

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

MLP achieved more in 2016 than could have been expected at the start of the year. We increased revenue in the field of old-age provision and expanded market shares in key consulting areas, accelerated the process for winning new clients and laid the foundations for further cost reductions. We can therefore rate the financial year as “satisfactory in the light of market conditions”.

However, we do not want to content ourselves with that for the future. One of the reasons why MLP enjoys such an excellent position in the competitive environment is because we were quick to start work on restructuring the company with a clear direction in the last few years, while at the same time keeping a tight rein on costs.

If we compare the commission income from 2005 – i.e. the year before the expansion of our wealth management operations – with 2016, three facts become clear:

- Our revenue mix is today significantly more balanced and we have compensated for market-related declines in the old-age provision segment of around € 150 million.
- The proportion of recurring revenue has increased significantly – from around 30 to more than 60 percent today. The company is therefore now on a much sounder financial footing.
- Setting old-age provision aside, sales revenues increased by an average of around 13 percent per year during this period.

A look at the development of total revenue over the last five years also shows how we have made gradual yet continuous progress. In fact we are now above the level recorded in 2012, a particularly strong year. In comparison with 2015, total revenue has increased by 10 percent to € 610.4 million.

MLP recorded good gains in 2016, particularly in the non-life insurance area, where revenue increased by 93 percent to € 105.6 million. Around € 68.7 million of this can be attributed to the ongoing positive development of DOMCURA, which we acquired as a subsidiary mid-2015. Developments in the old-age provision area were also pleasing, with revenues increasing by 3 percent to € 221.5 million. This successful development can largely be attributed to a strong final quarter. This means that MLP recorded gains in the old-age provision segment for three quarters in succession in 2016.

At € 166.4 million, revenue in wealth management is slightly above the previous year's record figure, despite selling the former FERI EuroRating Services in mid-2016. With revenue of € 15.4 million, the loans and mortgages area is slightly below the record level recorded in 2015. At € 15.4 million, other commission and fees, which are mainly attributable to the brokerage of real estate objects, remain at the previous year's level. At € 45.8 million, revenue in the health insurance area also remained at the previous year's level.

These developments should also be seen as positive in the light of market conditions that remain extremely difficult. In the private health insurance area, the number of persons holding comprehensive health insurance fell for the fifth year in succession, while the wealth management is facing negative market developments due to the massive monetary distortions. However, the old-age provision area continues to display the greatest market turbulence. Indeed, new business throughout the sector only increased 1.5 percent over the previous year's low level.

At MLP, the premium sum of new business in the old-age provision area increased by 6.2 percent. MLP's ability to adapt quickly to the new product portfolio is one key reason for this excellent development. We also recorded better development than the industry in the private health insurance area with a slight increase in the number of persons holding comprehensive health insurance.

This all resulted in operating earnings before interest and taxes (operating EBIT) – i.e. before one-off exceptional costs – increasing by 14.3 percent to € 35.1 million. As announced, one-off exceptional cost were accrued within the scope of the efficiency programme. These expenses were € 15.4 million, resulting in an EBIT of € 19.7 million. One-off exceptional costs also had an impact on net profit for the period, which was € 14.7 million.

Taking earnings trends and current capital requirements into account and subject to approval by the Supervisory Board, the Executive Board proposes a dividend of 8 cents per share. At 60 percent, the distribution rate is set to increase slightly over the previous year and lies within the announced corridor.

In 2017, we added two new topics to our strategic agenda. The first focuses on extending our corporate and economic scope for action through an optimisation of corporate structure, while the second revolves around strengthening our university segment in the private client business.

The objective of the corporate structure optimisation is to significantly extend MLP's scope for action, which had become increasingly restricted in the last few years. This is due to the significantly stricter capital requirements for banks that have been in place since the outbreak of the financial crisis – such as Basel III and others. We are not complaining about this and are still of the opinion that events such as those that occurred during the financial crisis need to be prevented through adequate measures. For MLP, however, the regulatory pendulum is now swinging too far in the other direction. Our banking business is low-risk. Yet despite this, the aforementioned new requirements placed on classic banks are impacting our operations across the board, meaning that the proportionality of revenue and costs has shifted significantly in the current Group structure.

With the step we are preparing in the current year and intend to introduce early in 2018, we will bundle all regulated bank activities at one company, while all other consulting services will then be provided by the other company. This offers the advantage that we will be able to gradually increase our free own funds by around € 75 million up to 2021 – assuming the current capital adequacy requirements remain unchanged. We will use this significantly improved position in our own funds primarily for investments in the future and for acquisitions. In addition it will also provide us with greater freedom for dividend pay-outs. We can envisage continuing to make acquisitions in three main segments – at FERI, at DOMCURA, as well as in MLP's traditional private client business.

Regarding the strengthening of the university segment: MLP has deep roots in the private client business. This also includes a highly visible presence in the university segment, in which MLP consultants continue to win a large proportion of our new clients – both online and offline. In the last few years, we have already introduced comprehensive measures to boost our presence in this segment with increasing numbers of academics. For example, introduction of our further training allowance has made it easier for young consultants in particular to make the transition into self-employment. The package is being well received and has made a key contribution to stabilising consultant numbers.

We are now taking the next step with the introduction of a dedicated divisional board member for the young segment. By focusing on core topics for young clients and consultants, we pave the way for faster acquisition of new clients and consultants – and thereby further strengthen our presence.

In addition, we are persevering with our strategic approach of recent years.

The ongoing diversification of our revenue structure aims at further reducing the impact of short-term market influences on MLP. Therefore the non-life insurance and wealth management consulting areas will be in the focus also for 2017.

We are also pressing ahead with digitalisation. In 2016, we collaborated with a fintech to introduce online sales for electronics and travel health insurance policies – i.e. for basic products that do not require intensive consulting services – and are already seeing initial successes. In addition to this, we have won more than 50,000 initial contacts online and on social media platforms. As these examples show, the key here is to remove any notion of online OR offline and instead focus on bringing the two concepts together. In 2017, we will release more products for online sales and launch the first phase of our new client portal. This will provide clients with all financial information at a glance, accompanied by a personal budget book. We are convinced that digitalisation – understood correctly – can actually help further underline the importance of face-to-face consulting.

In terms of cost management, we will harvest the fruit of our efforts in 2017. In the past year, MLP laid the foundations for permanently reducing the cost base of administrative expenses by around € 15 million relative to 2015 from 2017 onwards. In 2017, this low cost base will be subjected to additional one-off exceptional costs of around € 9 million for implementing the new Group structure. Due to the planned increase in own funds, we can cushion the effect of these one-off expenses for our shareholders. Maintaining a distribution rate of 50 to 70 percent, we will base our dividend proposal for the financial year 2017 on operating net profit, i.e. before one-off exceptional costs.

Overall, we expect to record EBIT for the current year of at least € 36 million. Accordingly, we anticipate an operating EBIT of at least € 45 million.

We would be delighted if you – our shareholders – continued to accompany us along this path. On behalf of the entire Executive Board, I would like to express my sincere thanks for the trust you showed in us throughout the last financial year.

Equally sincere thanks are also due to all client consultants and employees in the Group.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Uwe S. Schroeder-Wildberg', with a stylized flourish at the end.

Dr. Uwe Schroeder-Wildberg