Results of operations

The previous year's figures under financial position, net assets and results of operations offer only limited comparability year on year. This is due to DOMCURA being included in the Group consolidation scope for a full year for the first time in the financial year 2016. In the financial year 2015, it was only included for the months from August to December.

Development of total revenue

Total revenue significantly up

Despite the continually challenging market conditions already described, MLP was able to increase total revenue in the reporting period by 10.1% to € 610.4 million (€ 554.3 million). This growth was primarily driven by the increase in commission income from € 514.3 million to € 570.1 million. Here it should be noted that the revenues of the DOMCURA Group were included for a full financial year for the first time. DOMCURA's contribution to Group revenue was € 70.7 million in the financial year 2016 (share from August to December 2015: € 20.0 million). Revenue from the interest rate business fell to € 20.5 million (€ 21.4 million) due to the ongoing low interest rate environment. Following € 18.7 million in the previous year, other revenue increased to € 19.8 million.

New business in the old-age provision area significantly above the previous year

The market environment in the old-age provision area remains challenging, not least due to the ongoing low interest rate environment, as well as the ongoing negative press on life insurers and their products. Yet despite this, revenues in the old-age provision area increased by 2.7% to € 221.5 million (€ 215.7 million) – even when taking into account a one-off positive effect due to the correction of an incorrect settlement by a product partner in the previous year. This successful development is primarily down to a strong closing quarter, in which revenue rose by 7.4% to € 94.3 million (Q4 2015: € 87.8 million). This means that MLP recorded gains in the old-age provision area for three quarters in succession. At € 3.7 billion, the premium sum of new business generated in the financial year was 5.7% above the previous year (2015: € 3.5 billion), while growth in the overall market was just 1.5%. One key reason for the excellent development enjoyed by MLP was its ability to adapt fast to the new product portfolio. While just under 50% of contracts in the market were brokered with classic guarantees in 2016, this figure was just 14% at MLP. Instead, 72% of clients at MLP opted for new types of guarantees and 14% preferred purely unit-linked policies.

Health insurance at the previous year's level

At € 45.8 million, revenue in the health insurance area was up on the previous year (€ 45.9 million). Accordingly, MLP recorded stable development, despite the reservations regarding private health insurance being felt by many German citizens throughout the market, not least due to the negative press regarding premium increases.

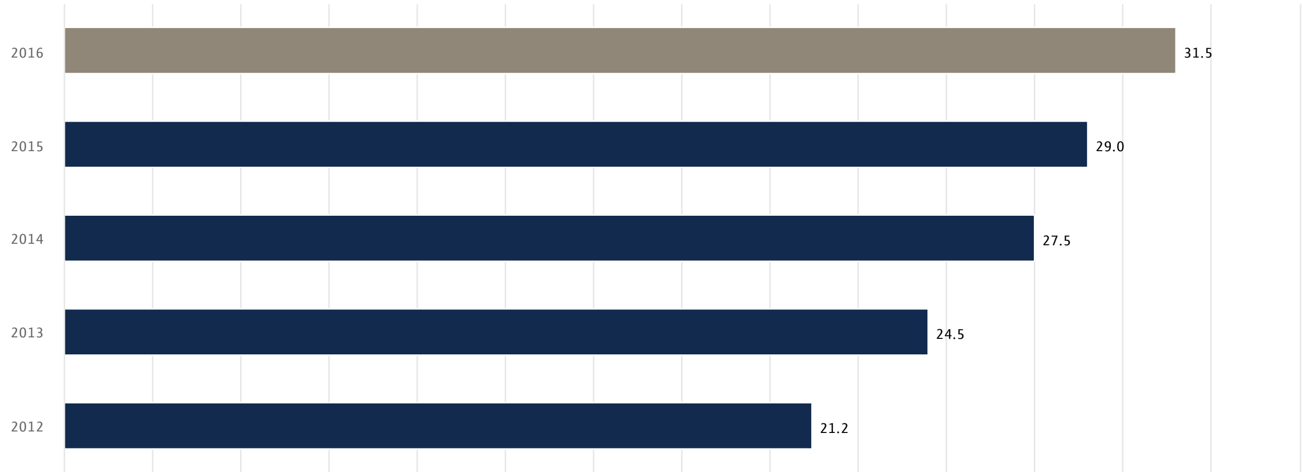
Non-life insurance enjoys significant growth

The non-life insurance area recorded significant growth. Indeed, revenue for the year almost doubled to € 105.6 million (€ 54.9 million). Our subsidiary DOMCURA, which was acquired mid-2015 made a particularly significant contribution to this. In 2016 the revenues generated by DOMCURA were included in the income stated for the first time for a full year. Its contribution was € 68.7 million (August to December 2015: € 20.0 million).

At € 166.4 million, revenue in the wealth management area remained at the previous year's record level (€ 166.0 million). The assets under management by FERI and MLP Finanzdienstleistungen AG continued to display positive development and were € 31.5 billion as of December 31, 2016 (September 30, 2016: € 30.0 billion).

Assets under management rises to € 31.5 billion

Development of assets under management (all figures in € billion)



At € 15.4 million, revenue in the loans and mortgages area was not quite able to reach the previous year's record level (€ 16.2 million). At € 1.7 billion, the brokered financing volume was also slightly down on the previous year (€ 1.8 billion). 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.

Loans and mortgages slightly below the previous year's level.

In the last financial year, MLP successfully implemented the announced efficiency programme and thereby laid the foundations for permanently reducing the cost base for 2017 and subsequent years. Administrative expenses (defined as the sum of personnel expenses, amortization expenses and impairments, as well as other operating expenses), which for the first time also included an entire financial year of administration expenses at DOMCURA in the financial year 2016, were € 290.9 million (€ 270.1 million). These include € 15.4 million in total one-off expenses accrued in 2016 within the scope of the efficiency programme. The administrative expenses of DOMCURA, which were only included in the previous year from August 2015 due to its first-time consolidation (€ 10.5 million), were around € 24.3 million for the full year 2016.

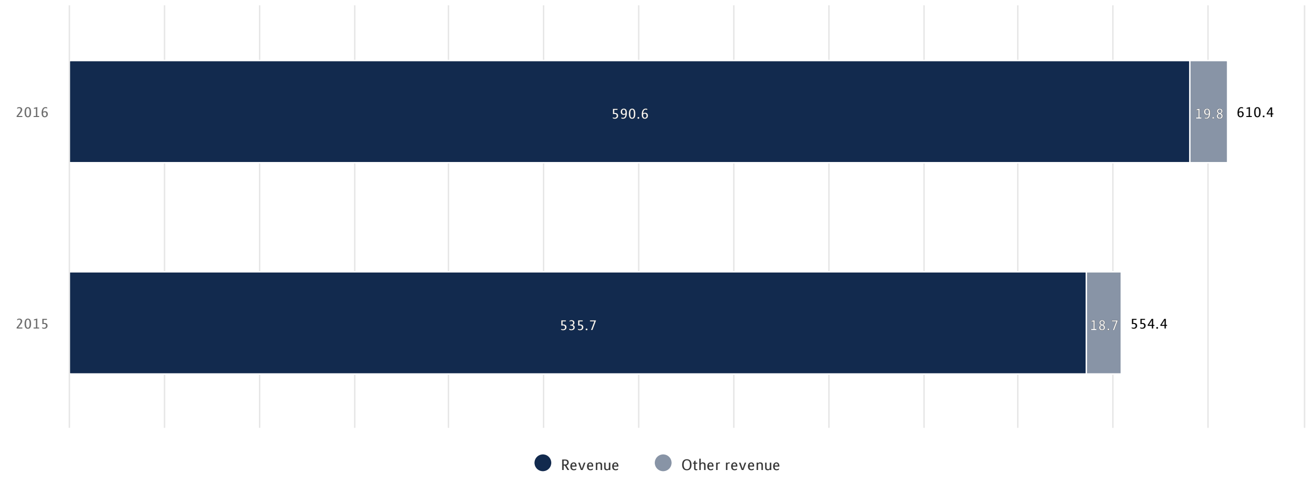
Efficiency program successfully implemented – cost base permanently reduced

Operating EBIT (before one-off expenses) increased by 14.3% to € 35.1 million (€ 30.7 million) in the financial year. Taking into account one-off expenses of € 15.4 million, EBIT amounted to € 19.7 million (€ 30.7 million). The one-off expenses also have an effect on the net profit for the period of € 14.7 million (€ 19.8 million).

Analysis of the change in revenue

Sales revenue increased to € 590.6 million (€ 535.7 million) in the reporting period. At € 70.7 million, revenue generated by DOMCURA had a significant influence on this (€ 20.0 million). At € 19.8 million, other revenue was up on the previous year (€ 18.7 million). Following € 554.3 million in the previous year, total revenue rose to € 610.4 million.

Development of total revenue (all figures in € million)



Old-age provision above previous year – non-life insurance enjoys significant growth

The increase in commission income from € 514.3 million to € 570.1 million had a positive influence on revenue development and was largely due to the increase in revenues in the non-life insurance area. At € 20.5 million, interest income was below the previous year (€ 21.4 million). This was due to the ongoing period of low interest rates. The old-age provision area continued to make the greatest contribution in terms of commission income with a share of 38.9% (41.9%), followed by wealth management with a share of 29.2% (32.3%). With a 18.5% contribution to revenue (10.7%) and 92.3% growth in revenue, the non-life insurance area too, made an important contribution in the last financial year. The following table provides a detailed overview:

Distribution of revenue

All figures in € million	2016	2015	Change in %
Old-age provision	221.5	215.7	2.7%
Wealth management	166.4	166.0	0.2%
Non-life insurance	105.6	54.9	92.3%
Health insurance	45.8	45.9	-0.2%
Loans and mortgages	15.4	16.2	-4.9%
Other commission and fees	15.4	15.6	-1.3%
Total commission income	**570.1**	**514.3**	**10.8%**
Interest income	20.5	21.4	-4.2%
Total	**590.6**	**535.7**	**10.2%**

Analysis of expenses

Commission expenses primarily comprise performance-linked commission payments to our consultants. They represent the largest single item under expenses. This item also comprises the commissions paid in the DOMCURA segment, which were included in this item for the first time for a full financial year in 2016. These variable expenses occur due to the remuneration of brokerage services in the non-life insurance business. Added to these are the commissions paid in the FERI segment, which in particular result from the activities in the field of fund administration. Variable expenses are, for example, accrued in this business segment due to remuneration of the depository bank and fund sales. Largely due to the first-time inclusion of the commissions paid in the DOMCURA segment for a full year, this item increased to € 298.5 million (€ 253.6 million). Net provision income therefore rose to € 271.6 million (€ 260.7 million).

Commission income above the previous year

Interest expenses fell to € 1.7 million (€ 1.9 million) due to the ongoing low interest rate environment. Net interest was € 18.8 million in total, following € 19.5 million in the previous year.

Gross profit (defined as total revenue less commission expenses and interest expenses) improved to € 310.2 million (€ 298.8 million).

In the past year, MLP laid the foundations for permanently reducing the cost base of administrative expenses relative to 2015 from 2017 onwards. This incurred one-off expenses of € 15.4 million in 2016, € 14.9 million of which can be attributed to administrative expenses. The administrative expenses of the MLP Group, including the administrative expenses of DOMCURA for a full financial year, amounted to € 282.4 million in 2015. In the last financial year, this figure was € 276 million before one-off expenses. However, it is important to note that the previous year's figure of € 270.1 million only covers the administrative expenses of DOMCURA for the months from August to December. Including one-off expenses, administrative expenses were € 290.9 million in 2016.

Administrative expenses before one-off expenses down

One-off expenses due to efficiency measures by segment (all figures in € million)

Segment	
Financial services	14.4
FERI	0.2
DOMCURA	–
Holding	0.8
Total	**15.4**

Personnel expenses increased to € 121.8 million (€ 113.5 million), essentially due to the described effect of DOMCURA. Among other things, these include € 105.0 million (€ 98.1 million) for salaries and wages, € 14.3 million (€ 12.9 million) for social security contributions and employer-based old-age provision allowances of € 2.5 million (€ 2.4 million). Expenses accrued within the scope of our efficiency program are also included in this figure. Depreciation/amortization and impairment charges increased to € 24.0 million (€ 15.1 million), largely due to one-off expenses. Other operating expenses increased to € 145.1 million (€ 141.5 million), also as a result of one-off expenses.

Breakdown of expenses

All figures in € million	2016	In % of total expenses	2015	In % of total expenses	Change in %
Commission expenses	298.5	50.5%	253.6	48.2%	17.7%
Interest expenses	1.7	0.3%	1.9	0.4%	-10.5%
Personnel expenses	121.8	20.6%	113.5	21.6%	7.3%
Depreciation and impairments	24.0	4.1%	15.1	2.9%	58.9%
Other operating expenses	145.1	24.5%	141.5	26.9%	2.5%
Total	**591.1**	**100.0%**	**525.6**	**100.0%**	**12.5%**

MLP Hyp once again displayed very encouraging business development in the last financial year. We hold a 49.8% stake in this company, which is operated as a joint venture together with mortgage broker Interhyp. As a result of the excellent business development, our allotted earnings from the company increased to € 2.1 million (€ 1.8 million). This is reflected in the income statement under the item "Earnings from investments accounted for using the equity method".

Operating EBIT significantly up

Operating EBIT before one-off expenses increased by 14.3% to € 35.1 million (€ 30.7 million) in the financial year. The main drivers of this increase were revenues in the old-age provision area, which were up once again, as well as the profit contribution of DOMCURA. As announced, one-off expenses were accrued within the scope of the efficiency programme. These expenses amounted to € 15.4 million, resulting in an EBIT of € 19.7 million (€ 30.7 million).

Finance cost significantly increased

The finance cost rose to € -0.9 million (€ -2.8 million) in the last financial year. Significantly lower other interest and similar expenses, which fell from € -3.3 million to € -1.9 million, were the main reason behind this increase. In the previous year, this development could be attributed to interest charges due on a retrospective tax payment resulting from MLP's international activities that were ceased back in 2007. In the light of one-off expenses, earnings before tax (EBT) were € 18.7 million (€ 28.0 million). Accordingly, income tax expenditure also declined to € 4.1 million (€ 8.2 million). In the previous year, this had also been impacted by the retrospective tax payment described above.

The following table provides an overview of the earnings structure, as well as the development of earnings and margins:

Structure and changes in earnings in the Group

All figures in € million	2016	2015	Change in %
Total revenue	610.4	554.3	10.1%
Gross profit [1]	310.2	298.8	3.8%
Gross profit margin (%)	50.8%	53.9%	
EBIT	19.7	30.7	-35.8%
EBIT margin (%)	3.2%	5.5%	
Operating EBIT	35.1	30.7	14.3%
Operating EBIT margin (%)	5.8%	5.5%	
Finance cost	-0.9	-2.8	>-100%
EBT	18.7	28.0	-33.2%
EBT margin (%)	3.1%	5.1%	
Income taxes	-4.1	-8.2	-50.0%
Net profit	14.7	19.8	-25.8%
Net margin (%)	2.4%	3.6%	

[1] Definition: Gross profit is the result of total revenue less commission expenses and interest expenses.

Group net profit fell to € 14.7 million (€ 19.8 million) in the financial year 2016. This decline can be attributed to one-off expenses within the scope of our efficiency programme. The diluted and basic earnings per share were € 0.13.

Net profit

All figures in € million	2016	2015	Change in %
Continuing operations	14.7	19.8	-25.8%
GROUP	14.7	19.8	-25.8%
Earnings per share in € (basic)	0.13	0.18	-27.8%
Earnings per share in € (diluted)	0.13	0.18	-27.8%
Number of shares in millions (basic)	109.3	108.5*	0.7%

*Weighted average number of shares

Appropriation of profits

At the start of the past financial year, we announced that we would persist with our dividend policy of paying 50% to 70% of Group net profit to our shareholders in the form of dividends. We paid our shareholders € 0.12 per share in the form of a regular dividend for the financial year 2015. The total dividend paid was therefore € 13.1 million.

For the financial year 2016, Executive Board and Supervisory Board will propose a dividend of € 0.08 per share at the Annual General Meeting on June 29, 2017. This corresponds to a total dividend payout of € 8.7 million and a payout ratio of around 60%.