Annual Report of MLP AG 2012

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.

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Report by the Supervisory Board

In the financial year 2012, the Supervisory Board invested much time and effort in dealing with the development of the company and performed its duties of supervision in their entirety. It regularly advised and monitored the Executive Board in its management of the company.

During the course of the last financial year, the Supervisory Board paid particular attention to the economic development, financial situation, prospects and further strategy of the company, and supported the Executive Board in this regard. Its work in the financial year 2012 focused in particular on supporting the Executive Board in the strategic development of the company, implementing further measures to increase cost efficiency, improving the company's opportunity and risk position and representing the company in the context of claims asserted by former stockholders in Feri AG, as well as implementing negative declaratory relief initiated by the company to defend itself against these claims.

The Supervisory and Executive Boards met regularly in the reporting year for discussions and joint consultations regarding business development, strategy and key events within the company. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. The Executive Board regularly provided the Supervisory Board with written and oral reports in a timely and comprehensive manner on all relevant issues related to corporate planning, strategic development, the business situation and the position and overall development of the Group as a whole, including the risk situation, risk management, risk-bearing ability and compliance. The Supervisory Board was able to confirm the correctness of the company management by the Executive Board. In 2012, the Executive Board also reported on and the Supervisory Board also advised on the content and anticipated effects of legislative/regulatory stipulations at national German or EU level, such as Basel III, the Markets in Financial Instruments II Directive (MiFID II) or the Act Reforming the Laws on Intermediaries for Financial Investments and on Investment Products ("Finanzanlagevermittler- und Vermögensanlagerecht").

The Supervisory Board held five regular meetings in the financial year 2012 which, with the exception of one meeting, were attended by all members in person. The Supervisory Board was also informed by the Executive Board of particularly important or urgent projects outside of the regular meetings. Where necessary, Supervisory Board resolutions were also passed as circular resolutions.

In addition to this, one meeting of the Personnel Committee, four meetings of the Audit Committee and four meetings of the Nomination Committee were held. With the exception of one meeting of the Nomination Committee, all of these meetings were attended by all committee members.

Furthermore, the Chairman of the Supervisory Board met with the Chairman of the Executive Board on a regular basis to discuss specific issues. The Chairman of the Supervisory Board informed the other members in detail about the content of these meetings with the Executive Board.

Supervisory Board meetings and important resolutions

In a resolution passed in January 2012 using the circular resolution procedure, the Supervisory Board approved legal defence action against claims asserted against the company from several former shareholders in the subsidiary Feri AG.

Following preparations in meetings of the Audit Committee, the meeting of the Supervisory Board on March 20, 2012 focused on the audit and approval of the financial statements and the consolidated financial statements as of December 31, 2011. The auditors participated in the meeting and gave detailed reports on the course and outcome of their audit of the financial statements and the consolidated financial statements. Following in-depth discussion, the Supervisory Board approved both the financial statements and the consolidated financial statements as of December 31, 2011. In addition to this, the Supervisory Board also approved the conclusion of a control agreement with Feri AG and the proposed resolutions for the company's Regular Annual General Meeting. In the March meeting, motions passed included the extension of Dr. Uwe Schroeder-Wildberg's employment contract and his reappointment as Chairman of the Executive Board for five further years - i.e. until December 31, 2017.

The regular Supervisory Board meeting on May 07, 2012 focused primarily on discussing the results and business development from the first quarter of 2012.

The results of the second quarter, the business development in the first half of the year, reporting on the internal audit and risk controlling (including a report on the notion of materiality, risk strategy and risk-bearing capacity concept) were all on the agenda of the regular Supervisory Board meeting on August 07, 2012. In addition to this, the Supervisory Board approved an increase in capital stock of € 30 million at MLP Finanzdienstleistungen AG. This increase is to be financed by MLP AG. In the course of restructuring the capital in the Group, the company's equity ratio was further strengthened.

The November meeting focused on the results of the third quarter and the first nine months of the current financial year.

At the meeting on December 13, 2012, discussions focused on the resolution regarding the Declaration of Compliance as per § 161 of the German Stock Corporation Act ("Aktiengesetz"), alongside adherence to the regulations of the German Corporate Governance Code (GCGC). Extensive reporting was provided on the corporate governance process and the current Declaration of Compliance. Furthermore, the Supervisory Board addressed in detail and approved the strategy and budget of both the Group and the company for the financial year 2013.

Supervisory Board committees

The Supervisory Board was regularly informed of the work carried out by its committees in 2012.

The Personnel Committee convened once in the reporting period. This meeting focused on preparations for the reappointment of Dr. Schroeder-Wildberg as Chairman of the Executive Board.

The Audit Committee held four regular meetings in the financial year 2012. Representatives of the audit firm were present during some of the meetings, providing the Committee with detailed reports. In the presence of the auditors, the Chairman of the Executive Board and the Chief Financial Officer, the Audit Committee discussed the financial statements of MLP AG and the MLP Group as well as the proposed appropriation of earnings. There were detailed consultations on relations with the auditor, proposals for electing an auditor, remuneration, audit assignment and monitoring the independence of the auditor. The Audit Committee received regular reports on the work of the Internal Audit and of the Compliance department and was informed on legal and regulatory risks and risks to reputation. In addition to this, the Audit Committee addressed the potential risks associated with the legal defence against claims asserted by several former shareholders in the subsidiary Feri AG.

The Nomination Committee held four regular meetings in the financial year 2012. These meetings focused on preparing for the election of new Supervisory Board members in the 2013 Annual General Meeting. The Nomination Committee examined in detail the personal and professional requirements, applicable laws and any regulatory directives to be met by the shareholder representatives on the Supervisory Board. The recommendations in the German Corporate Governance Code (DCGK) in this connection were also addressed. Agreement was then ultimately reached on this basis to submit a proposal to the plenary meeting of the Supervisory Board for the shareholder representatives to be newly elected to the Supervisory Board.

Corporate governance

The Supervisory Board regularly deals with the application of the corporate governance principles.

Last year, the Supervisory Board again dedicated its meeting on December 13, 2012 to the requirements of the German Corporate Governance Code in the version dated May 15, 2012.

In the meeting held on December 13, 2012, the Supervisory Board examined the efficiency of its actions based on an evaluation form made available to the members of the Supervisory Board in good time prior to the meeting. The Supervisory Board also discussed procedures in the Supervisory Board, the information flow between the Committees and the Supervisory Board, and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board on this occasion. Measures aimed at increasing efficiency were analysed.

At the same meeting, MLP AG's Supervisory Board also assured itself that the company had met the recommendations of the German Corporate Governance Code in line with its Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act ("Aktiengesetz") in the last financial year and will in future continue to comply strictly with the recommendations of the Government Commission on the German Corporate Governance Code (version dated May 15, 2012). In December, the Supervisory Board and Executive Board issued a Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act ("Aktiengesetz") for the financial year 2012 and made it permanently available to the shareholders via its website.

No conflicts of interest arose in the reporting period. A summary of corporate governance at MLP, including the Declaration of Compliance from December 13, 2012, can be found in the Executive and Supervisory Board's corporate governance report. All relevant information is also available on our homepage at www.mlp-ag.com.

Audit of the annual financial statements and consolidated financial statements for 2012

The financial statements and the management report of MLP AG as of December 31, 2012 have been compiled by the Executive Board pursuant to the German Commercial Code ("Handelsgesetzbuch"). The consolidated financial statements and the Group management report as of December 31, 2012 were drafted as per § 315a of the German Commercial Code (HGB) in line with international financial reporting standards (IFRS) as applied in the EU. As of December 31, 2012, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin audited the financial statements and management report of MLP AG in accordance with the principles of commercial law, as well as the Group financial statements and Group management report in accordance with the principles of IFRS, issuing an unqualified auditors' opinion in each case. The auditor performed the audit in compliance with the basic principles of sound auditing practices determined by the German IDW institute of auditors ("Institut der Wirtschaftsprüfer").

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

The Audit Committee of the Supervisory Board examined these documents in detail and reported to the Supervisory Board on its audit. The auditor also reported on the key results of the audit and on the fact that there are no significant weaknesses in either the internal monitoring system or the risk management system. The Audit Committee also examined the risk management system, the accounting processes and the effectiveness of the internal monitoring, risk management and auditing systems, as well as the relationship to the auditor, the proposals for selection of the auditor, the auditor's remuneration, the audit assignment and monitoring of the auditor's independence, as well as the additional services performed by the auditor. The Supervisory Board also checked and discussed the documentation and reports in detail. In the presence of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, which reported on the key findings of its audit, the audit reports were examined in detail in the Supervisory Board meeting held on March 21, 2013. At this meeting, the Executive Board explained the financial statements of MLP AG and of the Group, the risk management system, the accounting processes and the effectiveness of the internal monitoring, risk management system, audit system and of the compliance, as well as giving detailed reports on the scope, focuses and costs of the audit.

The Supervisory Board concurred with the outcome of the auditors' audit and, on the basis of the final outcome of the Audit Committee's audit and its own audit, found no grounds for raising an objection. Accordingly, at its meeting on March 21, 2013, the Supervisory Board approved the annual financial statements and the MLP AG management report, as well as the consolidated financial statements and the consolidated management report prepared by the Executive Board in accordance with IFRS. The annual financial statements are therefore adopted.

After performing its own examinations, the Supervisory Board agreed with the Executive Board's proposal to pay out a dividend of € 0.32 per share for the financial year 2012. The liquidity situation, future regulatory requirements and the company's budget, as well as the shareholders' interest in an appropriate dividend were included and weighed up against one another in its considerations.

The Supervisory Board would like to thank the Executive Board, the Management of the respective Group companies, as well as all employees and consultants of the MLP Group for their exemplary personal commitment and achievements in the financial year 2012.

Wiesloch, March 2013

The Supervisory Board

Dr. Peter Lütke-Bornefeld

Chairman

Management report

The values disclosed in the following management report have been rounded to one decimal place. As a result, differences to reported total amounts may arise when adding up the individual values.

Overall economic situation

Framework conditions

As Germany's leading independent consulting firm, the MLP Group (MLP) provides academics with comprehensive, independent advisory services. Building on this successful business model, we have significantly expanded our consultancy services for companies and employers, institutional investors, pension funds and wealthy private clients in the last few years.

The MLP Group once again generated the majority of its revenue in Germany in 2012. Therefore, the following focuses primarily on economic development in Germany, as it represents a crucial factor in assessing the business success of the MLP Group. Particularly important indicators in this regard are economic growth, the development of the employment market, changes in net income, the savings rate and consumer confidence.

Overall economic climate

The global economy was characterised by very subdued development in 2012. The European sovereign debt crisis and the weaker global economy were the main factors that motivated research institutes to make sharp downward corrections to their forecasts over the course of the year. For example, the International Monetary Fund (IMF) set its global economic development forecast for 2012 in its "World Economic Outlook" at 3.3 % – despite the fact that most experts expected a figure around 3.9 %. The downward trend observed in the economic environment of the Eurozone is even more pronounced. Although the IMF was still predicting growth of 1.4 % for the Eurozone at the start of 2012, the region actually fell into a recession in the last few weeks of the reporting year. According to the IMF, the economy in the Eurozone shrank by 0.4 % in 2012.

The effects of the European debt crisis on Germany were considerable in 2012. After the domestic economy enjoyed growth of 4.2 % and 3.0 % respectively in the years 2010 and 2011, the inflation-adjusted gross domestic product (GDP) only rose by 0.7 % in 2012 according to calculations of the German Federal Statistical Office - and thereby fell short of expectations.

Despite the European debt crisis, the German economy was carried by stable domestic demand in 2012. The Consumer Sentiment Index of the German Consumer Research Association (GfK) increased slightly in the course of the reporting year and stabilised at a low level. This index is considered one of the most important indicators of behaviour among German consumers and of economic stability.

Based on estimates of the GfK, consumption will continue to play an important part for the ongoing economic development in Germany. Since it expects that the worldwide economic downturn is likely to cause a further reduction in German exports, stable consumer demand is a key prerequisite for further growth in Germany.

The German employment market proved both favourable and robust overall in the reporting year. However, economic development lost some of its forward momentum in the second half of the year. As a result of this, the unemployment rate fell only slightly from 7.1 % in the previous year to 6.8 % in the reporting year. At 2,897,000, the average number of unemployed people was 79,000 lower in 2012 than in the previous year.

The employment market continued to offer opportunities for well-trained staff. In the reporting year, just 3.4 % of all persons registered as unemployed had an academic education background (2011: 3.0 %). The MLP Group's private client target group – consisting primarily of academics and well-trained professionals – therefore benefited in particular from the stability of the employment market in 2012.

Overall, most Germans considered their job to be comparably secure in 2012. According to a survey performed by the GfK, 72 % of those in active employment in 2012 did not expect to lose their job and only 10 % considered their job to be under threat.

The stable employment situation also had a positive effect on the income of German citizens. According to figures published by the German Federal Ministry of Economics and Technology, net wages and salaries of employees increased by 2.4 % in 2012. The savings rate, on the other hand, decreased slightly to 10.3 % in the last financial year (2011: 10.4 %). The savings rate is defined as the percentage of disposable income not used for consumption, but instead saved.

The market environment in 2012 can best be described as challenging. Although the economic data for Germany was positive in the reporting year thanks to stable domestic demand, a slight reduction in unemployment and a slight increase in net income, the European debt crisis also generated a strong sense of uncertainty among German consumers. Consequently, the MLP Group continued to face significant reservations among clients in terms of signing long-term contracts, for example in the field of old-age provision.

These economic framework conditions meant that the old-age provision business segment in the MLP Group – and the market in general – remained at the previous year's rather reserved level. However, occupational pension provision made a positive contribution to the development of this segment, as it was able to further increase its share of revenue.

Revenue generated in the field of health insurance in 2012 was lower than the previous year, although it is important to note that the previous year had been characterised by a change in legislation which made it easier for those with statutory insurance to make the switch to a private policy.

Industry situation and competitive environment

The MLP Group operates in the fields of old-age provision, including occupational pension provision, as well as health insurance, wealth management, non-life insurance, financing and banking. The MLP Group generates around 86 % of its revenue in the following three core fields of business: old-age provision, health insurance and wealth management. The following describes the main factors that had a particular influence on the market environment and the results of operations in these areas in 2012.

Old-age provision

In 2012, the market for old-age provision in Germany continued to be heavily influenced by the European debt crisis and the discussion regarding the safety and stability of the euro associated with this. This led to an ongoing sense of uncertainty among many citizens, as confirmed by surveys. According to a survey performed by the Allensbach Institute, 46 % of Germans expressed concern about their old-age provision due to the euro crisis. In addition, the continuing low interest rate level led to the guaranteed interest rate for all new endowment life and pension insurance policies being reduced on January 1, 2012. Many consumers reacted with reservations throughout the industry in the reporting year – particularly in terms of signing long-term contracts with regular premiums.

Despite these reservations, most Germans are fully aware that they will need to be active in providing for their own old age. According to a survey performed by the business consultancy Accenture, two thirds (66 %) are worried about their financial situation when they retire. However, only just under half of respondents (49 %) stated that they had already signed a private pension policy. And according to the results of a survey performed by financial market research company TNS Infratest, only one in four Germans (26 %) are currently willing to make sacrifices to their present lifestyle in order to save for their old age.

In the long term, the topic of old-age provision will continue to be shaped by the demographic shift in Germany and its effects on both society at large and social security systems. The problem revolves around the fact that fewer and fewer young people in active employment will be forced to finance the pensions of older generations through their premiums. At the same time, ever increasing life expectancy will extend the average period in which pensions have to be paid. This situation will lead to a growing pension shortfall. The level of statutory pensions paid in Germany will continually decline, as underlined by current projections of the German Pension Insurance. While pensioners who paid into the state pension insurance fund for 45 years could expect to receive a pension that was more than 59 % of their average monthly net income at the end of the 1970s, this figure is likely to be just 46 % by 2025. The retirement age is also being increased to 67 in a gradual process that began in 2012.

However, the state is offering citizens various incentives in the form of tax breaks and allowances to encourage them to save for their own old age.

State subsidies/allowances in Germany are presented in the so-called 3-tier model:

1. Basic provision: Statutory pension and basic pension

2. Supplementary pension provision: Riester pension and occupational pension provision

3. Other supplementary insurance provision: Pension and life insurance, capital market products

Alongside the statutory pension, the 1st tier of basic provision also includes the basic pension or Rürup pension, whose premiums can be offset against income tax. The basic pension is also open to freelancers and self-employed people that are not obliged to pay into the statutory pension insurance fund. In 2012, tax payers were able to offset the capital invested into a basic provision policy over the course of the year against income tax up to a level of 74 % and a maximum of € 20,000 per person. Despite this considerable tax incentive, the basic pension failed to win the acceptance anticipated by the legislator among the German population in the reporting year. According to data published by the German Insurance Association (GDV), only 178,200 new basic pension contracts had been signed by the cut-off date on December 31, 2012 (2011: 211,300). This corresponds to a decline of 15.7 %.

The 2nd tier of supplementary pension provision is essentially made up of occupational pension provision and the Riester pension. Sales figures for new Riester contracts displayed a downward trend across-the-board in the reporting year. According to data published by the German Federal Ministry of Labour and Social Affairs, only around 277,000 new contracts had been signed by the end of the third quarter 2012. (Financial year 2011: 971,000). Focusing just on Riester insurance policies, provisional figures made available by the GDV state that only 610,000 new contracts were signed in the whole of 2012. This represents a 35.1 % reduction from the previous year's figure.

The reservations being displayed by consumers could also be observed in 3rd tier pension and life insurance policies. For example, the number of new endowment life insurance policies signed last year decreased by 6.6 % to 530,000 new contracts.

Due to the particular challenges associated with the European debt crisis and the ongoing low-interest phase, the industry displayed a downward trend in the old-age provision business in 2012. According to data published by the GDV, the premium sum of new business fell by 2.7 % to around € 162.99 billion.

The introduction of unisex tariffs on December 21, 2012 had an influence on developments in the sector. Since these new tariffs were launched, insurers no longer distinguish between the two sexes when calculating premiums. This also has an influence on the tariffs of old-age provision products, such as pension insurance policies. For clients needing such insurance cover, it was often advisable to sign these contracts before December 21, 2012.

In this market environment, the MLP Group brokered a premium sum of € 4.8 billion (€ 5.2 billion) in the field of old-age provision.

In the long-term perspective, occupational pension provision is becoming increasingly important. Supported by the expertise and established brand of our subsidiary TPC THE PENSION CONSULTANCY GmbH (TPC), in 2012 we were able to maintain the previous year's level of occupational pension provision at 13 % of the total brokered premium sum (2011: 13 %). Alongside the economic upturn, this stable development can primarily be attributed to the fact that occupational pension provision is being increasingly used by companies as an incentive when competing for the best talents. In addition to this, the MLP Group was able to anchor new and exclusive industry solutions in the market for its core target groups in the course of the reporting year.

Health insurance

With the Act for Sustainable and Socially Balanced Financing of Statutory Health Insurance ("Finanzierungsgesetz der gesetzlichen Krankenversicherung"), which has been in force since January 1, 2011, the legislator has made great efforts to prepare the statutory health insurance fund (GKV) more effectively for the challenges of the future by limiting its outgoings and introducing additional premiums. Yet despite this, citizens remain sceptical about the sustainability of the statutory system and, even more importantly, about the services that will actually be covered in future. In a survey performed by insurance company Continentale, 49 % of those paying into the statutory health insurance system stated that they do not expect it to provide them with sufficient cover in future, while one in five respondents stated that this is already the case today. Half of those paying into the statutory health insurance system also fear that they will soon no longer be able to benefit from medical advances, while over 25 % already sees that as the case today.

The 7th MLP Health Report 2012, which was published in January 2013, indicated that citizens are already well aware of the differences in cover between private and statutory insurance. The MLP Group drafts this representative annual survey, in which the general public and physicians are questioned, in cooperation with the Allensbach Institute. According to the MLP Health Report, over half of all people paying into the statutory health insurance system (55 %) confirmed that they have had to wait a long time to get a doctor's appointment on one or more occasion in the last 12 or 24 months. In contrast, this only affected just over a third (35 %) of private health insurance policy holders. In addition to this, 34 % of statutory insurance policy holders are worried about not receiving necessary treatment due to a lack of available funds if they fall ill (private insurance policy holders: 11 %). According to the survey, more people with private health insurance generally feel as though they are properly covered with their current policy than those paying into the statutory health insurance system.

Despite these generally positive framework conditions, the market for private health insurance saw only cautious development in 2012. Data published by the Association of Private Health Insurers showed that, compared to the end of 2011, the total number of persons with a fully comprehensive private health insurance policy had fallen slightly by 15,300 to around 8.96 million by the cut-off date of June 30, 2012. In terms of supplementary insurance policies, on the other hand, the PKV recorded a net increase of 86,300 to 22.59 million contracts in the first half of 2012. The market share of the PKV is 11.4 % as of June 30, 2012 and thereby at the same level as the first half of the previous year.

One of the causes of the stifled demand for fully comprehensive private health insurance policies observed at the start of 2012 is a change in legislation that was implemented in 2011 to make it easier for those with statutory insurance to make the switch, to a private policy. This motivated many people who had previously wanted to make the switch but had not been eligible to do so, to finally take out private health insurance. As expected, it was not possible to maintain this level in the reporting period. The challenging overall nature of the sector environment is also reflected in the MLP Group's business development in the field of health insurance.

The MLP Group also benefited from the fact that our consultants already started providing their clients with comprehensive information and advice on the introduction of unisex tariffs around the middle of the year. With the new approach, insurers no longer differentiate between the sexes when calculating their tariffs from December 21, 2012 onwards. This also affects private health insurance tariffs and therefore led to increased demand among clients who required corresponding insurance cover, particularly in the second half of the year.

Alongside consulting on fully comprehensive private health insurance policies, focus was also on information regarding supplementary health insurance policies. In this field, our clients were particularly interested in the coverage provided by supplemental dental and hospital insurance, as well as supplementary long-term care insurance.

In 2012, the topics around the need and provision for long-term care were discussed more intensively than in previous years in both the political and public arena. The introduction of "family care time" on January 1, 2012 within the scope of statutory long-term care insurance, the step-by-step increase in nursing rates and services for those suffering from dementia, as well as the recent government decision for a state-subsidised private supplemental long-term care insurance from January 1, 2013 all attracted attention.

The 7th MLP Health Report 2012 concluded that almost half of the respondents (48 %) are worried about not having adequate cover should they require long-term care. With the introduction of state-subsidised private supplemental long-term care insurance (so called “Pflege-Bahr”), the German government is expressly emphasising the need for additional, private personal provision and thereby creating good framework conditions for sales of corresponding private supplementary long-term care insurance products.

Wealth management

According to a survey performed by Deutsche WertpapierService Bank AG, fixed term deposits, time deposits and overnight deposits were the most popular forms of investment for private investors in Germany in the reporting year 2012. Indeed, 29 % of respondents are keen to use these secure forms of investment more than in the past.

The latest figures from the German Bundesbank also confirm that private investors primarily chose to put their money into low-risk forms of investment in the reporting year. The main areas of investment here were cash, time deposits and demand deposits. While time deposits with a term of up to 3 months increased by € 6.2 billion to € 521.8 billion in the period from January to October 2012, the volume of overnight deposits rose by € 67.9 billion to € 815.5 billion in the same time period. Overall, the monetary assets of private households in Germany had reached a new record of € 4,811 billion half way through the year.

Low-risk products also proved most popular among investors looking to put their money in investment funds. According to the German Association of Investment and Asset Management e.V. (BVI), fixed income funds recorded by far the highest inflows of all mutual funds as of December 31, 2012, having reached € 31.9 billion. Mutual equity funds, on the other hand, proved less popular and investors withdrew a total of € 4.6 billion from these funds. The assets of institutional investors saw positive development, which caused investments in special funds to increase from € 45.5 billion to € 75.3 billion. At the end of 2012, total assets under management by the German investment industry was € 2,037 billion.

Despite the uncertainty caused by the European debt crisis and the difficult market environment resulting from this, wealth management at the MLP Group enjoyed positive development in the reporting period. At the end of 2012 assets under management within the MLP Group were € 21.2 billion, and thereby 5.0 % higher than at the end of 2011 (€ 20.2 billion).

The dynamic development at Feri AG (Feri) played a key part in the positive development recorded in the field of wealth management. Our subsidiary benefited in particular from the shift in asset classes towards alternative investments and real assets in the course of the debt crisis. This then led to a corresponding increase in the need for financial advice.

In the reporting period, Feri recorded positive business development in all three business segments of Consultancy, Investment Management and Rating&Research. The company was able to strengthen its business with both new and existing clients.

The primary focus at Feri in the reporting period was on organic further development of the core business fields and expanding fund administration activities at the Luxembourg site. In the Consultancy business segment, a new "Active Advisory" service was introduced, which allows clients to have greater influence in wealth management.

Real estate once again proved very popular among German investors looking for fixed asset investments in 2012. As indicated by the 2012 Wealth Barometer of the Deutsche Sparkassen- und Giroverband, 55 % of Germans surveyed have a building savings contract. Some 30 % of those currently saving stated that they are keen to both own and live in their own property in future. According to the survey, one reason for this is the desire for security being felt among investors, coupled with the low interest rate.

Competition and regulation

There were no major changes to the competitive situation for the MLP Group in the German market for financial services in the financial year 2012. The sector remains very heterogeneous and is characterised by a high level of competitive pressure. Numerous banks, insurance companies and independent finance brokers are all fighting to win favour among private clients. However, the quality of advice being given differs quite markedly.

To increase transparency and consulting quality in the market, the legislator also introduced various regulatory amendments in the reporting period. As an independent consulting firm, the MLP Group generally supports these revisions – despite the fact that certain individual measures are not necessarily expedient. The amendments will permanently alter the framework conditions for the competitive situation in the sector.

The legislator already passed the Investor Protection and Functionality Improvement Act (”Anlegerschutz- und Funktionsverbesserungsgesetz”) – often referred to simply as the Investor Protection Act – in 2011. The key issues associated with this include introduction of product information sheets for financial instruments, i.e. capital investment products, on July 1, 2011 and extended professional requirements for investment consulting from May 2013 onwards. The new Report and Complaints Register at the Federal Financial Supervisory Authority (BaFin) was already introduced in November 2012 for all investment advisors. When frequent complaints are received, the Supervisory Authority now has various sanctioning options at its disposal – including temporary professional suspension in the case of serious infringements. The regulations of this legislation apply to institutes such as the MLP Group that have authority to act as a bank.

The Act Reforming the Laws on Intermediaries for Financial Investments and on Investment Products ("Finanzanlagenvermittler- und Vermögensanlagerecht") is a second important regulatory undertaking. This affects the area of the market that has largely been unregulated to date which – in contrast to the MLP Group – does not fall under the jurisdiction of the Federal Financial Supervisory Authority. Its provisions include professional requirements for the brokerage of open and closed funds by free brokers.

Within the scope of this legislation, the main factor relevant for the MLP Group is the capping of acquisition commission and an extension of the cancellation liability periods in the field of private health insurance that has been in effect since April 1, 2012. These measures will make it even more difficult for certain parts of the sector to do business. On the other hand, the effects for the MLP Group, as a client-oriented consulting firm with extremely low cancellation rates and a comprehensive policy maintenance system, are manageable from today's perspective. Trailer fees have become more important than they were in previous years.

We have already implemented many of the requirements now prescribed by the legislator in the form of rules and standards. We believe that this gives us a competitive advantage over other market members. The fact that clients understand and appreciate this was also underlined in a survey posted by the "WhoFinance.de" ratings forum in September 2012, in which clients were asked to rate the quality of financial advice in Germany. MLP once again came out on top, as it had done in January.

The MLP Group further reinforced its focus by further increasing transparency in the field of wealth management. Since February 2012, the subsidiary MLP Finanzdienstleistungen AG has been passing on all retrocessions – i.e. trail commissions from capital investment companies – in the MLP investment fund to its clients. Now our clients compensate us for our financial services with a flat-rate annual fund management fee of up to 1.2 % plus VAT. Since 2012, clients can also switch between the funds on offer in our MLP investment fund free-of-charge when following a recommendation by the MLP Group. Any such recommendations to switch funds are based on research performed by the MLP Group's subsidiary Feri. With the new compensation structure, we already comply with virtually all of the requirements currently being considered within the scope of the European Markets in Financial Instruments Directive II (MiFID II).

Independent financial consultants, which also includes the MLP Group, continued to play a key part in the brokerage of life and health insurance policies in Germany in the last financial year. According to the latest sales channel survey performed by corporate consultant Towers Watson from December 4, 2012, independent brokers were the third most important specialist consulting sector in the industry in the sale of life and pension insurance policies. According to the latest figures, the market share of brokered new business was 26.9 %. Banks suffered a decline to 27.6 %, while tied agents took first place with a market share of 30.4 %. Based on data published by Towers Watson, independent brokers enjoy the second highest market share in the field of private health insurance at 42.7 %. These developments fill the Group with confidence for the future.

Company situation

Business model

The MLP Group is the leading independent consulting firm in Germany. We advise both private and corporate clients, as well as institutional investors. The key aspect of the consulting approach is the independence from insurance companies, banks and investment firms.

MLP AG is the holding company for the MLP Group. The company's primary role is to manage the Corporate Group. It defines strategic goals and ensures coordinated and aligned corporate policy within the Group. The subsidiary MLP Finanzdienstleistungen AG is the Group's consulting company for private and corporate clients. It has authorisation from BaFin to perform banking business and is registered as an insurance broker. The second subsidiary Feri AG (including its own subsidiaries) primarily looks after wealthy private clients and institutional investors.

MLP Finanzdienstleistungen AG has the following subsidiaries:

- TPC THE PENSION CONSULTANCY GmbH
- ZSH GmbH financial services

In addition, MLP Finanzdienstleistungen AG has held a 49.8 % stake in MLP Hyp GmbH since December 2007. This company was established jointly with the property finance broker Interhyp AG as a platform for conducting brokerage business in the field of property finance.

MLP Finanzdienstleistungen AG provides academics and discerning private clients with comprehensive, independent financial advice. In this endeavour, our objective is to establish long-term relationships and focus primarily on our clients and their individual requirements. Every MLP consultant specialises in a certain academic professional group and therefore has a precise understanding of the individual questions and objectives associated with that group. In the reporting year our clients included in particular economists, physicians, dentists, pharmacists, architects, tax advisors, auditors, solicitors, engineers, IT specialists and scientists.

MLP Finanzdienstleistung AG offers companies, corporate groups and associations independent consulting and concept development services in the field of occupational pension provision and remuneration. Together with the subsidiary TPC, companies receive a full portfolio of services – ranging from needs analyses, through individual concept development and implementation, all the way up to continuous inspection and adjustment of existing company provision systems.

MLP now ranks among the leading independent consultants in this segment in Germany. One focus in the reporting period was on providing employer consulting services for physicians, architects, tax advisors, auditors, solicitors and engineers, as well as supporting companies in the field of IT and engineering.

To be able to guarantee sustainably high quality consulting services, the qualifications and further training of consultants takes top priority within the business model for MLP. The MLP Corporate University (CU), based in Wiesloch, represents the heart of our qualification and further training offers. The fact that the University and the courses it offers fulfil the highest standards has been well documented by recognised seals of approval.

To sustainably diversify the business model of the MLP Group, we have continuously extended our portfolio of services in the last few years. An important milestone was the complete acquisition of the renowned company Feri AG in 2011. Feri offers individuals with personal assets worth in excess of € 5 million and institutional clients comprehensive services in the fields of investment consulting and investment management, as well as economic forecasts and ratings. These services include management of complex portfolios of assets, taking into account all investment segments and issues, including risk management, risk control, real estate management and foundation consulting. As one of the leading European ratings agencies, Feri EuroRating AG also assesses investment markets and products. It thereby offers an important basis for providing consulting services to our clients throughout the Group.

The restructuring work at Feri AG, which was initiated in September 2011, proved its value in the reporting period. Since the restructuring was completed, Feri no longer differentiates between wealthy private clients and institutional investors. Instead, the company now distinguishes between pure consulting services and wealth management – regardless of which investor groups these services are performed for. This forward-looking approach is the most effective way for Feri to cater for altered client requirements and market conditions.

Despite the competitive environment in the German market for financial services and the high density of banks and consultants, the MLP Group was once again able to increase the number of private clients in 2012 – by an impressive 32,600 in total. Overall, we supported some 816,200 private clients as of December 31, 2012 (2011: 794,500). The number of offices we operate was 174 at this point in time.

Strategy

The MLP Group is striving to sustainably increase its company value and further expand its market position – for the benefit of clients, employees and shareholders. The key focus of the strategy is to be the uncontested number one for its clients – i.e. the first contact for all financial matters. As a leading independent financial and investment consulting firm, the MLP Group offers its clients individually tailored and holistic concepts.

Within the scope of a profitable growth strategy, the MLP Group continuously strengthens its core fields of expertise. To secure the success of the company, the business model has been broadened and diversified. The main drivers here were the expansion in the growth areas of occupational pension provision and wealth management.

In the field of occupational pension provision, the MLP Group has continually increased its share of new business, starting at 3 % in 2005 up to 13 % in the reporting period. The relative share of wealth management in total commission income was increased to 22.8 % in 2012. This represents an increase of 6 % over the previous year and around 19 % over 2005. This year will provide us with a good basis for comparison, as we started expanding our wealth management operations in 2006. Measures for further strengthening the wealth management division, which the MLP Group is driving forward together with its subsidiary Feri AG, are also of great strategic importance for 2013.

Based on current forecasts, which are predicting a rise in the number of academics in active employment to more than six million by 2020, the MLP Group anticipates a significant increase in the number of potential new clients in the consumer business over the course of the next few years. Due to demographic developments in Germany, important growth stimuli are likely to materialise in the business areas of old-age provision and health insurance. Alongside this, the MLP Group also believes that there is a need for high-quality consulting in the field of wealth management. The average age of its clients is currently 41 years. This is the age from which client demand for wealth management services typically increases within the scope of personal life planning.

The market has been characterised by consolidation over the last few years. From today's perspective, the MLP Group will not make any acquisitions in its core business at MLP Finanzdienstleistungen AG. This is based on the fact that companies with take-over potential often have different target client groups, consultant qualifications, IT infrastructures and cultural differences than MLP. For this reason, integration would be likely to be very costly and time-consuming. However, we could easily envisage making further minor acquisitions or setting up joint ventures in the market of our subsidiary Feri AG – both in the business with wealthy private clients and institutional investors.

To ensure that we can meet our company objectives, the MLP Group places great emphasis on continuous optimisation of our processes and the use of an extensive controlling system.

Due to the challenging market environment, the MLP Group is supplementing its growth strategy with a consistent efficiency management. In the last two financial years, this has allowed administration costs (defined as the sum of personnel expenses, amortisation expenses, impairments and other operating expenses) to be significantly reduced. This early adoption of an efficiency management has enabled the MLP Group to further improve its competitive position.

No strategic financing measures are currently planned. The Group's capital base and liquidity are good.

Organisation and structure

Feri AG, which is a 100 % subsidiary of MLP AG, was renamed on January 2, 2012. Up to this time, the company had been operating under the name of Feri Finance AG für Finanzplanung und Research. The main fields of business conducted by Feri AG are investment management for institutional and private clients through Feri Trust GmbH, consulting business/family office for institutional and private clients through Feri Institutional & Family Office GmbH, as well as rating & research services through Feri EuroRating Services AG. Alongside its HQ in Bad Homburg, the Feri Group also maintains further companies/offices in Dusseldorf, Munich, Luxembourg, St. Gallen, Vienna and Milan.

With the resolution from March 22, 2012, the Luxembourg-based subsidiaries Family Private Fund Management Company Sàrl, Ferrum Fund Management Company Sàrl, Ferrum Pension Management Sàrl and Private Trust Management Company Sàrl, which were previously not consolidated for reasons of materiality, were merged retroactively on January 1, 2012 into Feri Trust (Luxemburg) S.A., which itself has been fully consolidated since 2011 (operating as Institutional Trust Management Company Sàrl until March 22, 2012).

In addition to this, with the resolution from May 10, 2012, the German subsidiary MLP Media GmbH, which was previously not consolidated for reasons of materiality, was retroactively merged into the fully consolidated MLP Finanzdienstleistungen AG on January 1, 2012.

Apart from this, there were no significant changes to the corporate structure of the MLP Group in the reporting year.

In the past financial year there were no changes to the Executive Board of MLP AG. In the reporting period, the Supervisory Board at MLP AG unanimously agreed to extend both the duration of service and the current contract of the Chairman of the Executive Board, Dr. Uwe Schroeder-Wildberg, by five years to December 31, 2017.

Disclosures pursuant to §§ 176 (1) of the German Stock Corporation Act (AktG), 289 (4) of the German Commercial Code (HGB)

Composition of capital

As of December 31, 2012, the company's share capital amounts to € 107,877,738 and is divided into 107,877,738 ordinary bearer shares with a nominal value of € 1 per share.

Restrictions on voting rights or on the transfer of shares

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

Capital stakes

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

	Number of shares*	Shareholding*
Dr. h. c. Manfred Lautenschläger	25,383,373[1]	23.53 %
Angelika Lautenschläger Beteiligungen Verwaltungs GmbH	22,796,771	21.13 %
Harris Associates L.P.	10,813,991	10.02 %

* Status known to MLP AG as of December 31, 2012

1) In accordance with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG), 22,796,771 voting rights (=21.13 % of the share capital of MLP AG) held by Angelika Lautenschläger Beteiligungen Verwaltungs GmbH are attributable to Dr. h.c. Manfred Lautenschläger.

Shares with special control rights

Shares which confer special control rights have not been issued.

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

Where MLP AG has in the past issued shares to employees within the scope of its employee participation programme, these shares were transferred to the employees directly. Said employees can or could then exercise the control rights granted by the shares issued directly in line with the legal requirements and the company's Articles of Association.

Legal stipulations and provisions in the Articles of Association regarding the appointment and replacement of members of the Executive Board

The appointment and replacement of members of the Executive Board are governed by §§ 84 and 85 of the German Stock Corporation Act ("Aktiengesetz"). 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 could be a gross breach of duty, inability to manage the company properly or a vote of no confidence by the Annual General Meeting. The Supervisory Board decides on the number of board members, their appointment and the withdrawal of their appointment as well as the conclusion, alteration and termination of the employment contracts with board members. The Supervisory Board can appoint one Chairman and one or more Vice Chairmen.

Amendments to the company's Articles of Association

In accordance with § 179 (1) of the German Stock Corporation Act ("Aktiengesetz"), 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 ("Aktiengesetz"), § 17 (4) of the company's Articles of Association stipulates that resolutions on amendments to the Articles of Association by the Annual General Meeting can be passed with a simple majority of the share capital votes entitled to vote on the resolution, unless a greater majority is required according to binding legal requirements. However, the Supervisory Board is authorised, pursuant to § 21 of the company's articles of association, to make amendments to the company's Articles of Association that affect the version.

Authority of the Executive Board to issue or buy back shares

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

If the share capital is increased in exchange for cash contributions, the shareholders are to be granted a subscription right. However, the Executive Board has been authorised, with the approval of the Supervisory Board, to exclude the subscription right of the shareholders if the issue price does not fall significantly short of the stock market price of company shares with the same structure. However, this authorisation is subject to the condition that shares issued in exclusion of subscription rights as per § 186 (3) Sentence 4 of the German Stock Corporation Act ("Aktiengesetz") do not exceed 10 % of the share capital, either at the time of coming into effect or at the time it is exercised (authorised capital).

A resolution passed at the Annual General Meeting on June 10, 2011 also authorised the company, as per § 71 (1) No. 8 of the German Stock Corporation Act ("Aktiengesetz") to purchase as much as 10 % of the share capital during the authorisation period up to December 9, 2013. No shares were bought by the company on the basis of this authorisation up to December 31, 2012.

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

There are no significant agreements that take effect in the event of a change of control of the company following a takeover bid.

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

The contracts of employment between the company and the Chairman of the Board, Dr. Uwe Schroeder-Wildberg, and Executive Board members Mr. Manfred Bauer, Mr. Reinhard Loose and Mr. Muhyddin Suleiman contain a clause stating that they are entitled to terminate their contracts with a notice period of one month, in the event that a third party who had a share in MLP of less than 10 % at the time at which the contracts were concluded, purchases a share of at least 50 % of the voting rights. If any of these Executive Board members chooses to exercise this right to terminate, MLP is obliged to pay said member remuneration corresponding to four times (4x) the respective fixed annual salary if the contract has not been terminated as a result of the change in control. A prerequisite for this ruling to be valid is that the respective contract is terminated more than two years before its scheduled termination. For all members of the Executive Board, the remuneration to be paid in the event of a "change of control" corresponds to no more than twice the average remuneration, based on the total remuneration of the last full financial year prior to termination of their contract and the total anticipated remuneration for the year still in progress when their contract is terminated. The employment contract of Dr. Schroeder-Wildberg runs to December 31, 2017, the employment contract of Mr. Bauer runs to April 30, 2015, the employment contract of Mr. Reinhard Loose runs to January 31, 2014 and the employment contract of Mr. Suleiman runs to September 3, 2017. Should any of these contracts be terminated in the two years prior to their regular end date, compensation will only be due on a pro-rata-temporis basis.

Results of operations of MLP AG in the financial year

At € 11.6 million, other operating income in the financial year 2012 was only slightly below the previous year's figure (€ 11.8 million). This can essentially be attributed to the leasing of buildings to affiliated companies.

Personnel expenses fell by 31.5 % or € 2.6 million to € 5.7 million in the reporting year (€ 8.3 million) and were therefore also below the personnel expenses for 2010 of € 5.9 million. After accruing one-off expenses in the previous year, the results of our efficiency programme had a positive effect here. At € 4.3 million, depreciation expenses for fixed assets were at virtually the same level as the previous year (€ 4.4 million)

Other operating expenses at MLP AG declined from € 10.7 million to € 10.0 million in the reporting period. This decline is essentially due to the lower maintenance expenses for our buildings.

The results of operations of MLP AG is influenced to a large extent by the business development of its largest subsidiary MLP Finanzdienstleistungen AG, for which a profit and loss transfer agreement is in place, as is the case for Feri AG.

The finance cost rose by € 18.7 million, from € 56.6 million to € 75.3 million in the reporting period. This was essentially due to the positive business development at MLP Finanzdienstleistungen AG which resulted in an increased volume from the profit and loss transfer agreement.

Earnings before tax therefore also increased by 48.6 % from € 45.1 million to € 67.0 million. At € 18.0 million (€ 16.1 million), the tax expenditure was significantly higher than in the last financial year. This increase can essentially be attributed to the improvement in earnings in the reporting year. Accordingly, net profit for the financial year 2012 was € 48.7 million (€ 28.8 million).

Set against the background of a continuing difficult market environment, we are very satisfied with the way our business developed in 2012.

Investments

The commission income of MLP Finanzdienstleistungen AG, which makes up the main part of the company's sales revenue, declined slightly in the financial year 2012 and decreased from € 444.9 million to € 426.1 million. Commission income in the field of health insurance declined from € 77.8 million to € 61.9 million. This was largely due to the effect of legislation implemented in the previous year which allowed a large number of people, who had previously wanted to make the switch but had not been eligible to do so, to finally take out private health insurance (see the "Industry situation and competitive environment" chapter). At € 12.7 million, income in the field of loans and mortgages remained at the previous year's level (€ 12.8 million). The non-life insurance segment recorded a healthy increase, with commission rising by 7.7 % from € 27.1 million to € 29.2 million.

At € 280.1 million, commission income in the field of old-age provision was at virtually the same level as the previous year (€ 283.0 million). At € 39.2 million (€ 41.3 million), revenue from the field of wealth management declined slightly. The long-term future expectations of German citizens are having a major impact on both of these fields. The market-wide reservations in terms of signing long-term contracts reflect the uncertainty being felt among customers, especially with regard to the further effects of the European debt crisis and future economic developments associated with this.

The operating result of MLP Finanzdienstleistungen AG doubled in the reporting period to € 68.9 million (€ 34.3 million). This can partially be attributed to the elimination of one-off expenses from the previous year that were associated with the investment and efficiency programme implemented throughout the Group. Moreover, all the efforts that have been made to increase efficiency over the course of the last few years also had a positive impact on earnings.

The company will transfer € 68.8 million (€ 34.1 million) to MLP AG for the past financial year.

According to the figures from the IFRS consolidated financial statements of MLP, total revenue within the Feri segment was € 88.7 million (€ 46.6 million). The company will transfer € 4.7 million (€ 19.7 million) to MLP AG for the past financial year. The previous year's earnings were largely influenced by one-off items.

Financial position

The balance sheet total of MLP AG fell from € 434.7 million at the end of the financial year 2011 to € 419.0 million at the end of 2012.

On the assets side of the balance sheet, the item "Fixed assets" declined slightly from € 57.2 million to € 53.0 million. This is essentially due to depreciation charges.

Financial assets rose from € 209.4 million to € 239.4 million in the reporting year. This item in particular includes shares in affiliated companies, which were influenced in 2012 by an increase in capital stock at MLP Finanzdienstleistungen AG of € 30.0 million.

The item "Receivables and other assets" increased from € 61.9 million to € 82.7 million in the reporting period. In this connection receivables from affiliated companies increased from € 55.6 million to € 75.3 million. This item is largely made up of receivables due from MLP Finanzdienstleistungen AG and Feri AG in connection with the profit and loss transfer agreements in place between these companies and MLP AG. Other assets reached € 7.4 million at the end of the year and were therefore slightly above the level recorded in 2011 (€ 6.3 million).

The item "Cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques" decreased from € 105.9 million to € 43.3 million. This was essentially due to the dividend payment and the increase in capital stock performed at MLP Finanzdienstleistungen AG.

On the equity side of the balance sheet, shareholders' equity decreased slightly from € 416.1 million to € 400.0 million. The dividend payout of € 64.7 million and the net profit of € 48.7 million recorded in 2012 had a key influence on this.

At € 14.5 million, provisions in the reporting period remained at the previous year's level (€ 14.7 million), whereby other provisions decreased from € 5.8 million to € 3.3 million, which can essentially be attributed to a release of provisions in HR. The provisions for pensions and similar obligations increased from € 7.8 million to € 8.2 million. Tax provisions increased from € 1.0 million to € 3.0 million.

Liquidity and dividends

On the balance sheet date, MLP AG had cash holdings (cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques) of € 43.3 million (€ 105.9 million). This change can essentially be attributed to the dividend payout for the financial year 2011, which was € 0.60 per share (total volume € 64.7 million). The increase in capital stock performed at MLP Finanzdienstleistungen AG of € 30 million also served to reduce liquidity. The increase in liquidity is mainly attributable to the profit transfer of € 34.1 million from the subsidiary MLP Finanzdienstleistungen AG for the financial year 2011.

The liabilities of MLP AG increased in the last financial year from € 4.0 million to € 4.5 million. The increase in other liabilities from € 1.0 million to € 2.1 million made the greatest contribution to this. All liabilities have a remaining term of up to one year.

It is MLP's corporate policy to give its shareholders an adequate share in the success of the company. We place emphasis on continuity and stability in this regard. Dividends are paid in accordance with the Group's financial situation, the assets position and the future need for liquid funds. Not least due to the good operating result recorded, we returned to our original dividend policy of paying out 60 % to 70 % of profit in the reporting year. The Executive Board and Supervisory Board at MLP AG will therefore propose a dividend of € 0.32 per share for the financial year 2012 to the 2013 Annual General Meeting.

Comparison of the actual and forecast development of business

At the start of the financial year 2012, we submitted a forecast that the net income situation of the MLP Group would improve further. We then supplemented this annual target with a qualitative estimate regarding the development of revenue. Based on this, we are anticipating a moderate increase in revenue in the fields of old-age provision and health insurance at the start of the financial year. We anticipate stronger growth in the field of wealth management for the entire Group. At the same time, however, we highlighted the risks for further development associated with the challenging market environment.

The net income situation actually improved significantly in 2012. In terms of revenue, we even exceeded our own expectations in the field of wealth management. However, income in the fields of old-age provision and health insurance remained below the previous year. Difficult market conditions were once again the primary reason for this decrease.

Remuneration report and declaration on corporate governance pursuant to § 289a of the German Commercial Code (HGB)

Principles of Executive Board remuneration

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

Based on expert assessment, the previous system of Executive Board remuneration of the MLP Group was already largely aligned with the objectives of the new legislation in Germany's Appropriateness of Management Board Remuneration Act (VorstAG). Nonetheless, in 2010 the Supervisory Board devoted much attention to the further development of the Executive Board remuneration system at MLP and decided on a new remuneration system which has been applied since then for the appointment and repeated appointment of members of the Executive Board.

A legal right to continuation applied to the contracts of those individuals who were already members of the Executive Board prior to March 24, 2010, namely Dr. Uwe Schroeder-Wildberg and Mr. Muhyddin Suleiman. During the course of the financial year 2011, the contracts of all members of the Executive Board were converted to the new system. Since the 2009 and 2010 tranches of the Long Term Incentive Programme ("LTI") associated with the old remuneration system are in principle still open, the remuneration regulations in the form agreed prior to March 24, 2010 are briefly described in the following.

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

Based on the contracts of employment set up according to the former remuneration system, the members of the Executive Board were entitled to both a fixed (non-performance-related) and a variable (performance-linked) remuneration. The earnings before tax (EBT) of the MLP Group was used as the assessment basis for the variable remuneration in line with the respective (international) accounting standards applied in the Group.

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

In addition there were long-term remuneration components. The members of the Executive Board participated in the Long Term Incentive Programme ("LTI") from 2005 to 2010. Since the switchover to the new system of remuneration, this programme no longer exists. The members of the Executive Board who were entitled to the benefits associated with this programme prior to March 24, 2010 are Dr. Uwe Schroeder-Wildberg and Mr. Muhyddin Suleiman.

The Long Term Incentive Programme, in which selected managers in the MLP Group were also entitled to participate alongside members of the Executive Board, had been in place since 2005. It was a KPI-based company performance plan. This took into account both the multi-year EBT and the changes in share price. The programme allowed for the allocation of performance shares (phantom shares). These were allocated to the members of the Executive Board by the Supervisory Board. The payout for the 2005 tranche was made in 2008, the 2006 tranche expired in 2009, the 2007 tranche expired in 2010, the 2008 tranche expired in 2011 and the 2009 tranche expired in 2012. For the tranches approved in the financial years from 2008 to 2010, the cash payout was determined on the basis of three times (3x) the earnings before interest and tax (EBIT) achieved in the financial year preceding the year of allocation (performance hurdle). Only when this performance hurdle was reached were the beneficiaries entitled to receive a cash payout.

An equity settlement was not planned. The fair value of the phantom shares was recalculated on each closing date on the basis of an appropriate valuation method.

In its meeting on March 22, 2011, the Supervisory Board proposed revising the LTI conditions for the 2010 tranche, subject to the condition that the payments made to the members of the Executive Board under the LTI Programme shall reach a level of 0.4 % of the EBIT achieved in the MLP Group. The following amendments were made in order to reach this resolution: the growth lever was set to 3 %. In the event that the reference value exceeds the performance hurdle by 3 %, the number of performance units will increase by 3 % of the 100 % allocation volume upon reaching the hurdle. In addition to this, the payment per share was capped at 50 % above the MLP share price of the allocation. The performance hurdle for the 2010 tranche was fixed at € 150 million. If an employee or member leaves the company, the phantom shares granted expire.

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

Long Term Incentive Programme – Executive Board

All figures in number of units	Tranche 2010
Fair value at grant date	€ 7.54
Dr. Uwe Schroeder-Wildberg	66,313
Muhyddin Suleiman	39,788
Total	**106,101**

The Performance Share Units (PSU) of the 2009 tranche have expired, since the key performance hurdle for the LTI tranche was not achieved.

As indicated, participation in the LTI programme was terminated with the switchover of contracts for all members of the Executive Board to the new Executive Board remuneration system with effect for 2011.

The costs of the 2012 tranche for members of the Executive Board recorded in the 2010 income statement are € 0 thsd (previous year: € 0 thsd).

Remuneration regulations in the form agreed since March 24, 2010

The new Executive Board remuneration system, introduced due to the stipulations of Germany's Appropriateness of Management Board Remuneration Act (VorstAG) and passed on March 24, 2010, was applied from this time onwards when appointing or reappointing members to the Executive Board. This new remuneration system was used for the first time for the appointment of Mr. Manfred Bauer to the Executive Board, who has been a member on this Board since May 1, 2010. The system was also used for the service contract with Mr. Reinhard Loose, who was appointed as a further member of the Executive Board in November 2010 and took up this post on February 1, 2011. The service contracts for Dr. Uwe Schroeder-Wildberg and Mr. Muhyddin Suleiman have been amended with effect for 2011. Consequently, all existing Executive Board contracts have been switched over to the new remuneration system since 2011.

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

A proportion of 45 % of the bonus calculated in this way is to be paid as an immediate payment following presentation of the company's adopted financial statements. The remaining 55 % is only to be paid as a "deferred payment" after presentation of the financial statements for the financial year two years after the year of the immediate payment. The level of the deferred payment effectively to be paid to the member of the Executive Board is also subject to upwards or downwards adjustment, depending on the ratio of the average EBIT recorded in the base year and the three subsequent years to the EBIT in the base year.

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

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

Under the new remuneration system, the members of the Executive Board still remain entitled to unrestricted use of a company car and payments from a life and disability insurance policy.

The members of the Executive Board, Dr. Uwe Schroeder-Wildberg and Mr. Muhyddin Suleiman, continue to hold individual occupational benefit plans. An old-age pension upon reaching 62 years of age, a disability pension, a widow's pension and orphan's benefits have been guaranteed. The amount of the agreed benefit is 60 % of the last fixed monthly salary received, or is fixed separately on the basis of amendments to the service contracts. However, the members of the Group Executive Board, Mr. Manfred Bauer and Mr. Reinhard Loose, receive employer-financed, defined contribution benefits in an occupational pension scheme.

The service contracts of all members of the Group Executive Board comprise change-of-control clauses granting the right to termination for cause in the event that

- the company's share of voting rights changes in accordance with §§ 21, 22 of the German Securities Trading Act (“Wertpapierhandelsgesetz”).
- the company is reorganised in line with the provisions of the German Reorganisation of Companies Act (”Umwandlungsgesetz”, UmwG)). This does not apply if the company changes its corporate form, outsourcings in line with § 123 (3) of the German Reorganisation of Companies Act or for mergers in accordance with the provisions of the Reorganisation of Companies Act (UmwG), in which the company is the incorporating legal entity.

Since the amendment of the service contracts of Executive Board members in the financial year 2011, a member of the Executive Board resigning on the basis of the aforementioned conditions is entitled to maximum compensation of two times a year's fixed salary, on the condition that the termination takes place more than two years before the end of the contract. After that, the regulations apply on a pro-rata-temporis basis.

Individualised Executive Board remuneration for the financial year 2012

All figures in €'000	Fixed portion of remuneration	Variable portion of remuneration / (immediate payment)	Total
Dr. Uwe Schroeder-Wildberg	528	348	876
Manfred Bauer	385	278	663
Reinhard Loose	334	244	578
Muhyddin Suleiman	379	278	658
Total	**1,627**	**1,148**	**2,775**

Individualised Executive Board remuneration for the financial year 2011

All figures in €'000	Fixed portion of remuneration	Variable portion of remuneration / (immediate payment)	Total
Dr. Uwe Schroeder-Wildberg	528	119	647
Manfred Bauer	382	95	478
Reinhard Loose (since February 1, 2011)	269	83	352
Ralf Schmid (until March 31, 2011)	118	20	138
Muhyddin Suleiman	379	95	474
Total	**1,676**	**413**	**2,089**

The following amounts were recognised as expenses in connection with deferred payments in the financial year 2012: Dr. Uwe Schroeder-Wildberg € 218 thsd (€ 458 thsd), Mr. Manfred Bauer € 314 thsd (€ 367 thsd), Mr. Reinhard Loose € 251 thsd (€ 321 thsd), Mr. Muhyddin Suleiman € 231 thsd (€367 thsd). Adjustments from the previous years are included in the values.

As of December 31, 2012, pension provisions of € 8,241 thsd (€ 7,743 thsd) were in place for former members of the Executive Board.

Remuneration of the members of the Supervisory Board

In addition to compensation for their expenses for the financial year, the members of the Supervisory Board receive a fixed annual remuneration of € 40,000 in accordance with the articles of association. The Chairman of the Supervisory Board receives twice and his deputy one and a half times this amount. Additional, special remuneration is granted for work on the Audit Committee and the Personnel Committee. This comes to € 25,000 for the Audit Committee and € 15,000 for the Personnel Committee. The chairman of the respective committee receives twice the stated level of remuneration. The fixed portion of remuneration is paid after the end of the financial year. No member of the Supervisory Board receives any variable or share-based remuneration payments.

Individualised Supervisory Board remuneration

All figures in €'000 (without tax)	Remuneration 2012	Remuneration 2011
Dr. Peter Lütke-Bornefeld (Chairman)	135	135
Dr. h. c. Manfred Lautenschläger (Vice Chairman)	100	100
Dr. Claus-Michael Dill	105	105
Johannes Maret	80	80
Norbert Kohler	40	40
Maria Bähr	40	40
Total	**500**	**500**

In the financial year 2012 € 21 thsd (previous year: € 25 thsd) was paid as compensation for expenses.

Declaration on corporate governance pursuant to § 289a of the German Commercial Code (HGB)

The Executive and Supervisory Boards issued a Declaration of Corporate Governance (corporate governance report) and made it permanently available to the shareholders via its website, www.mlp-ag.com. It can also be found in the corporate governance report of this Annual Report.

Risk report 2012

Scope

Pursuant to § 91 (2) of the German Stock Corporation Act ("Aktiengesetz", AktG), MLP AG is obliged to implement suitable measures to ensure that any developments which could potentially jeopardise the company's continued existence are detected early on – in particular through establishment of a monitoring system. This also encompasses establishment of an appropriate risk management system and an internal audit.

Beside the criteria laid down by the German Stock Corporation Act (AktG), MLP AG's incorporation into the MLP Financial Holding Group means that the company must to some extent also comply with the provisions of the German Banking Act ("Gesetz über das Kreditwesen", KWG). Pursuant to § 25a (1) and (1a) of the German Banking Act (KWG), every institute or financial holding group must have a proper business organisation in place to comply with legal provision. This includes, in particular, an appropriate and effective system of risk management, on the basis of which the risk-bearing ability must be continuously secured. Alongside processes for determining and safeguarding an organisation's risk-bearing ability, risk management also involves specification of strategies and establishment of internal control/monitoring procedures. Within the scope of these internal control/monitoring procedures, both an internal control/monitoring system and an independent internal audit must be in place, whereby the internal control/monitoring system must in particular include structural and organisational regulations with clear definition of the areas of responsibility, as well as processes for identification, assessment, steering, monitoring and communication of the key risks. Within the MLP Financial Holding Group, MLP Finanzdienstleistungen AG represents the Group's supervisory controlling company as a deposit-taking bank pursuant to § 10a (3) of the German Banking Act (KWG).

Pursuant to § 10a of the German Banking Act (KWG), the supervisory scope of consolidation of the MLP Financial Holding Group consists of MLP AG, Wiesloch, MLP Finanzdienstleistungen AG, Wiesloch, Feri AG, Bad Homburg v. d. Höhe, Feri Trust GmbH, Bad Homburg v. d. Höhe, Feri Institutional & Family Office GmbH, Bad Homburg v. d. Höhe, Feri Investment Services GmbH, Bad Homburg v. d. Höhe, Feri Trust (Luxembourg) S.A., Luxembourg (since June 30, 2012), and ZSH GmbH Finanzdienstleistungen, Heidelberg.

Within the scope of risk management, Feri EuroRating Services AG, Bad Homburg v. d. Höhe is also incorporated in the supervisory scope of consolidation pursuant to § 25a (1a) of the German Banking Act (KWG).

Risk and opportunity management

Objective

Entrepreneurial activity invariably involves taking risks. For MLP Financial Holding Group, "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, a risk that is commensurate with the expected return must be targeted. The aim is to identify risks as early as possible in order to react to them quickly and appropriately. In addition to this, this framework allows business opportunities to be detected early on and followed up. Particularly in Product Management and Purchasing, business opportunities in the market are identified in a targeted process for the individual product segments. Implementation is then tested and initiated, taking into account the chances of success and the associated risks.

MLP's group-wide early risk detection and monitoring system is used as the basis for a group-wide active risk management. This system ensures appropriate identification, assessment, controlling, monitoring and communication of the major risks. Risk management is a key component of the value-driven management and planning system of the MLP Financial Holding Group. 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 of the controlling company defines the business strategy, as well as a consistent risk strategy for the MLP Financial Holding Group. The risk propensity is derived from the risk strategy, taking into account the risk-bearing ability. It also defines the framework conditions for the risk management activities performed in the MLP Financial Holding Group, and thereby also at MLP AG. The readiness to take risks is regularly checked and adjusted as necessary.

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

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

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

The Executive Board bears responsibility for the risk strategy:

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

MLP promotes a strong awareness of risks and lives a pronounced risk culture:

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

MLP pursues a strategy of comprehensive risk communication and risk reporting:

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

Risk capital management and stress tests

Risk-bearing ability

Risk capital management is an integral part of Group governance at MLP. Active control to provide sufficient financial capital on the basis of internally measured risk values 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 adequate returns, taking into account risk/earning factors. In particular this prevents risks that could threaten the continuity of the business model.

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

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.

The MLP Financial Holding Group displayed a solid risk-bearing ability throughout 2012.

Stress tests

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

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

Organisation

Group-wide risk management

MLP AG is integrated into the group-wide system of risk management in place at the MLP Financial Holding Group. In the sense of § 25a (1a) of the German Banking Act (KWG) and in conjunction with AT 4.5 of the Minimum Requirements for Risk Management

("Mindestanforderungen an das Risikomanagement", MaRisk), the Executive Board of the controlling company, MLP Finanzdienstleistungen AG, ensured appropriate control and monitoring of the significant risks at Group level through suitable processes (AT 4.5 Tz. 1). This approach encompasses in particular

- defining Group-wide strategies,
- securing the Group's risk-bearing ability,
- establishing structural and organisational regulations for the Group,
- implementing Group-wide risk management and controlling processes

and

- setting up an Internal Audit department, which will operate throughout the Group.

In order to evaluate the risks of the Financial Holding Group, MLP Finanzdienstleistungen AG, acting as a controlling company, obtains an overview of the risks in the Group on a regular and ad hoc basis. Based on the risks identified in the individual companies and their relative weighting, the "MaRisk scope of consolidation" is formed, which defines the scope of the Group-wide risk management system. In principle, all risks identified as significant within the Group by the controlling company are taken into account - regardless of whether the risks are caused by companies subject to mandatory consolidation in the sense of § 10a of the German Banking Act (KWG) or by other companies that do not fall within the scope of the Minimum Requirements for Risk Management (MaRisk). Group-wide regulations and policies for establishing Group-wide risk management at MLP are defined taking into account the type, scope, complexity and risk content, as well as the different application options provided by corporate law on an individual basis.

Functional separation

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

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

Group Risk Manager

The Group Risk Manager is responsible for the risk monitoring and control activities in the MLP Financial Holding Group. He is kept continuously informed of the risk situation in the Group and gives regular reports on this to the entire Executive Board and Supervisory Board.

Risk management and controlling processes

Risk management in the MLP Financial Holding Group and its local operating implementation in the business units is performed on the basis of the risk strategy. The units responsible for risk management reach decisions for conscious acceptance, reduction, transfer or avoidance of risks, observing the framework conditions specified centrally.

Risk controlling is responsible for the identification and assessment of risks, as well as for monitoring upper loss limits. This is accompanied by reporting the risks to the Executive Board and the business units that control the risks. Suitable early detection systems support risk monitoring, identify potential problems early on and thereby enable prompt planning of measures.

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

The methods used for the assessment of risks are in line with the current level of knowledge and are aligned with practices in the banking sector as well as recommendations of the Federal Financial Supervisory Authority. The results determined with the risk models are suitable for controlling the risks without restrictions. The measurement concepts are subject to regular checks by risk controlling, as well as internal and external audits. However, despite careful model development and regular checks, it is conceivable for circumstances to occur that lead to greater losses than forecast by the risk models.

Controlling monitors earnings trends

Controlling is responsible for continuously monitoring trends in earnings. This involves comparing revenue and earnings levels with the corresponding planned figures and thereby creating continuous transparency for the Executive Board.

The analysis time line of strategic controlling covers the next two to four years. In this connection sales and profit trends are analysed (in particular taking into account changes in economic or legal framework conditions) and transformed into target figures for the individual business segments. Corresponding simulations make potential revenue and earnings risks and decisive value drivers transparent for the Executive Board.

Internal controlling 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 "four-eyes principle", are in place to prevent any misuse or fraud. Continuous further training of employees ensures that all accounting is performed in line with current legislation.

Internal audits

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

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

Risk reporting

A substantial risk reporting scheme forms the basis for appropriate and successful corporate management. To this end, we have instituted a comprehensive internal reporting system, which ensures that the decision-makers are promptly informed of the current risk situation. Risk reports are generated at fixed intervals or, if necessary, produced ad-hoc. In addition, planning, simulation and control instruments show possible positive and negative developments to the most important value and controlling parameters of the business model and their effect on the net assets, financial position and results of operations.

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

Statement of risks

The MLP Financial Holding Group is exposed to various financial risks. These in particular include the counterparty default risk, the interest risk, the price risk and the liquidity risk. There is no substantial foreign exchange risk, country risk and no other market price risks. Alongside these risks, there are also potential hazards associated with operational and other risks.

Financial risks

Counterparty default risks

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

The counterparty default risks at MLP AG essentially result from the company's own business, as well as the 100 % stakes held in both MLP Finanzdienstleistungen AG and Feri AG. Through continuous Group-wide monitoring of earnings trends within the scope of controlling and integration of these companies into the Group-wide system of risk management, we believe that we cater appropriately to the counterparty default risks.

Market price risks

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

Market price risks at MLP AG essentially arise from internal business activities. There are currently only very minor open risk items in foreign currency.

Possible effects of different interest development scenarios are portrayed via planning and simulation calculations. The risks and their effects are made transparent based on assumptions of multilayer 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 in the reporting period, which is determined at Group level, always remained significantly below the threshold of 20 %

of equity - a threshold which, if exceeded, would give us the status of an institute with increased interest risk.

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

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

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

Liquidity risks

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

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

Operational liquidity control

The central instruments and control variables of operational liquidity control include itemisation of financial assets and refinancing sources in the company's own business as per the balance sheet date within the scope of cash management, but also the liquidity and observation ratios of the liquidity regulation. In addition to this, the volume of daily net cash inflows and outflows is observed and incorporated into the risk assessment within the scope of liquidity control.

Structural liquidity control

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

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

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

Operational risks

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

Operational risks are identified and assessed locally throughout the Group in the individual organisational units. To this end, a risk inventory is performed at least once a year, the scope of which includes analysis of the company's main risks. Within this framework, experts from all departments examine and assess the operational risk within the scope of self-assessments that are broken down into an assessment of risk potential for identification and evaluation of the main risks and into suggested measures derived from this. In addition to this, any occurring loss/damage 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.

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

Risks from internal procedures

The operational and organisational structure is comprehensively documented and laid down in our organisation guidelines. Reduction of operational risks from internal procedures along with the reduction in the frequency and level of losses is primarily achieved through continuous improvement of business processes and the expansion of the internal monitoring system. Further safeguarding measures include risk transfer through conclusion of insurance policies and consciously avoiding risky products. In order to secure the continuation of business operations, comprehensive emergency and business continuity plans are also in place for the most important areas and processes.

The system of business continuity management (BCM) encompasses targeted safeguarding of business processes that are deemed critical and could potentially threaten the continued existence of the company against unplanned operational interruptions as a result of an event occurring that could potentially be very harmful. Here, the BCM system refers to the planning of emergency scenarios that jeopardise the availability of resources for the infrastructure, IT, personnel and service providers. Suitable measures are defined for this which are intended to safeguard regular business operations within set standards. This also includes an 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 the constant monitoring and development of Business Continuity Management.

Human resources risks

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

Employees working with confidential information undertake to observe the respective regulations and handle the information responsibly. A clear separation of management and control functions restricts the risk of breaching internal and external regulations. Defined substitute and successor regulations guarantee that the necessary procedures are still securely maintained, even when employees are unexpectedly unavailable for work.

IT risks

To effectively minimise possible IT risks, the MLP Financial Holding Group pursues appropriate strategies. 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 specialists. Extensive tests performed at specialist process level and system level followed by the established final acceptance processes before going live ensure that our IT systems operate correctly. Our data processing centre is outsourced to leading service providers with various sites, back-up systems and a defined contingency plan (BCM). This secures our data against possible loss, thereby ensuring availability and consistency. We protect our IT systems against unauthorised access through access and authorisation concepts, extensive virus protection, as well as other comprehensive security measures.

Risks from external events

As business processes are focused on the brokerage and banking business, on cost optimisation and on scalability, the MLP Financial Holding Group makes use of external partners for standard services. However, all key outsourcing activities are integrated in risk management. The outsourcing activities are therefore integrated into the risk management and controlling processes. Responsibilities for outsourced processes are clearly set out at the MLP Financial Holding Group. This ensures that any potential organisational, structural or process-based risks that may occur due to outsourced business activities are closely controlled.

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

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

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

Risks arising for us from fraudulent or other criminal conduct are identified and regularly assessed within the scope of the risk analysis performed to identify potential hazards caused by criminal conduct (both internal and external). Both the risk assessment and the individual measures implemented to avoid criminal conduct are performed by the relevant section at company HQ pursuant to § 25c of the German Banking Act (KWG) and are also incorporated into the operational risk inventory process.

Legal risks

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

According to our audit, the pending or threatening legal proceedings against MLP AG do not represent risks which could endanger the continued existence of MLP AG. 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.

In addition to this, MLP AG filed a lawsuit against several former shareholders in Feri AG for negative declaratory relief in January 2012. The aim of this lawsuit is to attain judicial assessment confirming that the claims asserted by the former shareholders are not valid. It is the opinion of MLP AG that the claims made following acquisition of the outstanding shares in Feri AG in April 2011 are unfounded and have no legal basis.

Taxation risks

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

Other risks

Reputation risks

Reputation risks are defined as risks that occur due to a loss of image by the MLP Financial Holding Group, either as a whole or by a single or several operating units, among eligible parties, shareholders, clients, employees, business partners or the general public. The MLP Financial Holding Group 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.

General business risks

Overall economic risks

Changes in economic and political factors can affect the business model and the development of the MLP Financial Holding Group. 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. The knowledge bundled at Feri EuroRating Services AG offers us particular support in this regard.

Economic development in Germany – where the MLP Financial Holding Group generates a very large proportion of its revenue – was less dynamic than expected in the reporting year.

The European debt crisis had considerable effects on Germany, which were reflected in a reduction in German exports. However, stable domestic demand was able to counteract this and bolster the German economy. According to initial calculations performed by the German Federal Statistical Office, the economy in Germany grew only by 0.7 % in 2012. The employment situation on the German employment market proved favourable and stable, especially for well-trained specialists. This also had a positive influence on the net income of households, which increased compared to the previous year.

Economic experts agree that the debt crisis will continue to have a negative effect on the overall economic environment in Europe in 2013. This will also have a negative impact on economic development in Germany, although moderate growth is still being forecast.

Based on the economic framework data available, the MLP Financial Holding Group can expect little in the way of momentum from the market in the next year. Although our target group of private academic clients will continue to enjoy a comparably good overall financial situation thanks to moderate increases in net income, we do not expect any appreciable stimulus with regard to long-term saving plans – such as those necessary for old-age provision.

Business environment and sector-related risks

The financial services sector in Germany remains very heterogeneous and is characterised by a high level of competitive pressure. The battle to win clients, particularly private clients, has intensified. A large number of new or revised regulations, as well as identifiable trends in client behaviour are factors which can have a significant influence on the business of the MLP Financial Holding Group.

We believe that we are 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.

MLP AG is excellently positioned through sustainable diversification of its business activities. This enables us to compensate for temporary difficulties in specific market segments by making use of increased revenue from other business segments. However, the state and debt crisis remain a significant factor for the development of the fields of old-age provision and wealth management.

Private clients in particular remain very cautious and are therefore continuing to display reservations in making long-term investment decisions.

The very low interest rate, and the obvious challenge associated with this for life insurance providers in keeping their guaranteed interest rates at a constant level in the long term, is making potential investors even more cautious.

Corporate strategy risks

Corporate strategy risks largely consist of 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 Executive Board. Changes and developments on the national and international markets and the business environment are analysed on the basis of continual observation of the competitive environment and decisions are derived with a view to securing and building on the Group's corporate success in the long term.

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

With our focus on providing independent and holistic advice to academics and other discerning clients, we are well positioned in the market. Our mission and goal is to be the number one among our clients – i.e. their first point of contact for all questions regarding holistic financial management.

Our strong market position among students and academics guarantees continuous expansion of its client base through the acquisition of new clients. In addition to this, the long-standing and close business relationships we maintain with our clients guarantee further penetration within our existing client base.

To ensure that we can continue providing our clients with qualified, top-level advice, we place great emphasis on selecting and training our consultants. 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 the MLP Financial Holding Group.

In light of the ever challenging market environment, above all in the field of old-age provision and with regard to the rapidly changing regulatory environment, we are underpinning our strategy of profitable growth with a comprehensive efficiency management.

All key value drivers in MLP's business model are subject to continuous analysis and active management via a comprehensive system of central and local controlling. The Group strategy and the measures it involves, all of which are set out by the Executive Board, are reflected within the scope of budget and long-term planning as a way of analysing their effects on the business situation. Continuous reporting is performed to record the anticipated course of business, so that action can be taken quickly in the event of any negative deviations.

Summary

The business development of the MLP Financial Holding Group is essentially influenced by financial, operational and general business risks. We use our risk management system for the identification, assessment, control, monitoring and communication of our key risks in terms of both current and future developments.

The MLP Financial Holding Group always acted within the scope of its financial risk-bearing ability in 2012. 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 risk management system is subject to continuous further development, in particular with regard to developing the volume and complexity of our business. The effectiveness of our risk management system and its supervisory implementation are also checked cyclically by both external and internal auditors.

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

No other risks are known at MLP which could have a significant influence on the continued existence of the MLP Financial Holding Group.

Forecast

Overall future economic development

Since the MLP Group generates the majority of its revenue in Germany, German economic data provide the most important indicators for our business perspectives.

Economic experts agree that the debt crisis will continue to have a negative effect on the overall economic environment in Europe in 2013. For example, in its autumn forecast the EU Commission considers it unlikely that the economy in the Eurozone will do anything other than stagnate in 2013. This is due to the ongoing recession in the crisis states, in which growth is being suppressed by the necessary spending cuts policy. The EU Commission is therefore predicting growth of just 0.1 %. According to experts, an appreciable increase of 1.4 % cannot realistically be expected until 2014.

Leading economic research institutes are, however, predicting moderate growth for Germany. In its annual survey for 2013, the German Council of Economic Experts anticipates growth of 0.8 % in Germany, while the German government is predicting an increase in real GDP of 1.0 % in its forecast (2012: 0.8 %). The Institute of the German Economy (IW) is slightly more pessimistic about the likely development. In their autumn survey of economic activity, the economic researchers are forecasting growth of 0.75 % for 2013. However, this is dependent on the sovereign debt crisis in Europe not escalating any further. The research institutes are more optimistic about 2014. With an anticipated increase in GDP of between 1.5 % and 2.2 %, the experts are predicting that Germany will return to a course of increased growth. This should also continue into 2015. Overall, the researchers at the German Institute for Economic Research (DIW) believe that real GDP in Germany will increase by an average of 1.4 % each year from 2012 to 2017.

The Institute of the German Economy (IW) believes that weaker production and export expectations will have a negative effect on the employment situation in Germany in 2013. According to the autumn survey, only just under 20 % of German companies are predicting a higher number of employees in 2013, while 28 % are expecting a smaller workforce. The Institute for Employment Research of the German Federal Employment Agency is expecting the level of unemployment to increase slightly. In the annual average for 2013, the number of unemployed is likely to reach 2.94 million and therefore be around 40,000 higher than in the previous year.

In terms of net wages and salaries, the German government is forecasting an increase of around 2.9 % in its autumn projection. This is largely thanks to the lowering of statutory pension premiums and the bill on the reduction of the fiscal drag. According to estimates, the disposable income of households is likely to increase by around 3.0 %. Based on data published by PMSG PersonalMarkt Services GmbH, managers and executive staff can look forward to relatively high salary increases. The "Salary Development in Germany 2013" survey also suggests that base salaries of managers are set to increase by around 3.3 % and that the increase in total remuneration (salary including bonus and variable payments) will be as high as 3.9 %. The financial situation of academics, the target group of the MLP Group in the consumer business, should therefore be stable in 2013.

Due to the continuing uncertainty caused by the sovereign debt crisis, the weak economic activity in Germany and a slight downward trend in the employment market, the MLP Group expects to encounter a challenging market environment in 2013. Even if the overall financial situation of our core target group, which is focused on academics, remains good and stable due to a general shortage of skilled specialists, the ongoing crisis continues to generate a sense of uncertainty. The MLP Group therefore expects clients to remain somewhat reserved in 2013 when it comes to signing long-term contracts – such as those necessary for the field of old-age provision.

Future industry situation

Old-age provision

Private and occupational pension provision will remain an issue for residents of Germany over the course of the next few years. Most citizens are aware that the statutory pension is no longer sufficient for maintaining their standard of living after retirement. Indeed, a survey performed by the German Trade Union Confederation (DGB) in November 2012 indicated that 38 % of those in active employment now believe that they will no longer be able to live off their statutory pension after retiring. According to the DGB survey, young employees are particularly worried about financial security in their old age. In the 25-to-35 year old bracket, a 51 % majority of those currently in employment believe that their pension will no longer be adequate for retirement, and 44 % of those in the 36-to-45 year old bracket feel the same. Alongside the existing incentives, politicians are therefore working continuously on drawing up new concepts in an attempt to counteract the impending risk of old age poverty, most recently with the much discussed compulsory insurance for self-employed persons.

The "German pension provision trend", employed by the German Pension Institute (DIA) to determine the trust, expectations and willingness to invest in old-age provision in Germany on a quarterly basis, displayed a clear downward trend in the third quarter of 2012. The dwindling trust in the statutory pension system was the main factor with a negative impact on the total comprehensive income. At the same time, some 76 % of respondents are currently worried that they will have to lower their standard of living in their old age. The figure has not been this high since 2009.

Despite increased awareness of the problems, consumers continue to hold back from setting up their own old-age provisions. Alongside general reservations about signing long-running contracts due to the uncertain environment, the reasons for this also include the vast array of products and tax breaks available, as well as the frequent changes in regulatory provisions. As a result of this, high-quality consulting is becoming increasingly important in helping consumers get to grips with this complex topic - a situation that should favour the MLP Group over the course of the next few years.

In the field of private old-age provision, the basic pension as part of the first tier of old-age provision in particular offers a great deal of growth potential over the course of the next few years. Although tax incentives are already in place, data published by the German Insurance Association (GDV) indicate that only around 1.7 million of the approximately 42 million self-employed people and employees in Germany had signed a basic pension policy by the end of 2012 (2011: 1.5 million). Thus, only around 4 % of the potential market has been covered. The planned further increase in tax incentives within the scope of the Old-Age Provision Reform Act ("Altersvorsorgeverbesserungsgesetz") is also likely to provide positive stimulus here. In future, it will be possible to offset the premiums paid into a basic pension against income tax as special expenses up to a level of € 24,000 per person (previously: € 20,000). The Riester pension also still holds great potential. To date, almost 16 million citizens have signed one of these pension policies, although the latest estimates of the German Institute for Economic Research (DIW) indicate that between 37 and 42 million people are actually eligible for this state subsidy.

Occupational disability insurance remains very much in demand and the legislator is planning to include tax breaks for independent occupational disability insurance in its subsidy framework. Combined pension and additional disability insurance policies currently qualify for tax breaks, whereby at least 50 % of the premiums must be allocated to the old-age provision component. We expect the aforementioned changes to have a positive and stimulating effect on the market and with this also on the MLP Group's business.

Compared to its European neighbours, Germany still has a lot of catching up to do in the field of occupational pension provision. This is underlined in a survey published by Fidelity Worldwide Investment. While the second tier of old-age provision enjoys a share of 85 % among savers in the Netherlands, a 75 % share in Denmark and a 58 % share in Great Britain, only 49 % of respondents in Germany stated that they are currently investing in additional old-age provision coverage through their employer. However, thanks to the increased state subsidies, this low percentage is starting to increase in Germany and is likely to continue its upward trend in future.

According to a survey performed by the Allensbach Institute, around half of the working population in Germany (51 %) that is looking to increase its provision considers occupational pension provision the "ideal form of pension cover". Four years earlier – in 2008 – this figure was just 40 %. Occupational pension provision also scored highly among the various forms of old-age provision in terms of perceived risk, with 36 % of respondents rating it as a "particularly safe form of provision". However, according to the German Insurance Association, only around 14 million people have so far signed a policy of this type.

Demographic change, and the greater competition to win highly skilled staff and executives associated with this, is also likely to provide stimulus in this field. Alongside occupational pension provision, the topic of general occupational pension provision is set to become increasingly popular. This includes concepts such as occupational supplementary insurance (treatment by senior consultants, two-bed wards, allowances for glasses and dentures - see the "Health insurance" chapter), yet also demographic concepts for companies with an ageing workforce.

We believe that the market for net salary-optimised systems of this type holds massive growth potential for the MLP Group over the next few years. With its subsidiary TPC as an established brand and more than 1,200 consultants licensed specially for occupational pension provision as well as exclusive sector concepts, the MLP Group is in an excellent position to benefit from this development.

Lifelong care pension insurance is another kind of provision that is becoming increasingly important. As many clients become more aware of the need for private long-term care provision, this product will become more important.

In the short term, however, the old-age provision market in Germany will continue to be characterised by a degree of uncertainty. The ongoing European debt crisis in particular could motivate citizens to be more cautious about signing long-term contracts.

Overall, the old-age provision market will continue to make progress in terms of transparency, service and the products on offer. In the course of introducing the new unisex tariffs at the end of 2012, many insurers have revised their products and recalculated their prices. Many people will therefore require new advice on the best way to invest their money. With its consulting concepts and extremely well-trained consultants, the MLP Group is in an ideal position to meet these challenges. Apart from the introduction of the new unisex tariffs, the MLP Group does not expect to see any appreciable product innovations in the field of old-age provision in the next financial year.

Health insurance

Although the Act for Sustainable and Socially Balanced Financing of Statutory Health Insurance ("Finanzierungsgesetz der gesetzlichen Krankenversicherung"), which was introduced in 2011, is lightening the load on the statutory health insurance system and the statutory health insurance funds are recording healthy net profits based on economic activity, the ageing population and the increasing healthcare costs associated with this will make further fundamental reforms unavoidable in future. Unfortunately, however, there is doubt among many in the healthcare sector as to whether these necessary reforms will actually be implemented. For example, in the current MLP Health Report, 60 % of physicians surveyed were sceptical about the German government's ability to secure good healthcare provision for all the country's residents in the long term. A recent survey performed by the insurance company Continentale also indicated that over half of all German citizens (52 %) believe that it will no longer be possible to finance statutory health insurance in its present form 20 years from now.

Due to the reduced benefits and coverage offered by statutory health insurance policies, we remain convinced that more and more citizens paying into this system will start to look for alternatives in future – either switching over completely to private health insurance or signing private supplementary insurance policies.

To assist them in evaluating the increasingly complex health insurance products, clients will then need sound advice more than ever before. We see great potential for the next few years here, particularly with our systematic product and partner selection process.

Just like occupational pension provision, the MLP Group expects the topic of occupational health provision to become more and more important over the course of the next few years. In the course of the demographic shift, companies will increasingly face the challenge of keeping their workforce healthy and at work for as long as possible. They will also need to do more than ever before to establish themselves as an attractive employer in the "war for the best talents". A survey performed by Mercer determined that the total funds invested in occupation health services rose more sharply than salaries and inflation in many European countries in 2010. The range of measures stretches from workplace design and preventive healthcare, through sports programmes and stress management, right through to the financing of additional health insurance services such as medical checkups, overseas healthcare coverage or supplementary insurance for inpatient treatment. The MLP Group offers occupational health provision within the scope of comprehensive consulting and will continue to expand this segment in the coming year.

The debate concerning adequate long-term care provision gained further ground in 2013 through the introduction of state-subsidised private long-term care provision. We expect this to increase awareness among the population of the financial burden associated with long-term care. As underlined by the current MLP Health Report, most citizens are now fully aware that private personal provision is necessary to cover the potentially very high costs associated with long-term care and eliminate the risk of old-age poverty.

According to the MLP Health Report, almost half of all German citizens (47 %) welcome the introduction of a state-supported private supplementary long-term care insurance system. With a personal contribution of at least € 10, the state will contribute an additional € 5 per month. We expect to see a large number of new products at all levels here, combined with an increased need for sound advice on the part of clients.

The MLP Group also expects insurance companies to start following the recommendation of the German Association of Actuaries ("Deutsche Aktuarvereinigung") and lower the assumed interest rate for new contracts in the field of private health insurance from 3.50 % to 2.75 %. This will lead to adjustments of the premiums.

The key role of independent consultants in brokering private health insurance policies is confirmed once again this year by the findings of the sales channel survey performed by corporate consultant Towers Watson. With a market share of 42.7 %, independent consultants now represent the second most important group of advisors after tied agents, who represent just one single insurance company.

Aside from the revisions made to tariffs to comply with the new unisex requirements and the reduced assumed interest rate, we do not anticipate any significant changes.

Wealth management

The need for high-quality wealth management services is set to increase in the long term. In its "Global Wealth 2012" survey, the Boston Consulting Group expects global assets to increase by around 4 % to 5 % annually and exceed US$ 150 billion by 2016. For Western Europe, the survey forecasts total asset growth of around 2 % for the next few years. According to the "World Wealth Report 2012" published by Capgemini and RBC Wealth Management, the number of "High Net Worth Individuals" (HNWIs) in Germany with investable assets in excess of US$ 1 million increased by 3 % in 2011 to 951,200. Overall, we expect the market in Germany to stagnate or grow only moderately over the course of the next few years.

We expect to see major account and fund shifts in the next few years. According to a survey performed by the German Pension Institute ("Deutsches Institut für Altersvorsorge"), private households will inherit around € 2.6 billion by the year 2020 in Germany alone. Material assets represent around one tenth of inheritances, while property accounts for 47 % and 43 % takes the form of monetary assets. For many institutional investors, the investment backlog caused by the debt crisis is now starting to ease. Assets that were primarily parked due to the sense of uncertainty are therefore once again becoming available for investment. Thanks to the structure and development of its target client group, the MLP Group will be in a position to benefit from these developments.

With its holistic consulting philosophy for private and institutional clients, the MLP Group covers a broad scope and firmly believes that, even in a dynamic competitive environment, it will be able to keep existing clients loyal in the long term and also win over new clients.

With its new compensation structure in the field of wealth management, the MLP Group already meets the ever stricter requirements in terms of clarity, credibility and transparency that clients demand of an independent and high-quality financial consulting service.

The MLP Group expects wealth management to continue contributing a significant percentage of the company revenue over the course of the next few years. Based on the reduction of systematic risks, the MLP Group anticipates that the tension previously felt on the capital markets will ease further in 2013. This should then provide additional growth stimuli for this business segment.

As the average age of MLP clients is currently around 41, property purchases could represent a valid investment option over the next few years. There is great potential for the MLP Group in the field of property financing. Alongside classic financial advice and brokerage, we also believe that clients need sound advice when weighing up a general decision to purchase property, analysing the current situation and assessing the future prospects of a particular investment.

Competition and regulation

Regulation of the financial advice sector has increased significantly in the last few years. As an independent consulting firm, the MLP Group generally welcomes all improvements in investor protection, even if some of the measures implemented are not really expedient. These regulations will play a key part in terms of the future competitive situation and the ongoing consolidation process in the German financial services market. Changes were made in this regard in the financial year 2012. These are likely to have effects on the MLP Group's business operations in 2013 and subsequent years.

The legislator's general objective is clearly to provide long term protection for consumers and investors. With this in mind, the Investor Protection and Functionality Improvement Act ("Anlegerschutz- und Funktionsverbesserungsgesetz") was introduced back in 2011. The full impact of this legislation will filter through gradually over time and its effects will continue to shape the market in the coming months and years. The rulings of this legislation apply to institutes such as the MLP Group. For the year 2013, the new legislation will, for example, force investment advisors, compliance officers and sales managers to provide evidence of their professional expertise from May onwards. The MLP Group already complies with this requirement thanks to the established qualifications and further training offered at its Corporate University.

The Act Reforming the Laws on Intermediaries for Financial Investments and on Investment Products ("Finanzanlagenvermittler- und Vermögensanlagerecht") was already introduced in 2011. This legislation stipulates that commercial brokers who – unlike the MLP Group – do not possess a banking licence must also comply with an extensive system of rules and standards when providing advice on open and closed funds. These include professional requirements, but also information, consultancy and documentation duties, all of which came into force on January 1, 2013. The changes will make it harder for less quality-driven providers to do business and will also provide further stimulus for the ongoing consolidation of the market.

The topic of "fee-based consulting" has also become a focus of public discussion in the last few years. In November 2012, the German Federal Ministry of Finance published a draft bill of the "Act on Promoting and Regulating Fee-Based Advice on Financial Instruments" ("Gesetz zur Förderung und Regulierung einer Honorarberatung über Finanzinstrumente"). This legislation will ultimately establish the legal framework conditions for fee-based investment advisory services, which will be available to clients as an alternative to commission-based investment advice.

The MLP Group is generally open to fee-based consulting. In fact, the MLP Group already offers fee-based consulting in those fields in which clients have a corresponding demand - including parts of occupational pension provision, property and medical practice financing and the consulting services performed by Feri. With the new compensation structure introduced in the field of wealth management in February 2012, the MLP Group already complies with large sections of the requirements that this legislation prescribes for fee-based investment consultants. However, we remain firmly convinced that the quality of investment advice does not depend on the type of compensation, but rather on correct consultant training, the quality of the product selection and transparency for the client.

In addition to this, introduction of the Markets in Financial Instruments II (MiFiD II) and Insurance Mediation (IMD II) European directives is planned in the next few years. Initial drafts by the EU Commission are already available for both of these new directives, although they are currently still in discussion by the EU committees and have yet to be passed. They are unlikely to be implemented as national legislation before 2015.

In addition to this, the government is planning on introducing standardised product information sheets for state-supported old-age provision products such as the Riester pension within the scope of the Old-Age Provision Reform Act (AltvVerbG). Among other things, these should provide consumers with comparable cost information. The MLP Group already has a massive head start here. In the course of securing permanent improvements to our partner and product selection process, we have already started work on implementing the future transparency requirements for financial advisory services through concepts such as the introduction of risk-return profiles for old-age provision products and ratings for insurance companies and products (see also the "Business model and strategy" chapter).

With the objective of stricter bank regulation following the financial and economic crisis, the financial institutes in Europe expect that a package of reforms will be introduced gradually and revise the current regulations from 2013 onwards. Among other things, these proposals from the Basel Committee of the Bank for International Settlements (Basel III) require equity ratios to be increased until 2019. The objective here is for bank transactions to be underpinned by greater equity as a way of covering potential losses more effectively. The core equity ratio that is currently required at European level is set to be gradually increased up to January 1, 2019. As an institute with a full banking licence, these regulations also apply to MLP Finanzdienstleistungen AG and thereby to the MLP Group.

In summary, we consider the current competitive position of the MLP Group and the prerequisites for our future growth to be good. Thanks to the sustainable diversification that the MLP Group has performed, it is now in an excellent position and therefore also capable of temporarily compensating for difficult market segments through positive development in other business segments. The position of the MLP Group as an independent consulting house with a full banking licence also allows us to clearly differentiate ourselves from the market.

The MLP Group has already implemented several requirements that the legislator is now stipulating with new sets of rules and standards. However, new legal stipulations will also entail additional costs. Our successful approach to efficiency management therefore remains important in this regard.

The MLP Group also sees potential through its position as an independent financial and investment consulting firm. In the current 2012 sales channel survey published by the corporate consultancy Towers Watson, industry experts expect, for example, the market share of independent brokers to increase further in the field of old-age provision.

Anticipated business development

The MLP Group cannot expect much in the way of positive stimulus from economic development in the next three financial years. Due to the European debt crisis, research institutes are predicting only moderate growth in real gross domestic product for 2013. However, economic development in Germany is then likely to show some improvement in the years 2014 and 2015.

Alongside this moderate to weak economic development, we also face further challenges in our core markets of old-age provision, health insurance and wealth management. Consumers require a certain degree of trust and confidence in the future when making investment decisions – particularly with long-term saving processes. However, this confidence has been damaged both by the financial crisis that started in 2008 and by the current discussions concerning national debt levels. The situation has also been compounded by a continuously high level of volatility on the capital markets, which is contributing to a feeling of even greater uncertainty among investors. Market conditions therefore remain challenging in the immediate future, particularly in the field of old-age provision – despite the high level of demand.

Due to the aforementioned market environment, the MLP Group expects revenue in the old-age provision segment to stagnate or even decline slightly in the financial years 2013 and 2014, although this should then be followed by a slight increase in 2015 compared to the previous year. In the field of health insurance, we expect to repeat the revenue level recorded in 2012 in 2013. In the years 2014 to 2015, we currently expect to record a moderate increase in revenue in the field of health insurance – not least due to the growing potential in the field of long-term care provision. We are optimistic about business in the field of wealth management. Based on business already commissioned to Feri in Luxembourg, which was for the most part only recorded as income starting in the second quarter of the financial year 2012, in addition to the potential of Feri AG and of MLP Finanzdienstleistungen AG we expect sales revenue to rise in the financial year 2013 and the two years thereafter. However, a degree of uncertainty remains in all fields of consulting due to the challenging market environment.

The MLP Group has significantly reduced its administration costs in the last few years. The baseline achieved by the end of the financial year 2012 provides excellent foundations for us to sustainably generate sufficient earning power, even in difficult market conditions. Over the course of the next few years, we will carry on our continuous efficiency management to ensure that administration costs remain under control. However, the MLP Group will still allow increased expenditure – in particular to make important investments in its future or to relieve expenses in subsequent financial years through non-recurring start-up costs. Around € 8 million in temporary expenses will be accrued in the financial year 2013, some of which will offer permanent relief in the subsequent years.

Overall, the MLP Group expects to record EBIT in the range of € 65 million to € 78 million in the financial years 2013 to 2015. This corridor is a reflection of the uncertainties that remain in place in view of the still difficult market conditions faced by MLP Finanzdienstleistungen AG in particular in the consumer business. Due to the increased one-off expenses, we expect to be at the lower end of this range in the financial year 2013.

At the level of the individual financial statements, there are currently no significant special effects anticipated at either Feri AG or MLP Finanzdienstleistungen AG.

As per the resolution of the Supervisory Board, the "Forum 7" property held by MLP AG in Heidelberg is to be sold in 2013.

The risks outlined in the risk report, and such risks which are not yet known to us or are currently considered insignificant, could have a negative impact on our present forecasts.

Events subsequent to the reporting date

There were no appreciable events after the balance sheet date affecting the company's financial or asset situation.

Wiesloch, February 25, 2013

Executive Board

Dr. Uwe Schroeder-Wildberg   Reinhard Loose

Manfred Bauer   Muhyddin Suleiman

Corporate Governance Report - Declaration on Corporate Governance

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

Compliance with the Corporate Governance Code

Text of the Declaration of Compliance

"Pursuant to § 161 of the German Stock Corporation Act ("Aktiengesetz", AktG), the Executive Board and Supervisory Board of MLP AG hereby declare that the company has complied with the recommendations of the "German Corporate Governance Code" government commission (version dated May 15, 2012) since the last Declaration of Compliance was issued. Only the recommendations specified in Section 4.1.5, Section 4.2.3 (4) and (5), Section 5.1.2 Sentences 2 and 7, Section 5.4.1 Sentence 2 and Section 5.4.1 (2) and (3) were not followed.

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

Section 4.1.5 (compliance with diversity at management level)

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

Throughout the current financial year, the Executive Board has strengthened its efforts to secure diversity when filling management positions and in particular aim for an appropriate consideration of women at the management levels within the company. The Executive Board at MLP AG has already implemented measures in the past with the objective of making it easier for staff to combine their career with a family. It will test the effectiveness of these measures in the financial year 2013 and either make any changes deemed necessary or implement additional measures to ensure that women are given appropriate consideration at the management levels, taking into account the company's specific situation.

The analysis of the current situation in terms of diversity among executive staff, commissioned in 2012 by the Executive Board, contains detailed work assignments and also includes ongoing reporting to the Executive Board. Since this package of measures has not yet been finalised or implemented throughout the Group, it currently does not comply in full with every aspect of the requirements as per Section 4.1.5 of the Code. As was also the case in the financial year 2012, MLP has taken the prudent approach of declaring not to follow this recommendation in the financial year 2013.

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

As per the recommendations of the German Corporate Governance Code, attention must be paid when concluding Executive Board member contracts to ensure that any payments to members of the Executive Board do not exceed the value of two years' remuneration including fringe benefits (severance payment cap) of these Executive Board members, should their position be terminated prematurely without serious cause. If the employment contract is terminated for an important reason, for which the member of the Executive Board in question is responsible, no payments are made to said member of the Executive Board. Calculation of the severance payment cap should be based on the total remuneration of the previous financial year and, if available and appropriate, also the total anticipated remuneration of the current financial year. In the event of premature termination of Executive Board membership due to a change of control, any commitment for payments should not exceed 150 % of the severance payment cap.

MLP switched over all service contracts with the members of the Executive Board to a new remuneration system in the course of the financial year 2011. Having completed this switchover, MLP now complies with the aforementioned recommendations.

There is no entitlement to severance payment in the case of termination of contract by mutual agreement. For contractual reasons, provisions regulating severance payment arrangements concerning the termination of contracts by mutual agreement can in any case only be seen as a guideline. And the parties involved are free to deviate from these provisions at any time with mutual consent. For this reason, any provisions of this nature would be no more than a formality.

As was also the case in 2012, MLP has therefore once again elected not to comply with this recommendation in 2013.

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

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

The Supervisory Board at MLP AG aims at increasing its efforts of respecting diversity, and, in particular, ensuring appropriate consideration of women for future appointments of Executive Board members. The Supervisory Board gives specific consideration to applications from suitable women in its selection procedures. It will continue to address this topic in the financial year 2013, making any changes to the existing selection processes deemed necessary or introducing further measures to ensure that appropriate consideration is given to women, including on the company's Executive Board. This is in keeping with the Group-wide overall concept, still to be finalised by the Executive Board, for implementation of the recommendation given in Section 4.1.5 of the Code (taking into account diversity when filling managerial positions), while also taking into account the company's specific situation. Irrespective of this, the Supervisory Board at MLP AG intends to continue basing its selection decisions primarily on personal and professional qualifications.

The Supervisory Board is of the opinion that the implementation progress made to date is not yet sufficient to fulfil the requirements of Section 5.1.2 Sentence 2 of the Code in full. As was also the case in the financial year 2012, MLP has taken the prudent approach of declaring not to follow this recommendation in the financial year 2013.

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

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

MLP did not follow this recommendation in 2012. No age limit is set for members of the Executive Board at MLP. The appointment of members of the Executive Board should be based solely on their knowledge, skills and specialist experience. As was the case in 2012, MLP has therefore also opted not to follow this recommendation in 2013.

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

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

MLP did not follow this recommendation in 2012. No age limit is set for members of the Supervisory Board at MLP. In light of the knowledge, skills and specialist experience stipulated in section 5.4.1 Sentence 1 of the Code, it makes little sense to specify an age limit. As was the case in 2012, MLP has therefore also opted not to follow this recommendation in 2013.

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

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board is to stipulate concrete objectives regarding its composition. As well as giving consideration to the company's specific situation, these objectives also take into account the company's international operations, any potential conflicts of interest, the number of independent members of the Supervisory Board in the sense of Section 5.4.2, an age limit to be specified for members of the Supervisory Board and diversity. These concrete objectives should, in particular, stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the respective selection committees should also take these objectives into account. The objectives and present status of implementation are to be published in the corporate governance report.

MLP did not follow this recommendation in 2012. In its meetings during the financial years 2010 and 2012, the Supervisory Board at MLP AG addressed the topic of setting concrete targets for the composition of the Supervisory Board, paying particular attention to diversity. The Nomination Committee for the Supervisory Board has set itself the target of filling at least 25 % of Supervisory Board member positions on the shareholder side with suitable female members, assuming equivalent professional and personal suitability of the candidates is available. However, largely due to the low number of members that sit on the Supervisory Board as per the company's Articles of Association, the Supervisory Board does not currently consider it prudent to specify a concrete timetable for implementation of this objective. Therefore, it is currently also not possible to report on any concrete measures for the achievement of objectives in the corporate governance report.

As was the case in the financial year 2012, MLP therefore chose not to follow this recommendation in the financial year 2013."

In December 2012, the Executive and Supervisory Boards issued the above Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders via the company's website. The text of the Declaration of Compliance dated December 13, 2012 can also be viewed online at www.mlp-ag.com.

You can also find more information on the topic of corporate governance at MLP on the aforementioned homepage.

Corporate governance

Responsible and value-adding management

By mainly complying with the stipulations of the German Corporate Governance Code in the version of May 15, 2012, MLP continues to reinforce the confidence of its shareholders, clients, employees and other stakeholders in the management of the company. Responsible management geared toward long-term added value is a high priority for us. The Executive and Supervisory Boards ensure that MLP continues to review and develop corporate governance across the Group.

Management and controlling structure

Executive Board

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

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

The members of the Executive Board are Dr. Uwe Schroeder-Wildberg (Chairman), Mr. Manfred Bauer, Mr. Reinhard Loose and Mr. Muhyddin Suleiman.

Supervisory Board

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

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

Supervisory Board composition

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

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board is to stipulate concrete objectives regarding its composition, which, whilst considering the company's specific situation, take into account the company's international operations, any potential conflicts of interest, the number of independent members of the Supervisory Board, an age limit to be specified for members of the Supervisory Board and diversity.

The Supervisory Board has set itself concrete targets for its composition. One item worthy of particular note here is a requirements profile for Supervisory Board candidates, which was passed in the financial year 2012 and which summarises the knowledge, skills, professional experience and personal aptitude characteristics necessary for candidates to be considered. In addition to this, determinations regarding the number of independent members and taking diversity into account were also made.

The Supervisory Board considers itself as already consisting of a suitable number of independent members who have no business or personal relationship with the company or members of the Executive Board which could form grounds for a conflict of interest. The Supervisory Board has set itself the goal of having at least three shareholder representatives as members of the Supervisory Board who are "independent" in the sense of § 100 (5) of the German Stock Corporation Act (AktG). This goal has already been achieved. The Supervisory Board has also set itself the additional goal of filling at least 25 % of Supervisory Board member positions on the shareholder side with suitable female members, in the presence of candidates of equal professional and personal suitability. However, largely due to the low number of members that sit on the Supervisory Board as per the company's Articles of Association, the Supervisory Board does not currently consider it prudent to specify a concrete timetable for implementation of this objective. The Supervisory Board also examined the knowledge and experience required of the Supervisory Board members and of the Chairman of the Audit Committee under the German Corporate Governance Code with regard to reporting and internal control procedures. The Chairman of the MLP AG Audit Committee fully complies with these requirements.

Efficiency of the Supervisory Board

In the absence of the Executive Board, the Supervisory Board also reviewed the efficiency of its own activities in 2012. Particular attention was paid to the efficiency of the procedures in the Supervisory Board, the information flow between the committees and the Supervisory Board and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board. Further measures aimed at increasing efficiency were drafted in the course of intensive discussions.

Supervisory Board committees

The Supervisory Board of MLP AG has set up committees in order to improve the effectiveness of its work. The Personnel Committee prepares the resolutions on HR issues concerning Executive Board members with the company. The Audit Committee is responsible for auditing the accounting processes, risk management issues and the auditing system itself, as well as ensuring the independence of the auditors, awarding the audit contract to the auditors, determining the focal points of the audits and agreements on fees. The Committee also discusses the annual financial statements, the consolidated financial statements and the management reports of MLP AG and the MLP Group and submits a recommendation for resolution to the Supervisory Board. The Supervisory Board has also formed a Nomination Committee, composed exclusively of shareholder representatives, that proposes suitable Supervisory Board candidates for recommendation to the Annual General Meeting and addresses the requirements that these candidates must meet. Dr. Peter Lütke-Bornefeld, Dr. h.c. Manfred Lautenschläger, Dr. Claus-Michael Dill and Mr. Hans Maret are members of the three aforementioned committees.

Corporate governance in the Supervisory Board

In 2012, the Executive and Supervisory Boards of MLP AG again dealt intensively with the German Corporate Governance Code and further new legislation significant to the work performed by the Supervisory Board and its committees. The amendments to the Code passed on May 15, 2012 were the object of intensive discussions by the Supervisory Board. The changes were analysed and corresponding adjustments to the internal regulations and procedures followed by the Supervisory Board were either suggested or submitted for verification.

Cooperation between Executive Board and Supervisory Board

Intensive dialogue between the Executive and Supervisory Boards forms the basis of transparent and responsible company management. The Executive Board of MLP AG provides the Supervisory Board with regular, timely and comprehensive information on the Group’s position, including information on its risk situation, risk management and compliance. The Supervisory Board is informed of particularly important or urgent projects outside of the regular meetings. Furthermore, the Chairman of the Supervisory Board meets with the Executive Board on a regular basis to discuss specific issues. The Chairman of the Supervisory Board informs the other members of the Supervisory Board in detail about the content of his meetings with the Executive Board. The Supervisory Board discussed the Group's corporate planning and plans for strategic growth with the Executive Board.

Significant legal transactions by the Executive Board require the consent of the Supervisory Board. A set of rules of procedures issued by the Supervisory Board in particular governs the distribution of business, powers of approval and co-operation with the Executive Board. Further details on the cooperation between Executive Board and Supervisory Board can be found in the report by the Supervisory Board.

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

Transparency

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

As of December 31, 2012, the shares held by the members of the company's Executive and Supervisory Boards were distributed as follows:

Supervisory Board member	**Number of shares as of Dec. 31, 2011**	**Number of shares as of Dec. 31, 2012**
Dr. Peter Lütke-Bornefeld	50,000	75,000
Dr. h.c. Manfred Lautenschläger[1]	25,205,534	25,383,373
Johannes Maret	100,000	100,000
Dr. Claus-Michael Dill	-	-
Maria Bähr	11,503	11,503
Norbert Kohler	94	94

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

Executive Board member	**Number of shares as of Dec. 31, 2011**	**Number of shares as of Dec. 31, 2012**
Dr. Uwe Schroeder-Wildberg	-	-
Manfred Bauer	11,254	11,254
Muhyddin Suleiman	-	-
Reinhard Loose	5,000	5,000

Directors' Dealings

Directors' Dealings

Pursuant to § 15a of the German Securities Trading Act ("Wertpapierhandelsgesetz", WpHG), persons discharging managerial responsibilities at an issuer of shares must notify the issuer and the Federal Financial Supervisory Authority (BaFin). This duty also applies to persons with a close relationship to such a person.

Pursuant to § 15a of the German Securities Trading Act (WpHG) two transactions were reported to us in the financial year 2012. These can be viewed on our website www.mlp-ag.com.

Compliance

Compliance guidelines

Acting responsibly in compliance with all relevant laws and codes of conducts for the capital market is an integral part of our corporate culture and forms the basis for the trust that clients, shareholders and business partners show in us. In accordance with the stipulations of the German Corporate Governance Code, the Executive Board at MLP ensures Group-wide compliance with legal provisions and internal company guidelines, while also guaranteeing both a trusting and transparent system of corporate governance.

The basic principles of abidance to laws, integrity and economically successful business practices are firmly anchored in our internal compliance guidelines. Our compliance activities are based on a Group-wide compliance strategy, which is specifically designed with preventive measures to avoid risks that could arise from non-compliance with applicable legislation, internal standards and processes. The primary focus here is on compliance with the applicable legal provisions and internal company guidelines, as well as preventing and combating illegal practices, such as insider trading, money laundering, financing terrorist activities, fraud or any other criminal conduct. In the interests of our clients, shareholders, employees and MLP itself, the Compliance department supports and advises the Executive Board in establishing uniform standards for all Group companies. The Compliance department controls the continuous further development of our internal codes of conducts and monitors implementation of the internal and external requirements.

On the basis of a Group-wide risk analysis, the Compliance department identifies, analyses and evaluates the compliance risks relevant to MLP's business operations and drafts the Compliance Strategy. Taking into account an amendment to the German Banking Act (“Kreditwesengesetz”, KWG), focus was placed on identifying and evaluating potential risks associated with "other criminal activity, which could lead to economic loss for MLP" within the scope of the risk analysis performed in the financial year 2012. Any potential risks detected are regularly assessed. The measures implemented to minimise these risks are then monitored continuously together with their effectiveness in our day-to-day business. The results of the risk analysis are incorporated into the annual inventory of operational risks within the MLP Group.

Regular training sessions, during which all employees of the MLP Group familiarise themselves with the relevant regulations as a way of preventing any accidental infractions while also providing support in applying our corporate guidelines, represent an important element of our risk prevention measures. These in particular include web-based training sessions on compliance and avoiding money laundering, financing terrorist activities and criminal conduct. The Compliance department also acts as a point of contact for employees who wish to report suspicious activities relating to criminal offences or infringements against the respective regulations. Any violations determined are investigated immediately, comprehensively clarified and then used to eliminate any weaknesses identified. The Executive Board and Supervisory Board are regularly informed of all relevant actions and measures taken by the Compliance department.

An extensive system of compliance rules and standards in the MLP Group explains the legal regulations on insider law both to members of the Executive Bodies and employees, and describes the internal guidelines for performing investment business. The compliance guidelines also ensure that sensitive information is handled responsibly at MLP and provide our employees with the legal framework for accepting invitations and gifts. To prevent any impairment of client interests, we have defined policies regarding the avoidance and monitoring of conflicts of interest and the acceptance and granting of benefits. These policies are regularly reviewed and adapted to changing requirements.

Corporate management practices

Defined company values

MLP redefined its core values a few years ago, a process in which a large number of employees and consultants were involved. "Performance" and "Trust" were identified as values which the corporate mission relies and builds on. Information on this can be found in the "Our promise" chapter of the Annual Report. In a third step, the following management principles were then derived from this for MLP.

MLP managers:

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

As a contribution to the discussion on the quality of financial advice in Germany, MLP presented a Consulting Code in the form of guidelines for client consulting in 2009. This code summarises MLP's consulting and client support standards, many of which have already been in use at the company for several years. The aim is to increase transparency for clients, interested parties and the general public. All guidelines are based on MLP's company values, which shape the relationship between employees and consultants, as well as all stakeholders. The guidelines can be found in the chapter "Guidelines on consulting and supporting private clients" of the Annual Report and are also published on our company website at www.mlp-ag.com.

As per the recommendation in Section 4.1.5. of the Corporate Governance Code, the Executive Board has further intensified its efforts to secure diversity when filling management positions. It will also test the effectiveness of the adopted measures in the financial year 2013 and either make any changes deemed necessary or implement additional measures to ensure that women are given appropriate consideration at the management levels of the company, taking into account the company's specific situation.

An explanation of the business and risk strategy as well as the risk management system can be found in the chapter "Risk and disclosure report" of the Annual Report.

Information

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

Information of all target groups

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

Accounting and audit

Group accounting is performed in line with International Financial Reporting Standards (IFRS). KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as auditor by the Annual General Meeting. This company audited the 2012 Group financial statements and reviewed both the condensed financial statements and the interim management report in 2012 (pursuant to §§ 37w (5), 37y No. 2 of the German Securities Trading Act (Wertpapierhandelsgesetz", WpHG)). The Supervisory Board gave its assurance that the relations existing between the auditors and MLP or its governing bodies give no cause for doubting the independence of the auditor. MLP AG's Supervisory Board not only discusses the annual and Group financial statements, but also examines the semi-annual and quarterly financial reports together with the Executive Board prior to their publication.

Financial statements

Profit & loss account for 2012

All figures in €'000

		Notes	2012	2011
1.	Other operating income	[1]	11,581	11,764
2.	Personnel expenses			
	a) Salaries and wages	[2]	-4,617	-6,952
	b) Social security contributions and expenses for old-age provisions and benefits of which for pensions: € 959 thsd (previous year: € 1,206 thsd)	[2]	-1,057	-1,333
3.	Depreciation/amortisation	[3]		
	Amortisation of intangible assets and tangible fixed assets		-4,326	-4,371
4.	Other operating expenses	[4]	-9,953	-10,682
5.	**Earnings before interest and tax**		**-8,372**	**-11,574**
6.	Income from investments of which from affiliated companies: € 0 thsd (previous year: € 2,268 thsd)	[5]	-	2,268
7.	Income from profit and loss transfer agreements	[5]	73,530	53,848
8.	Income from other investments and loans of financial assets	[5]	-	103
9.	Other interest and similar income of which from affiliated companies: € 94 thsd (previous year: € 222 thsd)	[5]	2,735	2,752
10.	Amortisation of financial assets and securities held as current assets	[5]	-	-151
11.	Interest and similar expenses of which to affiliated companies: € 13 thsd (previous year: € 18 thsd)	[5]	-943	-2,190
12.	**Finance cost**		**75,322**	**56,630**
13.	**Earnings before tax**		**66,950**	**45,056**
14.	Extraordinary expenses	[6]	-231	-231
15.	**Extraordinary result**		**-231**	**-231**
16.	Income tax expense	[7]	-17,888	-15,936
17.	Other taxes		-139	-134
18.	**Net profit**		**48,691**	**28,755**
19.	Profit brought forward			
	a) Unappropriated profit in the previous year		64,727	32,363
	b) Dividend payout		-64,727	-32,363
20.	Additions / Withdrawals from other retained earnings		-	35,972
21.	**Unappropriated profit**		**48,691**	**64,727**

Balance sheet as of December 31, 2012

Assets

All figures in €'000

		Notes	2012	2011
A.	FIXED ASSETS			
I.	**Intangible assets**	[8]		
	Purchased concessions, industrial property rights and similar rights and assets, incl. licences on such rights and assets		-	0
II.	**Fixed assets**	[8]		
1.	Land, leasehold rights and buildings including buildings on third-party land		48,552	51,675
2.	Other fixtures, fittings and office equipment		4,442	5,484
			52,994	**57,158**
III.	**Financial assets**	[9]		
1.	Shares in affiliated companies		229,437	199,437
2.	Long-term securities		10,003	10,003
			239,440	**209,440**
			292,434	**266,598**
B.	CURRENT ASSETS			
I.	**Receivables and other assets**			
1.	Receivables from affiliated companies	[10]	75,310	55,599
2.	Other assets	[11]	7,378	6,319
			82,688	**61,919**
II.	**Cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques**	[12]	**43,316**	**105,891**
			126,004	**167,810**
C.	PREPAID EXPENSES		**109**	**222**
D.	EXCESS OF PLAN ASSETS OVER PENSION LIABILITIES	[13]	**418**	**77**
			418,964	**434,707**

Liabilities and shareholders' equity

All figures in €'000

		Notes	2012	2011
A.	**SHAREHOLDERS' EQUITY**			
I.	**Share capital**	[14]		
	Ordinary shares		**107,878**	**107,878**
II.	**Capital reserves**	[15]	**134,525**	**134,525**
III.	**Retained earnings**	[17]		
1.	Statutory reserve		3,097	3,097
2.	Other retained earnings		105,824	105,824
			108,921	**108,921**
IV.	**Unappropriated profit**	[18]	**48,691**	**64,727**
			400,015	**416,051**
B.	PROVISIONS	[19]		
1.	Provisions for pensions and similar obligations		8,241	7,775
2.	Tax reserves		2,990	1,035
3.	Other provisions		3,254	5,849
			14,486	**14,659**
C.	LIABILITIES	[20]		
1.	Trade accounts payable		306	954
2.	Liabilities due to affiliated companies		2,040	2,030
3.	Other liabilities of which € 655 thsd from taxes (previous year: € 235 thsd)		2.118	1,013
			4,463	**3,997**
			418,964	**434,707**

Notes to the financial statements of 2012

General information

General information on the company

The registered office of MLP AG is located at Alte Heerstraße 40, 69168 Wiesloch, Germany. It is entered in the Mannheim Commercial Register under the number HRB 332697. The company's primary role is to manage the Corporate Group, which is active in the areas of consulting and brokerage of all kinds of financial and similar services. The financial year is the calendar year.

Accounting policies, estimates and assumptions

In preparing the annual financial statements, it is necessary to make estimates and assumptions which may affect the carrying amounts of the assets, liabilities and financial liabilities as of the balance sheet date as well as income and expenses for the year under review.

The present financial statements have been prepared in line with §§ 242 et seq., 264 et seq. of the German Commercial Code (HGB) and the applicable regulations of the German Stock Corporation Act. The company is a large stock corporation pursuant to § 267 (3) of the German Commercial Code (HGB).

The accounting policies used in the financial statements as of December 31, 2012 remained unchanged from the previous year.

The balance sheet is prepared in accordance with the system of classification set forth in § 266 of the German Commercial Code (HGB).

The profit & loss account is prepared in accordance with the nature of expense method outlined under § 275 (2) of the German Commercial Code (HGB), supplemented by § 277 (3) of the German Commercial Code (HGB) for income from profit and loss transfer agreements.

Pursuant to § 256a of the German Commercial Code (HGB), assets and liabilities held in foreign currency are converted at the average spot exchange rate on the balance sheet date.

A consolidated tax group for both corporate and trade tax purposes is in place between MLP AG (as the dominant enterprise) on the one side and MLP Finanzdienstleistungen AG, TPC THE PENSION CONSULTANCY GmbH, ZSH GmbH Finanzdienstleistungen, Feri AG, Feri Trust GmbH, Feri EuroRating Services AG, Feri Institutional & Family Office GmbH and Feri Investment Services GmbH on the other. Tax expenses, insofar as they fall upon the consolidated tax group in the time period, are therefore only determined and disclosed at the level of the dominant enterprise. Taxes that fall in time periods prior to the existence of the consolidated tax group are disclosed at the level of the respective company. No tax allocations are made.

The values entered in the tables are generally given in thousands of euros (€'000). Any deviation from this style is noted directly in the relevant tables. Both single and cumulative figures are values with the smallest rounding difference. As a result, differences to reported total amounts may arise when adding up the individual values.

Disclosure of the accounting policies for individual balance sheet items

In preparing the financial statements, the following accounting policies were essentially applied:

Intangible assets and tangible fixed assets are stated at historical cost less amortisation charges or at low fair value.

In addition to incidental acquisition costs, acquisition costs include the portion of sales tax incurred on additions and invoiced but not eligible for input tax deduction.

In line with the anticipated or average useful lives, assets are written down on a straight-line basis over the following periods:

Intangible assets	
Purchased concessions, industrial property rights and similar rights and assets, incl. licences on such rights and assets	5 years
Fixed assets	
Land, leasehold rights and buildings including buildings on third-party land	
Administration buildings	25 – 33 years
Land improvements	15 – 25 years
Other fixtures, fittings and office equipment	
Furniture and fittings	10 – 25 years
IT hardware, IT cabling	3 – 13 years
Office equipment, office machines	8, 10 – 13 years

Write-downs of additions to fixed assets are performed on a pro rata temporis basis.

Low-value assets up to an individual net value of € 150 are recognised as expenses in the full amount in the year they were acquired. Independently usable movable fixed assets with acquisition costs of between € 150 and € 1,000 net are depreciated evenly over 5 years at 20 % per year regardless of impairments, divestments or withdrawals of assets.

Shares in affiliated companies are valued at their cost of acquisition or, in the case of an anticipated permanent impairment, the lower fair value.

The long-term securities are measured using the diluted lower-of-cost-or-market principle pursuant to § 253 (3) of the German Commercial Code (HGB).

Receivables and other assets are stated at face value or at the present value. Risk-carrying items are impaired where required.

The cash on hand and bank deposits are stated at face value.

Pursuant to § 246 (2) Sentence 2 of the German Commercial Code (HGB), the excess of plan assets over pension liabilities results from the netting of pension obligations with assets that serve exclusively to fulfil pension obligations and that are exempt from attachment by all other creditors. Assets of this nature represent plan assets in the sense of § 246 (2) Sentence 2 of the German Commercial Code (HGB). The assets represent reinsurance receivables for pension obligations. Pursuant to § 253 (1) Sentence 4, plan assets are measured at fair value. The fair value of a reinsurance receivable is made up of the actuarial reserves of the insurance contract plus any surplus arising from premium refunds (so-called irrevocably allocated surplus-sharing). The change in fair value is recorded using the gross method.

Since the Accounting Law Reform Act (BilMoG) has been in effect, provisions for pensions and similar obligations pursuant to § 253 (1) Sentence 2 of the German Commercial Code (HGB) are calculated on the basis of the settlement value required using prudent business judgement. Exercising the option pursuant to Article 67 (1) Sentence 1 of the Introductory Law to the German Commercial Code (EGHGB), the allocated value resulting from this change in provision accounting principles is distributed evenly over the maximum period of 15 years. One fifteenth (1/15) of the total is therefore disclosed as extraordinary expenses in the financial year 2012 in accordance with Article 67 (7) of the Introductory Law to the German Commercial Code (EGHGB).

The necessary settlement value for pension obligations is calculated based on biometric probabilities (Heubeck 2005 G mortality charts). Anticipated future rises in remuneration and pension payments are taken into account for the measurement of the provision. For former employees with vested pension rights or, upon commencement of pension payments, the present value of future pension benefits is applied. With active members of the pension scheme, the entry age normal method is used. This is a projected unit credit method. The going-concern value results from the difference between the present value of future pension benefits at the end of the financial year and the present value of the constant annual premiums for the respective pension recipients prior to termination of the employment relationship. Applying § 253 (2) Sentence 2 of the German Commercial Code (HGB), the average market interest rate over the last seven financial years, as published by the German Bundesbank, for an assumed term remaining to maturity of 15 years is used as the assumed interest rate.

Reinsurance policies have been concluded to cover a portion of the defined benefit plans. These reinsurance policies represent plan assets in the sense of § 246 (2) Sentence 2 of the German Commercial Code (HGB) and are netted against the corresponding pension provisions. Insofar as the respective plan assets exceed the pension provision in question, the surplus of assets is disclosed under the balance sheet item "Excess of plan assets over pension liabilities". Expenses and income from the interest expenses/discounting of pension obligations to be disclosed in the finance cost and from the plan assets to be offset pursuant to § 246 (2) Sentence 2 of the German Commercial Code (HGB) are recorded in the income statement accordingly.

Tax reserves and other provisions take into account all uncertain liabilities and impending losses from pending transactions. The provisions are carried at the amount that is deemed appropriate according to prudent business judgement. Depending on their time remaining to maturity, other provisions are discounted using the average market interest rate over the last seven financial years, as published by the German Bundesbank.

Since the financial year 2010 onward, deferred taxes have been calculated using the balance sheet approach (temporary concept). This requires examination of the differences in book values between the commercial carrying amounts of assets, liabilities and accrued and deferred items and their tax carrying amounts to determine temporary and quasi-permanent differences.

The combined taxation rate of 28.98 % (previous year: 29.25 %) was applied for the measurement of deferred taxes. Deferred tax liabilities from the excess of plan assets over pension liabilities and from pension provisions are more than compensated by deferred tax assets on reinsured assets. Further deferred tax assets result from the different levels of amortisation of land, leasehold rights and buildings, as well as differences in the way receivables are measured. Exercising the option as provided by § 274 (1) Sentence 2 of the German Commercial Code (HGB), the surplus in deferred tax assets arising after netting is not recognised in the balance sheet.

Notes to the profit & loss account

[1] Other operating income

All figures in €'000

	2012	2011
Rent and incidentals	9,085	9,522
Income from the reversal of provisions	1,500	428
Group allocations	766	794
Gains from the disposal of securities	-	894
Other	229	125
	11,581	**11,764**

Rent and incidentals essentially comprise income from the rental of the administration building to MLP Finanzdienstleistungen AG in Wiesloch. Group allocations comprise costs passed on to MLP Finanzdienstleistungen AG, Wiesloch.

[2] Personnel expenses

All figures in €'000

	2012	2011
Salaries and wages	4,617	6,952
Social security contributions	98	127
Expenses for old-age provision	959	1,206
	5,674	**8,285**

Alongside the fixed and variable portion of employee remuneration, the item of Salaries and wages also includes expenses for the termination of employment relationships. The average number of full-time employees for the financial year 2012, determined according to § 267 (5) of the German Commercial Code (HGB), was 8 employees (previous year: 12 employees).

[3] Depreciation/amortisation

All figures in €'000

	2012	2011
Intangible assets	0	1
Tangible assets	4,326	4,370
	4,326	**4,371**

The development of intangible assets and fixed assets is presented in Note 8.

[4] Other operating expenses

All figures in €'000

	2012	2011
Administration operations	1,571	1,438
Consultancy	1,384	856
Group allocations	1,271	1,220
Maintenance	829	1,393
Third party services	776	667
Supervisory Board remuneration	613	617
Insurance	600	598
IT operations	427	400
Other personnel costs	407	412
Other	2,075	3,081
	9,953	**10,682**

The item "Administration operations" comprises expenses for operating the administration buildings, as well as telephone and office costs. Consulting expenses include general consulting costs, as well as legal and tax advising costs. Group allocations comprise costs for services performed by MLP Finanzdienstleistungen AG, Wiesloch within the scope of outsourcing operating functions. External services are essentially made up of expenses for security services performed at the administration building.

[5] Finance cost

The income from investments disclosed in the previous year concerns the final dividend distribution of Feri AG for the financial year 2010.

As per the profit and loss transfer agreement concluded in 2011 between MLP AG and Feri AG, profit of € 4,726 thsd (previous year: € 19,713 thsd) is to be transferred by Feri AG. As per the profit and loss transfer agreement in place between MLP AG and MLP Finanzdienstleistungen AG, profit of € 68,804 thsd (previous year: € 34,135 thsd) is to be transferred by MLP Finanzdienstleistungen AG.

Other interest and similar income essentially comprises interest income from fixed-term deposits, income from interest accrued on corporation tax credit, as well as income of € 168 thsd from the discounting of provisions (previous year: € 189 thsd). At € 711 thsd, the previous year's figure also comprises income from the reversal of the provision for interest rate swaps. The amounts included from affiliated companies essentially come from the return on clearing accounts.

Interest and similar expenses essentially comprise € 787 thsd (previous year: € 727 thsd) in interest charges from the allocation to provisions for pension obligations, as well as € 98 thsd (previous year: € 0 thsd) in interest accrued from other provisions.

[6] Extraordinary expenses

Extraordinary expenses of € 231 thsd due to the revaluation of pension obligations (previous year: € 231 thsd) result from the application of Article 66 and Article 67 (1) to (5) of the Introductory Law to the German Commercial Code (EGHGB) (transitional provisions to the Accounting Law Reform Act (BilMoG)).

[7] Income tax expense

For the current financial year, € 9,061 thsd are attributable to corporation tax expenses (previous year: € 4,381 thsd) and € 7,964 thsd are attributable to trade tax expenses (previous year: € 4,241 thsd). The change in tax rate is a result of factors within the scope of the fiscal unity in the MLP Group.

Notes to the balance sheet

[8] Intangible assets and fixed assets

Procurement and manufacturing costs

All figures in €'000

	Jan. 1, 2012	Additions	Disposals	Dec. 31, 2012
I. Intangible assets				
Purchased concessions, industrial property rights and similar rights and assets, incl. licences on such rights and assets	27	-	-	27
	27	**-**	**-**	**27**
II. Fixed assets				
1. Land, leasehold rights and buildings including buildings on third-party land	89,637	108	-	89,744
2. Other fixtures, fittings and office equipment	20,436	57	47	20,446
	110,073	**165**	**47**	**110,190**
	110,100	**165**	**47**	**110,217**

Accumulated depreciation/amortisation

All figures in €'000

	Jan. 1, 2012	Additions	Disposals	Dec. 31, 2012
I. Intangible assets				
Purchased concessions, industrial property rights and similar rights and assets, incl. licences on such rights and assets	27	0	-	27
	27	**0**	**-**	**27**
II. Fixed assets				
1. Land, leasehold rights and buildings including buildings on third-party land	37,962	3,231	-	41,192
2. Other fixtures, fittings and office equipment	14,953	1,095	44	16,004
	52,915	**4,326**	**44**	**57,196**
	52,941	**4,326**	**44**	**57,223**

Carrying amounts

All figures in €'000

	Dec. 31, 2012	Dec. 31, 2011
I. Intangible assets		
Purchased concessions, industrial property rights and similar rights and assets, incl. licences on such rights and assets	-	0
	-	**0**
II. Fixed assets		
1. Land, leasehold rights and buildings including buildings on third-party land	48,552	51,675
2. Other fixtures, fittings and office equipment	4,442	5,484
	52,994	**57,158**
	52,994	**57,159**

[9] Financial assets

Procurement and manufacturing costs

All figures in €'000

	Jan. 1, 2012	Additions	Disposals	Dec. 31, 2012
III. Financial assets				
1. Shares in affiliated companies	200,420	30,000	-	230,420
2. Long-term securities	10,003	-	-	10,003
	210,423	**30,000**	**-**	**240,423**

Accumulated depreciation/amortisation

All figures in €'000

	Jan. 1, 2012	Additions	Disposals	Dec. 31, 2012
III. Financial assets				
1. Shares in affiliated companies	984	-	-	984
2. Long-term securities	-	-	-	-
	984	**-**	**-**	**984**

Carrying amounts

All figures in €'000

	Dec. 31, 2012	Dec. 31, 2011
III. Financial assets		
1. Shares in affiliated companies	229,437	199,437
2. Long-term securities	10,003	10,003
	239,440	**209,440**

The € 30,000 thsd increase in shares in affiliated companies is a result of the increase in capital stock at MLP Finanzdienstleistungen AG that was financed by MLP AG in the reporting year.

The subsidiary of MLP Finanzdienstleistungen AG, MLP Private Finance plc., London, Great Britain, was liquidated in the first quarter 2012.

The item "Long-term securities" contains a variable interest-bearing debenture of a domestic financial institution with an original term of two years and a value of € 10,003 thsd (previous year: € 10,003 thsd). The fair value is € 10,007 thsd (previous year: € 9,998 thsd). The debenture matures on December 30, 2013.

[10] Receivables from affiliated companies

This item is largely made up of receivables from MLP Finanzdienstleistungen AG and Feri AG in connection with the profit and loss transfer agreements in place between these companies and MLP AG.

[11] Other assets

Other assets of € 2,495 thsd have more than one year to maturity (previous year: € 1,581 thsd). This item includes income tax receivables/refund claims of € 7,302 thsd (previous year: € 5,952 thsd), which comprise corporation tax credits of € 3,125 thsd (previous year: € 2,210 thsd) that had to be capitalised at the present value of € 5,020 thsd in 2006 due to legal requirements. The change is attributable to the repayment of the credit balance, which is spread evenly over 10 years and was started in 2008. In addition to this, the present value disclosed was revised in the financial year through a correction to the discount rate. The remaining balance is discounted annually using a no-risk interest rate suitable to the deadline.

[12] Cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques

All figures in €'000

	Dec. 31, 2012	Dec. 31, 2011
Cash on hand, current account credit balance	13,316	891
Fixed-term deposits	30,000	105,000
	43,316	**105,891**

The fixed-term deposits are invested at a domestic bank.

[13] Excess of plan assets over pension liabilities

The netting of pension provisions with pledged plan assets per eligible recipient led to an excess of plan assets over pension liabilities of € 418 thsd (previous year: € 77 thsd). As a result of this netting, there are no surplus liabilities in the form of pension provisions (previous year: € 213 thsd).

Notes on offsetting transactions pursuant to § 246 (2) Sentence 2 of the German Commercial Code (HGB):

All figures in €'000	Dec. 31, 2012	Dec. 31, 2011
Settlement amount of offset liabilities	5,665	5,003
Acquisition costs, historical costs of assets	6,083	4,832
Fair value of assets	6,083	4,866
Offset expenses	1,494	1,462
Offset income	1,217	1,217

The offset expenses contain expenses from the accrued interest on pension obligations, as well as premiums for reinsurance policies. The offset income contains income from the change in plan assets, as well as benefit payments received from reinsurance policies.

[14] Share capital

The share capital of MLP AG is made up of 107,877,738 (December 31, 2011: 107,877,738) ordinary shares of MLP AG.

Authorised capital

Based on a resolution passed at the Annual General Meeting on May 20, 2010, and with the Supervisory Board's consent, the Executive Board is authorised to increase the company's share capital by up to € 22,000,000 in total by issuing new ordinary bearer shares in exchange for cash or non-cash contributions on one or more occasions until May 19, 2015.

[15] Capital reserves

All figures in €'000

	2012	**2011**
As of January 1	134,525	134,525
Allocation	-	-
As of December 31	**134,525**	**134,525**

[16] Treasury stock

The Annual General Meeting on June 10, 2011 authorised the Executive Board to buy back own shares on one or more occasions with a pro rata amount of capital stock represented by such shares of up to € 10,787,773 until December 9, 2013.The acquisition can also be made using equity derivatives. The authorisation issued by the Annual General Meeting on May 20, 2010 to acquire own shares was removed at the same time. So far no use has yet been made of this authorisation.

[17] Retained earnings

Other retained earnings

Other retained earnings have changed as follows:

All figures in €'000

	2012	2011
As of January 1	105,824	141,796
Transfer / withdrawal treasury stock	-	-
Withdrawal for dividend payout	-	-35,972
Transfer from net profit	-	-
As of December 31	**105,824**	**105,824**

[18] Unappropriated profit

The unappropriated profit developed as follows due to the dividend distribution and the net profit in 2012:

All figures in €'000

	2012	2011
Unappropriated profit as of January 1	64,727	32,363
Dividend payout	-64,727	-32,363
Withdrawal from retained earnings	-	35,972
Transfer to retained earnings	-	-
Net profit	48,691	28,755
Unappropriated profit as of December 31	**48,691**	**64,727**

Profit distribution restriction

The acquisition costs of the offset assets in the sense of § 246 (2) Sentence 2 correspond to the fair value. The assets represent pledged reinsurance policies. Internally generated intangible assets and deferred tax assets are not capitalised, so there are no potential profits restricted for distribution.

[19] Provisions

The provisions for pensions and similar obligations are € 8,241 thsd (previous year: € 7,775 thsd). Anticipated future rises in remuneration and pension payments are taken into account for the measurement of pension provisions at a level of 1.8 % (previous year: 2.0 % or 1.8 %). The rate applied for discounting the pension obligations as of December 31, 2012 is 5.05 % (previous year: 5.14 %). Existing plan assets in the form of reinsurance policies are offset against the affected pension obligations pursuant to § 246 (2) Sentence 2 of the German Commercial Code (HGB).

The pension provisions not disclosed due to exercising the option pursuant to Article 67 (1) Sentence 1 of the Introductory Law to the German Commercial Code (EGHGB) are € 2,773 thsd as of December 31, 2012 (previous year: € 3,004 thsd).

In the last financial year, the company recognised tax provisions totalling € 2,990 thsd (previous year: € 1,035 thsd). of which € 1,820 thsd (previous year: € 490 thsd) is attributable to corporation tax and € 1,170 thsd (previous year: € 545 thsd) to trade tax.

Other provisions essentially comprise provisions for HR, including variable remuneration and holiday entitlements, of € 2,374 thsd (previous year: € 3,467 thsd), as well as provisions for outstanding invoices of € 404 thsd (previous year: € 1,710 thsd).

[20] Liabilities

Composition of liabilities as of December 31, 2012

All figures in €'000

Liability type	Total amount	With a remaining term of...			Of which are collat-eralised liabilities	Type of collat-eral
		up to 1 year	1 to 5 years	more than 5 years		
Trade accounts payable	**306**	306	-	-	0	-
Liabilities due to affiliated companies	**2,040**	2,040	-	-	0	-
Other liabilities	**2,118**	2,118	-	-	0	-
	4,463	**4,463**	**-**	**-**	**0**	**-**

Composition of liabilities as of December 31, 2011

All figures in €'000

Liability type	Total amount	With a remaining term of...			Of which are collat-eralised liabilities	Type of collat-eral
		up to 1 year	1 to 5 years	more than 5 years		
Trade accounts payable	**954**	954	-	-	0	-
Liabilities due to affiliated companies	**2,030**	2,030	-	-	0	-
Other liabilities	**1,013**	1,013	-	-	0	-
	3,997	**3,997**	**-**	**-**	**0**	**-**

Customary retentions of title are in place for trade accounts payable. Receivables from and liabilities due to affiliated companies are summed for each company and stated in a single figure as receivables or liabilities. Liabilities are held against MLP Consult GmbH in Wiesloch. The item "Other liabilities" essentially comprises liabilities from bonus payments for members of the Executive Board and VAT liabilities.

Miscellaneous information

[21] Profit and loss transfer agreements

On April 18, 2007 and in accordance with § 291 of the German Stock Corporation Act (AktG), a profit and loss transfer agreement was concluded between MLP AG and MLP Finanzdienstleistungen AG. The consent of the Annual General Meetings of MLP AG and MLP Finanzdienstleistungen was given on May 31, 2007 and May 2, 2007 respectively. The entry in the commercial register relevant for MLP Finanzdienstleistungen AG took place on June 13, 2007.

On April 19, 2011 a profit and loss transfer agreement in line with § 291 of the German Stock Corporation Act (AktG) was concluded between MLP AG and Feri AG. The consent of the Annual General Meetings of MLP AG and Feri AG was granted on June 10, 2011 and on June 8, 2011 respectively. The entry in the commercial register responsible for Feri AG took place on July 18, 2011.

On April 16, 2012 a control agreement in line with § 293 of the German Stock Corporation Act (AktG) was concluded between MLP AG and Feri AG. The consent of the Annual General Meetings of MLP AG and Feri AG was granted on June 26, 2012 and on May 16, 2012 respectively. The entry in the commercial register responsible for Feri AG took place on July 30, 2012.

[22] Outsourcing of operational functions

Due to cost considerations, MLP AG outsourced certain operational functions to MLP Finanzdienstleistungen AG. This outsourcing affects services in the fields of financial accounting, accounting, legal affairs, taxes, human resources, purchasing and building administration.

[23] Off-balance-sheet transactions

MLP AG has signed operating leasing agreements for vehicles. The average term of these lease agreements is four years. The following obligations result from these agreements:

All figures in €'000

	2013	2014	> 2014	Total
Vehicle leasing	47	31	4	**82**

[24] Other financial liabilities not recognised in the balance sheet

On the balance sheet date, other financial commitments were as follows:

All figures in €'000

	2013	2014	> 2014	Total
Purchase commitment	390	0	0	**390**
Other rents	1	0	0	**1**
	391	**0**	**0**	**391**

There were no other financial liabilities than those disclosed above.

[25] Guarantees and other commitments

As was the case in the previous year, as of the balance sheet date, MLP AG and MLP Finanzdienstleistungen AG remained jointly and severally liable for the € 20,000 thsd line of credit granted to both companies by several financial institutions. As of December 31, 2012, this line of credit had not yet been drawn on.

Within the scope of § 2a (6) of the German Banking Act (KWG), MLP AG has issued a guarantee to MLP Finanzdienstleistungen AG that it will promptly provide MLP Finanzdienstleistungen AG with equity in the sense of § 10 (2) Sentence 1 of the German Banking Act (KWG) up to the level required for MLP Finanzdienstleistungen AG at an individual institute level. Based on the current capital adequacy and the current risk situation at MLP Finanzdiensleistungen AG, MLP does not expect this financial guarantee to be exercised.

There is a declaration of indemnification in accordance with §5 (10) of the statute of the depositor's guarantee fund of the Association of German Banks e.V. (BdB) in favour of MLP Finanzdienstleistungen AG. MLP AG does not currently anticipate any utilisation.

MLP AG is jointly and severally liable for the obligations arising from the purchase contract agreed between MLP Private Finance Limited and Towry Law. Under the current conditions, the maximum risk amounts to GBP 1 million. MLP AG does not currently anticipate any utilisation as a result of this.

On April 15, 2011, MLP paid the provisional basic purchase price stipulated in the purchase contract plus interest in full to acquire the outstanding shares in Feri AG. This purchase price payment was deemed provisional at the time, as the contracting parties had not yet reached a final agreement with regard to the level of a variable purchase price component. MLP has no cause to assume that there are any further obligations over and above the cash price payment already made. In the absence of an agreement with the sellers, the company called upon the contractually stipulated arbitrator, Deloitte GmbH, on October 7, 2011. The arbitrator's report provided by Deloitte GmbH on October 2, 2012 confirmed MLP's assertion that the contractually prescribed prerequisites for an additional purchase price have not been met. Irrespective of this, several of the sellers asserted € 51,472 thsd in claims due to breach of duty against MLP and demanded payment of this amount. MLP reacted to these claims on January 20, 2012 with submission of a negative declaratory relief at the Frankfurt Regional Court. The decision of the Frankfurt Regional Court is still pending. It is the opinion of MLP that the claims being asserted have no legal foundation.

On the balance sheet date, actions are pending for potentially considerable damages due to incorrect disclosures in the capital market information published by the company. This predominantly concerns the years 2000 to 2002. However, MLP firmly believes that the actions will not be successful.

MLP AG is not liable in any situation other than those outlined above.

[26] Executive bodies of MLP AG

Executive Board	Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
Dr. Uwe Schroeder-Wildberg, Heidelberg **Chairman** responsible for Internal Audit, Communication/Investor Relations, Marketing, HR, Legal, Strategy	• Feri AG, Bad Homburg v.d.H. (Chairman)	-
Reinhard Loose, Heidelberg responsible for Controlling, IT and Purchasing, Accounting, Risk Management	• Feri AG, Bad Homburg v.d.H (until August 10, 2012)	-
Manfred Bauer, Leimen responsible for Product Management	-	• MLP Hyp GmbH, Schwetzingen (Supervisory Board)
Muhyddin Suleiman, Rauenberg responsible for Sales	-	-

Supervisory Board	Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
Dr. Peter Lütke-Bornefeld, Everswinkel Chairman (formerly chairman of the Executive Board at Gen Re, Cologne)	• VPV Lebensversicherungs- AG, Stuttgart • General Reinsurance AG, Cologne (until March 8, 2012) • Delvag Rückversicherungs-AG, Cologne • Deutsche Insurance Asset Management DB Capital & Assetmanagement Kapitalanlagegesellschaft mbH, Cologne • VHV Vereinigte Hannoversche Versicherung a. G., Hanover (since July 4, 2012) • MLP Finanzdienstleistungen AG, Wiesloch (Chairman)	-
Dr. h. c. Manfred Lautenschläger, Gaiberg Vice Chairman (formerly Chairman of the Executive Board at MLP AG, Wiesloch)	-	• University Hospital Heidelberg, Heidelberg (Supervisory Board)
Dr. Claus-Michael Dill, Berlin (formerly Chairman of the Executive Board at AXA Konzern AG, Cologne)	• General Reinsurance AG, Cologne (Chairman) • Damp Holding AG, Hamburg/Ostseebad Damp (until March 31, 2012) • HUK-COBURG AG, Coburg • HUK-COBURG a.G., Coburg	• Polygon AB, Stockholm, Sweden (Non-executive Member of the Board)
Johannes Maret, Burgbrohl (Investment Committee Member The Triton Fund, Jersey, GB)	-	• Gebrüder Rhodius KG, Burgbrohl (Chairman of the Advisory Board) • The Triton Fund, Jersey, GB (Investment Committee Member) • Basler Fashion Holding GmbH, Goldbach (Chairman of the Advisory Board) • BC Extrusion Holding GmbH, Bad Oeynhausen (Chairman of the Advisory Board)
Maria Bähr, Sandhausen, employees' representative, employee at MLP Finanzdienstleistungen AG, Wiesloch	-	-
Norbert Kohler, Hockenheim, employees' representative, employee at MLP Finanzdienstleistungen AG, Wiesloch	-	-

[27] Emoluments paid to members of the Supervisory Board and Executive Board

Please refer to the remuneration report for the detailed structuring of the remuneration system and the remuneration of the Executive Board and Supervisory Board. The remuneration report is part of the management report.

Executive Board

The total remuneration for members of the Executive Board was € 3,789 thsd (previous year: € 3,601 thsd). € 1,627 thsd (previous year: € 1,676 thsd) thereof represents the fixed portion of remuneration and € 2,162 thsd is the variable portion of remuneration (previous year: € 1,925 thsd). In the financial year, expenses of € 290 thsd (previous year: € 278 thsd) were accrued for occupational pension provision.

As of December 31, 2012, pension provisions of € 8,241 thsd (previous year: € 7,743 thsd) and an excess of plan assets over pension liabilities of € 275 thsd (previous year: € 9 thsd) were in place for former members of the Executive Board. The provision for former members of the Executive Board, which is not yet recognised due to exercising of the option pursuant to Article 67 (1) Sentence 1 of the Introductory Law to the German Commercial Code (EGHGB), is € 2,400 thsd (previous year: € 2,600 thsd).

Within the scope of the Long Term Incentive Programme, the members of the Executive Board received performance shares (phantom shares) in the years 2005 to 2010. The performance shares of the 2009 tranche expired in 2012. Participation in the Long Term Incentive programme was terminated with the switchover of contracts for all members of the Executive Board to the new Executive Board remuneration system with effect for 2011. Please refer to the following table, which remains unchanged from the previous year, for the number and values of the phantom shares, insofar as these have not been paid out or have expired:

All figures in number of units

	Tranche 2010
Fair value at grant date	€ 7.54
Dr. Uwe Schroeder-Wildberg	66,313
Reinhard Loose	-
Manfred Bauer	-
Muhyddin Suleiman	39,788
Total	**106,101**

The costs included in the profit and loss account arising from the Long Term Incentive Programme for Executive Board members during the financial year 2012 are € 0 thsd (previous year: € 0 thsd).

Supervisory Board

The members of the Supervisory Board received non-performance-related remuneration of € 500 thsd for their activities in 2012 (previous year: € 500 thsd). In addition, € 21 thsd (previous year: € 25 thsd) was paid as compensation for expenses and training measures.

[28] Shareholders on the balance sheet date

All figures in €'000

	Ordinary shares		Percentage of share capital	
	2012	2011	2012	2011
	Number of shares	Number of shares	%	%
Dr. h. c. Manfred Lautenschläger	25,383,373	25,205,534	23.53	23.36
Other members of the Supervisory Board	186,597	161,597	0.17	0.15
Executive Board	16,254	16,254	0.02	0.02
Other shareholders	82,291,514	82,494,353	76.28	76.47
Total	**107,877,738**	**107,877,738**	**100.00**	**100.00**

[29] Auditor's fees

Expenses for fees in connection with the services of companies commissioned to perform the annual audit can be found in the corresponding disclosures in the notes to the consolidated financial statements.

[30] Declaration of compliance with the German Corporate Governance Code

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

[31] Disclosures pursuant to §§ 21 (1), 22 German Securities Trading Act (WpHG)

Mr. Manfred Lautenschläger, Germany, informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that his share of the voting rights in MLP AG, Wiesloch, Germany fell below the threshold of 25 % on August 22, 2008, and amounted to 23.38 % on that day (25,205,534 voting rights). This share comprises 20.98 % of the voting rights (22,618,932 voting rights) of Angelika Lautenschläger Beteiligungen Verwaltungs GmbH attributable to him in line with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).

Angelika Lautenschläger Beteiligungen Verwaltungs GmbH, Gaiberg, Germany, informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 15 % and 20 % on April 21, 2008 and amounted to 23.08 % (22,618,932 voting rights) on that day.

M.L. Stiftung gGmbH, Gaiberg, Germany informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the threshold of 3 % on December 7, 2007, and amounted to 4.14 % (4,500,000 voting rights) on that day. This share comprises 4.14 % (4,500,000 voting rights) of Manfred Lautenschläger Stiftung gGmbH attributable to it in line with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).

Mrs. Angelika Lautenschläger, Germany, informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that her share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on December 7, 2007, and amounted to 5.97 % (6,500,000 voting rights) on that day. This share comprises 4.14 % (4,500,000 voting rights) of M.L. Stiftung gGmbH attributable to her in line with §§ 22 (1) Sentence 1 No. 1, and 22 (1) Sentence 2 of the German Securities Trading Act (WpHG). 4.14 % (4,500,000 voting rights) of the shares held by Manfred Lautenschläger Stiftung gGmbH are attributable to M.L. Stiftung gGmbH in line with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).

Barmenia Krankenversicherung a. G., Wuppertal, Germany informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that on December 21, 2009 its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % and amounted on that date to 6.67 % (corresponding to 7,197,664 voting rights). 0.27 % of the shares (corresponding to 290,000 voting rights) are attributable to Barmenia Krankenversicherung a. G. in line with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).

Swiss Life Beteiligungs GmbH, Hanover, Germany informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany fell below the thresholds of 15 % and 10 % on December 21, 2009 and now amounts to 9.90 % (corresponding to 10,679,892 voting rights).

Swiss Life Holding AG, Zurich, Switzerland informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany fell below the thresholds of 15 % and 10 % on December 21, 2009 and now amounts to 9.90 % (corresponding to 10,679,892 voting rights). The voting rights are attributable to Swiss Life Beteiligungs GmbH in line with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).

Berenberg Bank, Joh. Berenberg Gossler & Co. KG, Hamburg, Germany informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany fell below the threshold of 5 % on November 18, 2009 and now amounts to 4.84 % (corresponding to 5,223,957 voting rights).

AXA S.A., Paris, France, informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany, fell below the threshold of 5 % on August 22, 2008 and amounted to 4.72 % (5,090,989 voting rights) on that day. 4.18 % of the voting rights (4,503,693 voting rights) is attributable to it in line with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG) and a further 0.54 % (587,296 voting rights) is attributable to it in line with § 22 (1) Sentence 1 No. 6 in connection with Sentence 2 of the German Securities Trading Act (WpHG).

AXA S.A., Paris, France, also informed us that the attributable voting rights are controlled by the following Group structure: AXA S.A., Paris, France, is the parent company and controls Vinci B.V., Utrecht, Netherlands; this controls AXA Konzern AG, Cologne, Germany; this in turn controls AXA Lebensversicherung AG, Cologne, Germany.

Allianz SE, Munich, Germany, informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany, exceeded the thresholds of 3 % and 5 % on August 22, 2008 and amounted to 6.27 % (corresponding to 6,761,893 voting rights) on that day. The voting rights were attributable to it in line with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).

The voting rights attributable to it were held by the following companies it controls, whose respective share of the voting rights in MLP AG amounted to 3 % or more: Allianz Deutschland AG, Jota Vermögensverwaltungsgesellschaft mbH, Allianz Lebensversicherung AG.

At the same time, Allianz SE informed us of the following in line with §§ 21 (1) in connection with § 24 of the German Securities Trading Act (WpHG): The share of the voting rights held by Allianz Deutschland AG, Munich, Germany, in MLP AG, Wiesloch, Germany, exceeded the thresholds of 3 % and 5 % on August 22, 2008 and amounted to 6.27 % (corresponding to 6,761,893 voting rights). These voting rights are attributable to Allianz Deutschland AG in line with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).

The voting rights attributable to Allianz Deutschland AG were held by the following companies it controls, whose respective share of the voting rights in MLP AG amounted to 3 % or more: Jota Vermögensverwaltungsgesellschaft mbH, Allianz Lebensversicherung AG.

The share of the voting rights held by Jota Vermögensverwaltungsgesellschaft mbH, Munich, Germany, in MLP AG, Wiesloch, Germany, exceeded the thresholds of 3 % and 5 % on August 22, 2008 and amounted to 6.27 % (corresponding to 6,761,893 voting rights). These voting rights are attributable to Jota Vermögensverwaltungsgesellschaft mbH in line with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).

The voting rights attributable to Jota Vermögensverwaltungsgesellschaft mbH were held by the following company it controls, whose respective share of the voting rights in MLP AG amounted to 3 % or more: Allianz Lebensversicherung AG.

The share of the voting rights held by Allianz Lebensversicherung AG, Stuttgart, Germany, in MLP AG, Wiesloch, Germany, exceeded the thresholds of 3 % and 5 % on August 22, 2008 and amounted to 6.27 % (corresponding to 6,761,893 voting rights).

HDI-Gerling Pensionskasse AG, Cologne, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.39 % (corresponding to 10,132,969 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). HDI-Gerling Pensionskasse AG holds 0.50 % (corresponding to 539,000 voting rights) directly.

Aspecta Lebensversicherung AG, Cologne, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 8.40 % (corresponding to 9,054,969 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). Aspecta Lebensversicherung AG holds 1.50 % (corresponding to 1,617,000 voting rights) directly.

CiV Lebensversicherung AG, Hilden, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.65 % (corresponding to 10,408,201 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). CiV Lebensversicherung AG holds 0.24 % (corresponding to 263,768 voting rights) directly.

neue leben Lebensversicherung AG, Hamburg, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.16 % (corresponding to 9,878,255 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). neue leben Lebensversicherung AG holds 0.74 % (corresponding to 793,714 voting rights) directly.

neue leben Holding AG, Hamburg, Germany informed us in line with §§ 21 (1), 22 (1) Sentence 1 No. 1 and (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.16 % (corresponding to 9,878,255 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG) and a further 0.74 % (corresponding to 793,714 voting rights) are attributable to it in line with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).

Proactiv Holding AG, Hilden, Germany informed us in line with §§ 21 (1), 22 (1) Sentence 1 No. 1 and (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 8.67 % (corresponding to 9,350,719 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG) and a further 1.22 % (corresponding to 1,321,250 voting rights) are attributable to it in line with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).

HDI-Gerling Industrie Versicherung AG, Hanover, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.49 % (corresponding to

10,231,552 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). HDI-Gerling Industrie Versicherung AG holds 0.41 % (corresponding to 440,417 voting rights) directly.

HDI-Gerling Firmen und Privat Versicherung AG, Hanover, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.49 % (corresponding to 10,231,552 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). HDI-Gerling Firmen und Privat Versicherung AG holds 0.41 % (corresponding to 440,417 voting rights) directly.

HDI Direkt Versicherung AG, Hanover, Germany informed us in line with §§ 21 (1), 22 (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.49 % (corresponding to 10,231,553 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). HDI Direkt Versicherung AG holds 0.41 % (corresponding to 440,416 voting rights) directly.

Talanx Beteiligungs-GmbH & Co. KG, Hanover, Germany informed us in line with §§ 21 (1), 22 (1) Sentence 1 No. 2 and (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 8.67 % (corresponding to 9,350,719 voting rights) is attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG) and a further 1.22 % (corresponding to 1,321,250 voting rights) are attributable to it in line with § 22 (1) Sentence 1 No. 2 of the German Securities Trading Act (WpHG).

Hannover Beteiligungsgesellschaft mbH, Hanover, Germany informed us in line with §§ 21 (1), 22 (1) Sentence 1 No. 2 in connection with Sentence 2 and (2) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on May 14, 2009 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 8.67 % (corresponding to 9,350,719 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG) and a further 1.22 % (corresponding to 1,321,250 voting rights) are attributable to it in line with § 22 (1) Sentence 1 No. 2 in connection with Sentence 2 of the German Securities Trading Act (WpHG).

Harris Associates L.P., Chicago, USA informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the threshold of 10 % on April 20, 2011 and on that day amounted to 10.02 % (corresponding to 10,813,991 voting rights). These voting rights are attributable to Harris Associates L.P. in line with § 22 (1) Sentence 1 No. 6 of the German Securities Trading Act (WpHG). It is allocated voting rights from the following shareholders, each of whose share of the voting rights in MLP AG is 3 % or more: Oakmark International Small Cap Fund.

The Oakmark International Small Cap Fund, Chicago, USA informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the threshold of 3 % on October 14, 2010 and on that day amounted to 3.05 % (corresponding to 3,286,623 voting rights).

Gerling Beteiligungs-Gesellschaft mit beschränkter Haftung, Cologne, Germany informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on October 22, 2010 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this sum, 2.45 % (corresponding to 2,642,500 voting rights) is attributable to the company in line with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG) via Talanx Beteiligungs-GmbH & Co. KG and 7.44 % (corresponding to 8,029,469 voting rights) is attributable to the company in line with § 22 (1) of the German Securities Trading Act (WpHG).

Talanx Deutschland Bancassurance GmbH, Hilden, Germany informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on August 25, 2011 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this sum, 1.22 % (corresponding to 1,321,250 voting rights) is allocated to the company in line with § 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG) and 8.67 % (corresponding to 9,350,719 voting rights) is allocated to the company in line with § 22 (2) of the German Securities Trading Act (WpHG), of which 3 % or more of the shares are attributable via HDI-Gerling Lebensversicherung AG in the sense of allocating additional voting rights in line with § 22 (2) of the German Securities Trading Act (WpHG).

PB Lebensversicherung Aktiengesellschaft, Hilden, Germany informed us in line with § 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in MLP AG, Wiesloch, Germany exceeded the thresholds of 3 % and 5 % on October 4, 2011 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this, 9.65 % (10,408,201 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG). 3 % or more of the voting rights are attributable to HDI-Gerling Lebensversicherung AG in accordance with § 22 (2) of the German Securities Trading Act (WpHG).

Talanx Aktiengesellschaft informed us in line with §§ 21, 24 of the German Securities Trading Act (WpHG) that the share of the voting rights of HDI-Gerling Friedrich Wilhelm Rückversicherung Aktiengesellschaft, Cologne, Germany, in MLP AG, Wiesloch, Germany, exceeded the thresholds of 3 % and 5 % on December 31, 2012 and now amounts to 9.89 % (corresponding to 10,671,969 voting rights). Of this 9.40 % (10,144,433 voting rights) are attributable to it in line with § 22 (2) of the German Securities Trading Act (WpHG) and 0.49 % (527.536 voting rights) in line with § 22 (1) No. 1 of the German Securities Trading Act (WpHG). 3 % or more of the voting rights are attributable to HDI Lebensversicherung AG in accordance with § 22 (2) of the German Securities Trading Act (WpHG).

[32] Investments in affiliated companies

The company's shareholdings are as follows as of December 31, 2012:

Direct holdings

Name, registered office	Carrying amount Jan. 1, 2012	Carrying amount Dec. 31, 2012	Share	Shareholders' equity as of Dec. 31, 2012	Net profit/loss 2012
	€'000	€'000	%	€'000	€'000
MLP Finanzdienstleistungen AG, Wiesloch [1)]	79,005	109,005	100	109,548	68,804
MLP Consult GmbH, Wiesloch	2,350	2,350	100	2,400	18
Feri AG, Bad Homburg [1)]	118,082	118,082	100	19,862	4,726
	199,437	**229,437**			

[1)] A profit and loss transfer agreement is in place. Figures prior to profit transfer.

Indirect holdings

Name	Registered office	Share	Shareholders' equity as of Dec. 31, 2012	Net profit/loss 2012
		%	€'000	€'000
Academic Networks GmbH (Wholly-owned subsidiary of MLP Finanzdienstleistungen AG)	Wiesloch	100	-659	0
TPC THE PENSION CONSULTANCY GmbH [1] (Wholly-owned subsidiary of MLP Finanzdienstleistungen AG)	Hamburg	100	314	348
ZSH GmbH Finanzdienstleistungen [1] (Wholly-owned subsidiary of MLP Finanzdienstleistungen AG)	Heidelberg	100	1,190	1,798
MLP Hyp GmbH (49.8 % subsidiary of MLP Finanzdienstleistungen AG)	Schwetzingen	49.80	4,471	1,471
Feri Trust GmbH [2] (Wholly-owned subsidiary of Feri AG)	Bad Homburg v. d. H.	100	5,458	-137
Feri Institutional and Family Office GmbH [2] (Wholly-owned subsidiary of Feri AG)	Bad Homburg v. d. H.	100	25	464
Feri EuroRating Service AG [2] (Wholly-owned subsidiary of Feri AG)	Bad Homburg v. d. H.	100	958	1,024
Feri Investment Services GmbH (Wholly-owned subsidiary of Feri AG)	Bad Homburg v. d. H.	100	27	30
Feri Trust (Luxembourg) S.A. (Wholly-owned subsidiary of Feri AG)	Luxembourg	100	4,812	9,767
Feri Trust AG (Switzerland) [3] (Wholly-owned subsidiary of Feri AG)	St. Gallen	100	CHF -443 thsd	CHF 36 thsd
Feri Corp. [4] (Wholly-owned subsidiary of Feri EuroRating Service AG)	New York	100	USD 87 thsd	USD -24 thsd
Heubeck-Feri Pension Asset Consulting GmbH [3] (45 % held by Feri Trust GmbH and 5 % held by Feri AG)	Bad Homburg v. d. H.	50	371	161
CORESIS Management GmbH [3] (25 % held by Feri AG)	Bad Homburg v. d. H.	25	11	-75
FPE Private Equity Beteiligungs-Treuhand GmbH [3] (Wholly-owned subsidiary of Feri Trust GmbH)	Munich	100	315	143
FPE Private Equity Koordinations GmbH [3] (Wholly-owned subsidiary of Feri Trust GmbH)	Munich	100	84	59
FPE Direct Coordination GmbH [3] (Wholly-owned subsidiary of Feri Trust GmbH)	Munich	100	55	11
Feri Private Equity GmbH & Co. KG [3] (Wholly-owned subsidiary of Feri Trust GmbH)	Munich	100	40	0
Feri Private Equity Nr. 2 GmbH & Co. KG [3] (Wholly-owned subsidiary of Feri Trust GmbH)	Munich	100	6	-5

[1] There is a profit and loss transfer agreement with MLP Finanzdienstleistungen AG. Figures prior to profit transfer.
[2] There is a profit and loss transfer agreement with Feri AG. Figures prior to profit transfer.
[3] Shareholders' equity and net profit from the annual financial statements 2011.
[4] Shareholders' equity and net profit from the annual financial statements 2010.

As of December 31, 2012, neither MLP AG nor the companies shown here possessed any other holdings requiring disclosure under the provisions of § 285 No. 11 of the German Commercial Code (HGB). The voting right granted under § 286 (3) Sentence 1 No. 1 of the German Commercial Code (HGB) was exercised.

[33] Proposal for the appropriation of MLP AG's unappropriated profit

Pursuant to § 170 (2) of the German Stock Corporation Act, the Executive Board proposes that the unappropriated profit of € 48,691,160.22 disclosed in the annual financial statements for the year ending December 31, 2012 be used as follows:

	Dec. 31, 2012	Dec. 31, 2011
	€	€
Dividend payout to shareholders	34,520,876.16	64,726,642.80
Transfer to retained earnings	14,000,000.00	-
Profit brought forward	170,284.06	-
Unappropriated profit	48,691,160.22	64,726,642.80

Wiesloch, February 25, 2013

MLP AG

Executive Board

Dr. Uwe Schroeder-Wildberg

Manfred Bauer

Reinhard Loose

Muhyddin Suleiman

Audit opinion

We have audited the annual financial statements, comprising the statement of financial position, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the MLP AG, Wiesloch, for the financial year from January 1 to December 31, 2012. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB [Handelsgesetzbuch "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of MLP AG, Wiesloch, in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 27, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Hübner	Mr. Fust
German Public Auditor	German Public Auditor

Responsibility statement

"To the best of our knowledge and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the net assets, financial position and results of operations of the company, and the management report gives a fair view of the performance of the business including business results and the overall position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company in the remainder of the financial year."

Wiesloch, February 25, 2013

MLP AG

Executive Board

Dr. Uwe Schroeder-Wildberg

Manfred Bauer

Reinhard Loose

Muhyddin Suleiman

Financial calendar 2013

November 14, 2013

Publication of the financial results for the first nine months and the third quarter

MLP publishes the Interim Report for the first nine months and the third quarter.

August 14, 2013

Publication of the financial results for the first half of the year and the second quarter

MLP publishes the Interim Report for the first half of the year and the second quarter.

June 6, 2013

Annual General Meeting of MLP AG in Mannheim

MLP AG convenes for the Annual General Meeting at the Rosengarten Mannheim.

May 15, 2013

Publication of the financial results for the first quarter

MLP publishes the Interim Report for the first quarter.

March 27, 2013

Publication of the Annual Report 2012

MLP publishes the Annual Report for 2012.

February 28, 2013

Annual press conference and analyst conference in Frankfurt

MLP announces preliminary results for the business year 2012.

Imprint

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