. Alongside business with private clients, we are now increasingly focussing on our business with corporate clients and institutional investors. In cooperation with our subsidiaries Feri and TPC we will further expand our portfolio for corporate clients and institutional investors in the areas of investment, risk management and occupational pension provision over the course of the next few years. Improved interlinking of these areas with one another and the retail business unlock diverse cross-selling opportunities alongside the corresponding revenue potential.

Pressure for consolidation in the financial services sector has grown drastically as a result of the financial and economic crisis. This applies both to consumer and corporate business, as well as all major investments. We are keen to play an active part in the consolidation, which will offer us opportunities for external growth.

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

Opportunities from the development of framework conditions

Corporate strategy opportunities

Business performance opportunities

Alongside intensive support for existing clients, we will also place emphasis on winning new clients. In our client group of academics, potential in Germany is set to increase over the next few years [Figure 22]. Due to the ever increasing demand for well-trained employees, the number of university graduates is likely to rise over the next few years. And the importance of securing recommendations from our existing client base will increase. Our goal is to consistently utilise these opportunities for growth.

We also expect to see interesting revenue opportunities for 2010 in supporting wealthy clients via our subsidiary Feri Finance AG – not least due to the severe changes in the private banking market. In the business with corporate clients we see revenue potential in the fields of asset liability management, asset allocation, risk overlay management and risk management. The new Accounting Law Reform Act (BilMoG) and the increased contributions to the pension guarantee association will also continue to stimulate a high demand among companies for independent, professional consulting in the field of occupational pension provision.

If we are successful in increasing the number of our consultants and improving their productivity, this will also generate further opportunities in sales. Despite the fact that unemployment in Germany has increased over the last 18 months, competition for both trainee and experienced financial consultants is extremely intensive. We have introduced a large number of measures to make this career more appealing and also make our company more attractive as a partner for freelance consultants. Introduction of client support commission and a participation programme are just two examples of this. Added to this is the training we offer at our Corporate University, considered to be pioneering in the sector.

To increase the productivity of our consultants, in the last few years we have further improved sales support through IT and also through additional centralised services. With end-to-end electronically supported processes throughout the entire value added chain, in future we should succeed in increasing the productivity of our consultants, lowering unit costs and improving our attractiveness as a partner.

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**

In the last financial year, the financial and economic crisis was the key factor affecting the Group's business development. Now that economic downturn has bottomed out, growth of 1.4 % is being forecast for Germany in 2010. However, this growth impulse will not be enough to stimulate sustainable growth in our business development. Indeed, we do not expect to see positive impulses from general economic developments until 2011.

In our main revenue fields of old-age and health provision, we expect to see stable revenue in 2010. For the two subsequent financial years we then expect to see revenue increase. Our third important revenue pillar – wealth management – is likely to see the beginning of positive developments in the current financial year. This positive trend will also continue into 2011 and 2012.

The cost-cutting programme we successfully initiated and implemented at the start of the financial year 2009 has made a significant contribution to securing the Group's profitability. We are continuing this programme in the current financial year to get back on track and move back towards our former earnings strength in the mid term. Our goal is to achieve an EBIT margin (before one-off effects and acquisition-related cost increases) of 15 % in 2012.

The Group's equity capital backing and liquidity are excellent. This financial power, in connection with MLP's strategic positioning as an independent, well-established, full-scope consulting firm for private and corporate clients, as well as institutional investors in the growth markets of old-age provision, health care and wealth management will strengthen our competitive position. We therefore expect to see continued positive overall development within the Group.

MLP is an attractive partner  
for freelance consultants

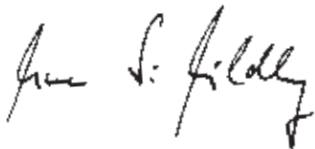
Positive development  
of the Group anticipated

## EVENTS SUBSEQUENT TO THE REPORTING DATE

Within the scope of our concentration on growth markets, in future we will focus on our core market of Germany in the retail business at our subsidiary MLP Finanzdienstleistungen AG. To this end, in January 2010 we agreed to sell our branch in the Netherlands to NBG B.V., Valkenswaard, Netherlands. We generated less than 1% of our total revenue in this market.

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

Wiesloch, March 16, 2010



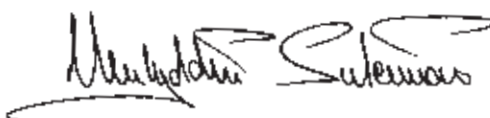
Dr. Uwe Schroeder-Wildberg



Gerhard Frieg



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.