CASH.LIFE AG ANNUAL REPORT 2005

TICKER SGS.ETR
WKN 500 910
ISIN DE 000 500 9104
TYPE INDIVIDUAL ORDINARY SHARES
NOMINAL VALUE EUR 1.00
GERMAN INDEX SDAX

EXCHANGES:

REGULATED MARKET_PRIME STANDARD
BERLIN
BREMEN
FRANKFURT AM MAIN
HANOVER
XETRA

REGULATED UNOFFICIAL MARKET
HAMBURG
MUNICH
STUTTGART

cash.life

cash.life AG

ANNUAL REPORT 2005

with Management Report and Consolidated Financial Statements
according to International Financial Reporting Standards (IFRS)

Stefan Kleine-Depenbrock pictured at the »Old Botanical Garden« in Munich in mid-March 2006.

Dr. Stefan Kleine-Depenbrock
has acted as the CEO of cash.life AG since October 2004. He worked at different insurance companies before joining cash.life. He was the head of Finance of AXA Konzern AG in Cologne and the chief representative of LVM Versicherungen in Muenster. Stefan Kleine-Depenbrock holds a degree in Business Management (Dipl.-Kfm.). He is married and has three children.

Report by the Board of Management

Dear Shareholders,

The successes achieved in the 2005 financial year will impact the future. We achieved a new record in our purchasing volume, having surpassed the one billion euro mark for policies managed at the end of September. In doing so, we prematurely achieved our target for the year and established a foundation for future earnings. We also took important, strategic steps to set our future course: The increase of our free float to 50.8% has made us a truly publicly-owned company, and we have expanded our network on the purchasing and sales side through the acquisition of Barwert GmbH. We would like to take this opportunity to thank you for your confidence in us over the past financial year.

Our success is based on further increasing public awareness about the secondary endowment policy market. An increasing number of consumers have learned about the option of selling their policies as a lucrative alternative to encashment; this is evident from the strong growth in our Group purchasing volume, which reached EUR 421.3 million. This figure is almost double that of 2004. We are extremely grateful to our employees for this achievement.

Our net income of EUR 5.7 million in the past financial year exceeded our forecast of EUR 4.7 million to 5.2 million. The comparable previous year's net income of EUR 7.6 million benefited from the reduction in our trading portfolio in 2004. In contrast, we invested in our trading portfolio in 2005, which grew by around EUR 80 million to EUR 267.7 million. Revenue from policy management in 2005 increased by 57.2% compared to the previous year and is already enough to cover our entire fixed costs. We expect strong growth once again in 2006. Policy management ensures very long-term, easily-predictable income which is independent of the capital markets.

The signs point to growth: In order to boost our development in 2006, we are strengthening our sales measures, our public relations work and our investor relations activities. We successfully utilised radio and TV commercials for the first time at the end of 2005. Our aim is to provide more service to our customers. In this vein, we are investing in the expansion of our on-site service. We prefer to act in person rather than »virtually«. We intend to approach exclusivity agencies, which serve as the sales force of the insurers, more intensively in 2006. Furthermore, we will present ourselves to insurers as partners in the fight against encashment.

We have also observed that the increase in the free float has had its intended effect on the public. Since the share placement, some 30% of the publications in which we are mentioned have chosen to focus on our shares. As such, we are addressing new target groups, such as account managers at banks and shareholders, which not only act as information multipliers, but are potential clients themselves.

And still, far too few consumers know about the advantages offered by the secondary endowment policy market, namely, more money and the maintenance of life insurance coverage. In Great Britain, public awareness has steadily increased each year, and we expect a similar trend will be seen in Germany. As a member of the German Association of Investments in the Secondary Endowment Market of Life Insurance (BVZL), we support efforts to anchor the duty to inform customers about the secondary endowment policy market in the Law on Insurance Contracts. Accordingly, insurance companies would be obligated to inform their customers who intend to terminate their policies about the option of selling their policy on the secondary endowment policy market. Such a duty to inform was introduced in the UK and resulted in a rapid rise in public awareness about the secondary endowment policy market. The pending reform of the German Law on Insurance Contracts provides the opportunity to introduce this consumer-friendly regulation in Germany as well. We have received strong support from the German Federal Constitutional Court and the German Federal Court, which in their legal judgments made in 2005 have called for greater transparency and more consumer protection on the part of insurance companies.

The secondary endowment policy market is a growth market. As the clear market leader, cash.life is in pole position when it comes to tapping new resources for additional growth. We are well-positioned given our head-start in terms of know-how, our highly motivated team, our network of brokers and our good access to capital from outside sources. For our company, cash.life AG, this means high profitability and sustainable growth. These characteristics will also benefit our shareholders.

We hope you will join us on the road ahead.

Yours, Dr Stefan Kleine-Depenbrock

CEO

Gerd A. Bühler pictured at »Maximilianshöfe« in Munich at the beginning of March 2006.

Gerd A. Bühler
has acted as the Chairman of the Supervisory Board of cash.life AG since November 2004. Together with Klaus Mutschler, he founded the company in 1999 and managed the former parent company of cash.life AG – adv.orga Beteiligungen Aktiengesellschaft – as the only member of the Management Board through to 2004. In his function as a member of the advisory council of the German Association of Investments in the Secondary Endowment Market of Life Insurance (BVZL), he campaigns for a statutory duty of disclosure for the secondary market. Gerd A. Bühler is a lawyer and a tax accountant. He is married and has four children.

Report by the Supervisory Board

Ladies and Gentlemen,

In 2005, cash.life AG became a truly publicly-owned company. In August, we were able to successfully increase our free float. Nearly half of cash.life's shares are in the hands of institutional and private investors. The great interest shown by investors indicates trust in our business model and knowledge of the potential of the secondary endowment policy market in Germany.

We are expanding the Supervisory Board in order to address these new developments. In order to reasonably safeguard the interests of our shareholders, the work load in future will be divided among six people instead of the three current Supervisory Board members. Your vote at the 2006 Annual Shareholders' Meeting will determine the composition of the Supervisory Board.

SUPERVISORY BOARD ACTIVITIES IN THE 2005 FINANCIAL YEAR

In the year under review, the Supervisory Board discharged its responsibilities in accordance with the relevant laws and the company's articles of incorporation; it continuously monitored the activities of the management and provided support and advice. The Management Board regularly informed the Supervisory Board on the basis of written and verbal reports about the situation of the company and about forthcoming decisions. To the extent that participating interests were involved, the state of development at the respective subsidiaries was always included in these consultations.

Aside from standard reporting, the following topics involved intensive consultation:

› current and future business developments
› risk management and interest rate hedging
› the acquisition of Barwert GmbH

STRUCTURE OF THE SUPERVISORY BOARD

Due to the fact that the Supervisory Board currently consists of three members, it deals jointly in all matters; committees have not been formed. The Supervisory Board's mode of operation is governed by the rules of internal procedure. The rules of internal procedure will be updated in light of the aforementioned expansion of the Supervisory Board. Furthermore, we will organise responsibilities into committees.

MEETINGS AND PARTICIPATION

The Supervisory Board of cash.life AG met four times in the 2005 financial year in Munich. In addition, four Supervisory Board meetings were held by teleconference. The entire Supervisory Board was present at all meetings.

SUPERVISORY BOARD PERSONNEL DEVELOPMENTS

Following the death of Professor Dr. Dirk Krüger, who was the Supervisory Board Chairman for many years, Gerd A. Bühler was appointed to the Supervisory Board at cash.life AG's request by the Munich Local Court on 21 October 2004. The court appointment ended on 1 July 2005, when Gerd A. Bühler was appointed as a Supervisory Board member at the Annual Shareholders-Meeting of cash.life AG. On the same day, the Supervisory Board nominated Gerd A. Bühler as its chairman and Klaus Mutschler as vice-chairman.

MANAGEMENT BOARD PERSONNEL DEVELOPMENTS

Lutz Schroeder resigned from cash.life AG's Management Board effective from 31 October 2005. The Supervisory Board and the Board of Management thanked him for his extremely successful work. Lutz Schroeder had managed the areas of sales, public relations and personnel since 2001. On 8 November 2005, the Supervisory Board appointed Ulrich T. Grabowski as his successor, effective from 1 December of the same year. In the meantime, Dr. Stefan Kleine-Depenbrock assumed provisional responsibility for the duties of Lutz Schroeder.

CONFLICTS OF INTEREST

We are not aware of any conflicts of interest that could impinge on the duties of the Supervisory Board.

A consultant's contract has been concluded with Mr. Mutschler, guaranteeing him compensation for expenses which arise as a result of project-related activities for cash.life AG. He was not present for the consultations regarding this contract.

Certain agents belonging to AWD Group supply policies to cash.life. In this context, these agents receive the same compensation as other agents who work together with cash.life AG. No additional agreements exist beyond this arrangement. The participation of Ralf Brammer, CFO of AWD Holding AG, on the Supervisory Board of cash.life therefore does not represent a conflict of interest.

AUDIT OF THE 2005 ANNUAL FINANCIAL STATEMENTS FOR THE GROUP AND THE AG

The Annual Shareholders' Meeting on 1 July 2005 appointed O&R Oppenhoff & Rädler AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, based in Munich, as the firm's certified auditors. They conducted an audit of the annual financial statements of cash.life AG as of 31 December 2005, the consolidated financial statements of the Group as of 31 December 2005 in accordance with IFRS as well as the management report and Group management report for the 2005 financial year, and issued an unreserved audit certificate for the financial statements and reports.

All documents related to the audit, the proposal by the Management Board for the appropriation of profits and the auditor's report were submitted to the Supervisory Board. They were examined by the Supervisory Board and discussed at its meeting on 30 March 2006 in the presence of the auditor, who reported on the most significant findings of the audit. The Supervisory Board accepted the findings of the audit and did not have any reservations after conducting its own examination and reaching its own conclusive opinion. The Supervisory Board approved the annual financial statements of the AG, the consolidated financial statements of the Group, as well as the management reports for both the Group and the AG. The annual financial statements of the AG and the Group have thus been duly approved. The Supervisory Board concurs with the proposal made by the Management Board regarding the appropriation of profits.

The Supervisory Board has examined the management report concerning the relationships with associated companies in the period 1 January 2005 through 19 August 2005 (dependency report). No objections were stated. The dependency report has been audited by O&R Oppenhoff & Rädler AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Munich. The auditors issued the following audit opinion:

»Having conducted our compulsory audit and assessment, we confirm that:
1. the disclosures of fact made in the report are accurate,
2. the amounts paid for the company's legal transactions detailed in the report were not unreasonable.«

The Supervisory Board has noted and endorsed the auditor's findings. Following the examination of the dependency report by the Supervisory Board, there are no objections to the declaration of the Management Board submitted at the end of the dependency report.

CORPORATE GOVERNANCE

The Supervisory Board and the Management Board support the German Corporate Governance Code without reservation. Good corporate governance is a prerequisite for earning and maintaining the trust of our shareholders. As such, we have significantly reduced the number of instances of non-compliance with the recommendations in the Code. On 17 March 2005 and on 22 September 2005, the Management Board and the Supervisory Board of cash.life AG approved an amendment of the compliance statement. Detailed information on our corporate governance can be found in our annual report.

On behalf of my colleagues on the Supervisory Board, I would like to thank the Management Board and all of our employees for their hard work and dedication; we have them to thank for what has been another successful financial year.

On behalf of the Supervisory Board

Gerd A. Bühler
Chairman

Ulrich T. Grabowski pictured at the »Marstallplatz« in Munich at the beginning of March 2006.

Ulrich T. Grabowski
has been a member of the Management Board of cash.life AG since December 2005 and is responsible for marketing and sales. He gained many years of experience in the sale of insurance policies as the head of Sales of ADAC-Versicherungen, management speaker of AXA Colonia Customer Care GmbH in Cologne and speaker of the Management Board of Sicher Direct Versicherung AG. Ulrich T. Grabowski is married and has one child.

The cash.life share

CASH.LIFE AG IN 2005

As our shareholders, you expect us to confirm the trust you have placed in our business model by delivering good results. The attentiveness with which you follow our business development both provides us with an incentive and reminds us of our responsibility. With our financial backing and the transparency that accompanies our listing on the stock exchange, we set the standard for quality in the German secondary endowment policy market. For our customers, quality serves as a guarantee. When purchasing policies, we are not dealing with small change. It is therefore all the more important that our customers have a reputable partner to rely on. That partner is cash.life.

2005 was an eventful year for cash.life. We moved to the Prime Standard, with its increased transparency requirements, and we increased our free float to 50.8%. Since that time, we have been in the spotlight of analysts, international investors, private investors and the financial press.

EARNINGS PER SHARE

In 2005, earnings per share amounted to EUR 0.73 after EUR 0.97 per share in the 2004 financial year (-24.7%). Details on the development of earnings can be found on page 67 of the annual report.

DIVIDEND

cash.life AG has set the goal of achieving strong growth. In order to accelerate this aim, our annual net income should be invested in further and rapid exploitation of the market potential, development of new services and tapping new markets. For this reason, the Management Board and Supervisory Board will propose to the Annual Shareholders' Meeting that a dividend not be paid out for the 2005 financial year.

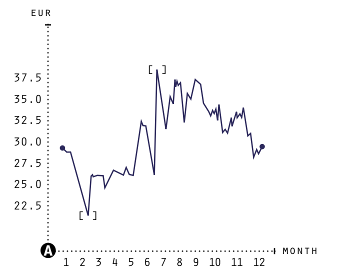
CAPITAL MARKET ENVIRONMENT: DEVELOPMENT OF DAX AND SDAX

The capital market environment was positive in 2005. The DAX rose considerably over the course of the year from 4,291.53 points at the beginning of the year to 5,408.26 at year-end (+26.0%). Second-line stocks were in even higher demand: The SDAX rose from 3,134.06 points at the beginning of January to 4,248.90 points at year-end (+35.6%).

SHARE PRICE DEVELOPMENT OF CASH.LIFE SHARES

Initially, cash.life shares fell from EUR 29.00 at the beginning of the year to a year-low of EUR 21.22 on 9 March. This development was followed by a rise to the year-high of EUR 38.00 in July. At the end of the year, the share price consolidated and closed at EUR 29.00 on 30 December. This corresponds to a change of +/- EUR 0 for the year, without adjusting for the dividend of EUR 1.00 paid in the last financial year for 2004 (A).

PERFORMANCE OF CASH.LIFE SHARES IN 2005



Share in cash.life opened and closed at EUR 29.00 in 2005. The high for the year was EUR 38.00, and the low for the year was EUR 21.22.

Source: Deutsche Börse AG

DEVELOPMENT OF TRADING VOLUME

Our average trading volume benefited greatly from the increase in our free float: whereas the average daily trading volume amounted to EUR 13,019.63 in June 2005, it reached EUR 558,512.76 in September, one month after the share placement. This corresponds to more than a forty-fold increase. In 2005, the month with the strongest trading volume was August, when the placement occurred; in this month, the daily average trading volume amounted to EUR 1,311,886.29. The daily average trading volume for the months August through December amounted to EUR 545,028.36.

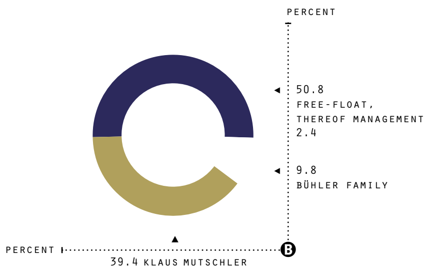
MOVE TO THE PRIME STANDARD

In May, we applied to move from the General Standard to the Prime Standard, which Deutsche Börse approved, effective from 27 May 2005. This provided greater transparency for our shareholders. With the move, we are obligated to report on a quarterly basis and to publish our reports and ad-hoc releases in English. At the same time, this change was a prerequisite for acceptance into the SDAX. We have set our acceptance to this index as a clear goal. This is a decisive step on the path to increasing public awareness about cash.life AG and to inform consumers about the option of selling their insurance policies.

FREE FLOAT INCREASES IN THE CONTEXT OF A SECONDARY PLACEMENT

In August 2005, we increased our free float from 1.5% to 50.8% in the context of a secondary placement (according to the definition of Deutsche Börse). We organised a roadshow to present our business model to institutional investors in Europe. The shares for the placement originated from the holdings of our founding shareholders, Klaus Mutschler and the Bühler family. These shareholders contracted Berenberg Bank based in Hamburg as the sole lead manager and HSBC Trinkaus & Burkhardt (Düsseldorf) as co-manager for the share placement. Demand for the shares was considerable. As the banks closed the subscription book on 19 August 2005, the issue was seven times oversubscribed. The shares were allocated on 22 August at a price of EUR 27.50 and were thus at the upper end of the bookbuilding range of EUR 24.50 to EUR 27.50. With the share placement, we were able to significantly increase the profile of cash.life shares and our business model and thus successfully forge new channels of communication.

SHAREHOLDER STRUCTURE
AS OF DECEMBER 31, 2005



In 2005, cash.life AG became a truly publicly-owned company: We increased our free-float from 1.8% to 50.8%.

Source: cash.life

SHAREHOLDER STRUCTURE

The share placement in August has permanently changed our shareholder structure (B). According to Deutsche Börse's definition, 50.8% of our shares belong to the free float. Of this amount, 2.4% are held by management. The former shareholders hold a joint stake of 49.2% in cash.life AG; of this amount, 39.4% are held by ALTAM Holding AG (Klaus Mutschler) and 9.8% are held by GAB GmbH (Bühler family).

Shareholders with a stake greater than 5% of the share capital are required to make a corresponding disclosure to the company in accordance with section 25 of the Securities Trading Law (WpHG). In 2005, we received three such disclosures, which we published immediately:

Date of disclosure	Company	Share of voting rights
12 October 2005	Fidelity International Limited	5.02%
8 November 2005	DWS Investment GmbH	5.47%
24 November 2005	M&G Investment Management Limited	5.02%

INVESTOR RELATIONS

With the increase in our free float, we forged a new communication platform. We used the theme of »cash.life shares« to address new target groups. The attention that this has generated for the company has strengthened our core business. The success is measurable: Since the share placement was announced, some 30% of the publications in which we are mentioned have chosen to focus on cash.life AG from the standpoint of the capital markets. We intend to further intensify this work with the media.

We inform investors and analysts on a regular basis through roadshows, one-on-one meetings and investor presentations. In the second half of 2005, which was marked by the increase in our free float, we conducted some 150 one-on-one meetings with investors. We were also represented with presentations at five investor conferences in the second half of 2005. In addition to two internal bank events, we had the following meetings:

Date	Event	Location
24 August 2005	Kirchhoff Small- and MidCap Conference	Zürich
29 August 2005	SCC Small Cap Conference	Frankfurt
22 November 2005	German Equity Forum	Frankfurt

Furthermore, we are also available for question and answer sessions with investors and analysts through teleconferences on the day our annual report or interim reports are published. In 2005, we conducted three teleconferences:

Date	Occasion
12 August 2005	Publication of the interim report as of 30 June 2005
19 October 2005	Decision by the German Federal Court on the replacement of invalid clauses in the general terms and conditions of the capital-building endowment policy in the trustee procedure according to section 172 of the Law on Insurance Policies (VVG).
15 November 2005	Publication of the interim report as of 30 September 2005

The teleconference on 15 November 2005 was recorded for the first time and could be replayed on our website. We hope to continue this practice as long as the conferences continue to be of interest to the general public.

RESEARCH

In 2005, three banks published regular analyses and estimates for cash.life AG. We are confident that additional banks will publish reports in 2006. We have summarised the ratings of the analysts for cash.life AG in the following table (as of 31 December 2005):

Report date	Bank	Rating	Target price
7 November 2005	Berenberg Bank	Neutral	EUR 32.00
6 November 2005	Commerzbank	Buy	EUR 40.00
23 September 2005	HSBC Trinkaus & Burkhardt	Neutral	EUR 33.00

DESIGNATED SPONSORING

Companies in the Prime Standard are required to name at least two banks as their designated sponsor. The designated sponsor ensures bid and ask prices are available on the stock exchange, which serves to increase the share's liquidity. cash.life AG has contracted the following banks to be its designated sponsor:

› Bayerische Landesbank, Munich
› Berenberg Bank, Hamburg

AD-HOC RELEASES

In 2005, we published eight ad-hoc announcements:

Date	Occasion
1 February 2005	Supply of a new life insurance fund
1 February 2005	Preliminary results for the 2004 financial year
12 April 2005	Preliminary results for Q1 2005
27 May 2005	Admission to Prime Standard
5 August 2005	Acquisition of Barwert GmbH
11 August 2005	Half-year results as of 30 June 2005
22 August 2005	Increase of free float
15 November 2005	Preliminary results for Q3 2005

BASIC SHARE INFORMATION

The basic information on cash.life shares in the 2005 financial year:

Ticker:	SGS.ETR
WKN:	500 910
ISIN:	DE 000 500 9104
Type:	individual ordinary shares
Nominal value:	EUR 1.00
Subscribed capital:	EUR 7,800,000.00

Exchanges

Regulated market/ Prime Standard:	Berlin-Bremen, Frankfurt am Main, Hanover, XETRA
Regulated unofficial market:	Hamburg, Munich, Stuttgart

Performance:

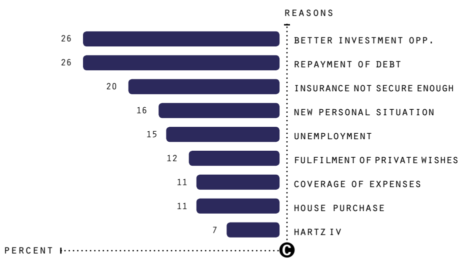
Opening price 2005	EUR 29.00
Closing price 2005	EUR 29.00
Performance	+/- 0%
Year high	EUR 38.00 (6 July 2005)
Year low	EUR 21.22 (9 March 2005)
Market capitalisation	EUR 226.2 million (30 December 2005)
Daily trading volume	EUR 473,047.98 (average in 2nd half of 2005)

Marcus Simon pictured in the »Hofgarten«, Munich at the end of February 2006.

Dr. Marcus Simon
has been a member of the Management Board of cash.life AG since February 2001 and is responsible for financial affairs and controlling. Before joining cash.life he worked in the field of risk management as the European business leader at the Marsh Group, the largest insurance broker in the world. There he established the field of risk consulting for the German market. Marcus Simon is a chemist and is married and has two children.

win.win – everyone can benefit from cash.life

REASONS FOR ENCASHMENT OF LIFE INSURANCE POLICIES



A better use of funds and the repayment of debt are the main reasons for the early termination of life insurance policies.

Source: Allensbach-Insitut
Multiple sources could be cited

POLICY SOLD YET STILL INSURED – ADVANTAGES FOR OUR CUSTOMERS

Individuals who conclude a life insurance contract today are bound for the next 30 years. This is the average duration of a German life insurance policy. A lot can change over the course of three decades. This is the reason that more than one in two life insurance policies are terminated early – whether due to better investment opportunities that arise, the need for cash for a large purchase, or to pay off debt (C).

With an early termination, the insured individuals not only lose money, but also life insurance coverage. Seven percent of the population is aware of a better alternative. We are lobbying to increase this number.

For our customers, the sale of their policy to cash.life pays out in hard cash; typically, our customers received up to seven percent more than their life insurance company is willing to pay. This is a clear advantage that adds up: Until now, we have paid out a surplus of more than EUR 70 million to insured individuals.

With the purchase price, we enable the seller to participate in the profits of tomorrow today. Initially, newly insured individuals are burdened with the costs of sales and policy management, otherwise known as transaction fees. These costs must be paid off over the course of the coming months and years with the insured's premiums. This lowers the return on investment. Thus, it generally follows that the longer the policy is held, the higher the balance which can accrue interest. We purchase policies in the second half of their term and typically maintain them until termination. Only those who maintain their contract until termination receive what is called the terminal bonus. Through the purchase price, our customers are able to participate in the terminal bonus at the time we purchase their policies.

In addition to the financial value added, the seller typically retains life insurance protection even after his policy has been sold. This means that should the insured pass away before the end of the policy's term, we will pay the death benefit less all costs to the beneficiaries.

Selling one's endowment policy is also wise from a tax perspective: If the contract is less than 12 years old, capital gains tax and the solidarity supplement must be paid. For insured individuals, this means that the surrender value will be further reduced. In contrast, selling an endowment policy is tax-free for the seller, because the tax burden is transferred to cash.life.

COOPERATING WITH CASH.LIFE PAYS OFF – ADVANTAGES FOR THE AGENTS

Not all customers approach us directly – many of them make use of their insurance agents. Many brokers, banks and savings banks are familiar with cash.life and point out the better alternative to encashment to their clients. Indeed, agents are required to adhere to the »principle of best advice«. The result: We receive nearly half of our policies from these agents.

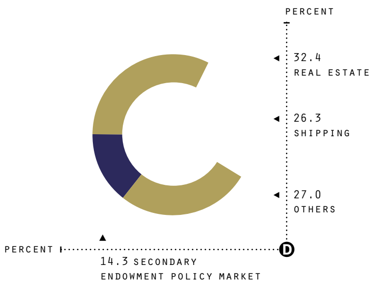
Our agents themselves benefit from providing good counselling to their customers: they receive a commission for every policy successfully referred to us. Furthermore, the agent's policies under management, which form the basis for calculating his policy service commission and pension assurance claims, remain stable. Selling endowment policies creates new liquidity – a good approach for new business. Surprisingly enough, 26% of all policies are terminated in order to change into higher yielding investments.

We cooperate with over 8,000 agents, and this figure is increasing. Through the purchase of Barwert GmbH in 2005, we have further strengthened our agent network; we have gained some 1,000 new contacts, primarily in northern Germany. This large network of contacts is a major factor in our success. We continue to expand our network, and we are the only purchaser of policies in Germany to offer our partners on-site service by ten qualified bank and insurance specialists.

We continue to demonstrate our presence at trade fairs and broker roadshows. In 2005, we organised three roadshows in some 30 cities with a total of 1,000 guests. Furthermore, we provided information on cash.life at ten trade fairs, where the total number of visitors far exceeded 20,000.

Cooperation with cash.life is simple; all we require is a power of attorney and some basic information about the policy, and we take care of the rest. We understand that generating business once requires a good idea; however, maintaining that business requires good service, and that is exactly what cash.life provides.

BREAK-DOWN OF CLOSED-END FUNDS PER ASSET CLASS (NEW BUSINESS 2005)



Secondary endowment policy funds are the third most important fund segment in Germany.

Source: Scope

GOOD YIELD OPPORTUNITIES ALONGSIDE MAXIMUM SECURITY – ADVANTAGES FOR FUNDS

Secondary endowment policies provide an attractive risk/return profile. This is attractive for fund initiators, who have been offering closed-end funds in this investment class since 2003. The right mixture of yield opportunity and security has bestowed the German secondary market for life insurance funds with a glistening start. In 2003, EUR 127.1 million in equity poured into this fund segment, and this figure rose to EUR 174.2 million in 2004, an increase of 37.1%. In 2005, placements amounted to EUR 140.0 million. The decline is due to the fact that the demand for policies is higher than our purchasing volume, which requires that we supply existing funds before new ones can be initiated.

Secondary endowment policy funds are now an inextricable part of the closed-end fund business. In terms of new business, life insurance policy funds are ranked third, following real estate funds and shipping funds (D).

There are significant differences between the individual fund models, due to the fact that the assets on which they are based are so varied: German, British and American life insurance policies differ in terms of yield and their risk profile. German life insurance policies provide the greatest degree of security, due to their guaranteed rate of interest and strict investment criteria. Although the guaranteed rate of interest for new policies is currently 2.75%, it is particularly attractive that past policies have guaranteed rates of up to four percent. In the fund portfolio, the guaranteed rate of interest averages 3.5%. This is a good deal for the investor, and it does not even include the ongoing and terminal bonuses. The funds are optimised for their yield. This means that in order to increase the yield for fund subscribers, the funds receive additional financing through bank loans. Typically, each euro of equity provided by the fund subscriber is matched by one to two euros of debt. As a result, the returns forecasted by the funds' initiators amount to between six and eight percent.

Until now, our partners, MPC Capital AG (Hamburg) and König & Cie. (also in Hamburg) have issued ten life insurance policy investment funds with a total investment volume of EUR 1,250.7 million, which we supply with German secondary endowment policies. In return for this service, we receive compensation. The funds benefit from our broad market access, as we are in the position of acquiring large numbers of policies. Thanks to our trading portfolio, we are able to react quickly to demand without a waiting period. The fund initiators establish which of our funds they will purchase before the funds are marketed, and they select the appropriate contracts from our policy portfolio. Following their sale, we continue to manage the policies on behalf of the fund. The rating agency Scope has confirmed the high quality of our processes; in 2005, cash.life AG was awarded the best rating, AAA, for the second time in a row, and it is the only secondary endowment policy company to have received this designation.

We have supplemented our closed-end funds by issuing an open-end fund. As such, this provides us with an additional sales channel which is available at will. Additional information on open-end funds can be found on page 57.

LOWER TERMINATION RATES, SATISFIED CUSTOMERS – ADVANTAGES FOR INSURANCE COMPANIES

The secondary endowment policy market lowers the termination rates for insurance companies because the policies are maintained after they have been sold. Termination rates are typically used to gauge customer satisfaction, which is an important attribute amongst the competition and thus provides a strong argument in the fight for new business.

The secondary endowment policy market provides a favourable cost allocation for insurers. By avoiding encashment, the insurer retains its assets under management, which it uses to generate its earnings. Since every policy is a cost centre, overhead costs can be split among more policies, thereby reducing the per-policy costs. Taken together, both of these effects provide a cost advantage to the insurer.

A favourable relationship between new business and the termination rate improves the market position of the insurer. Whenever two insurance companies acquire the same amount of new business, the insurer with the lowest termination rate wins the most market share. In contrast, a company with a higher termination rate must replace its lost business with new business, which makes it more difficult to achieve real growth. Acquiring new customers is more expensive than maintaining the current portfolio. As a result, a lower termination rate leads to lower sales costs.

For each retained policy, additional premiums flow into the insurance company's capital investment. The profits from the remaining term of a policy, referred to by economists as the »embedded value«, are typically higher than the short-term profit earned by the insurer through the retention of encashment fees.

From a sales perspective, one clear advantage is that the portfolio commission is still paid and the pension assurance claims based on the amount in the portfolio are maintained. In light of the important role that sales organisations play for the insurer, their satisfaction is an important trump card in the competition for new customers.

The sale of one's insurance policy is a well thought-out alternative to encashment, because the customer receives more money and maintains life insurance coverage. An insurer that points out this opportunity increases the level of customer satisfaction. These are all reasons that underscore why we are such a good partner for insurance companies.

Management Report on the position of the Company and Group
for the 2005 financial year

CASH.LIFE AG

Business fields and organisational structure

cash.life Group and cash.life AG are only engaged in one business field: the purchase and sale of life insurance policies and their management. Because there are no additional business fields, we have abstained from segmental reporting. Detailed information on cash.life AG and its holdings can be found under »Our Services« on page 42.

cash.life AG

From an organisational standpoint, cash.life AG is divided into four departments and five staff functions. Each department is headed by one departmental head, who reports to the Management Board. The staff departments report directly to the responsible Management Board member. Details on the responsibilities can be found on page 133 of the annual report.

Barwert Europäische Versicherungsvermittlungs GmbH

Referred to as Barwert GmbH in the following. Barwert GmbH operates as an independent company under its own brand and is headed by the managing director, Klaus Secker. In the course of cash.life AG's acquisition of Barwert GmbH, the management remained unchanged. The company is divided into three departments:

› Customer Service
› Key Account Service for Banks
› Bid Pricing and Policy Sales

cash.life Premium Policies SICAV

cash.life Premium Policies SICAV is an open-end fund based in Luxembourg, which we have initiated as an additional sales channel for our policies. Due to high demand for policies by closed-end funds, we have not yet actively engaged in marketing it. However, the fund is readily available should we need it.

Deborah 2000 Vermögensverwaltungs GmbH

This is an inventory company without active business.

Legal Group structure

As of 31 December 2005, cash.life AG maintained three holdings:

- › 100% stake in BARWERT Europäische Versicherungsvermittlungs GmbH, Ahrensburg
- › 75% stake in cash.life Premium Policies SICAV, Luxembourg
- › 100% stake in Deborah 2000 Vermögensverwaltungs GmbH, Stuttgart

The holdings have been consolidated as follows:

Holding	Type of consolidation
BARWERT Europäische Versicherungsvermittlungs GmbH	full consolidation
cash.life Premium Policies SICAV	allocated to financial assets; no consolidation
Deborah 2000 Vermögensverwaltungs GmbH	allocated to financial assets; no consolidation

Locations

cash.life AG

The address of cash.life AG is:

cash.life AG
Zugspitzstraße 3, 82049 Pullach, Germany
Telephone: +49 . 89 . 286 953-11
Facsimile: +49 . 89 . 286 953-36
office@cashlife.de
www.cashlife.de

Barwert GmbH

The address of Barwert GmbH is:

BARWERT Europäische Versicherungsvermittlungs GmbH
Große Straße 41, 22926 Ahrensburg, Germany
Telephone: +49 . 4 102 . 695 000
Facsimile: +49 . 4 102 . 6 950 020
info@barwert.de
www.barwert.de

cash.life Premium Policies SICAV
The company's address is:
cash.life Premium Policies SICAV
2, Boulevard Konrad Adenauer, 1115 Luxembourg, Luxembourg

Deborah 2000 Vermögensverwaltungs GmbH
The address of Deborah 2000 is:
Deborah 2000 Vermögensverwaltungs GmbH
Zugspitzstraße 3, 82049 Pullach, Germany

Our services

cash.life AG purchases, sells and manages life insurance policies. Since our company was founded in 1999, we have initiated the secondary market for German life insurance policies and have since become the clear market leader in a market characterised by high growth rates.

Customers interested in the early termination of their life insurance policy can sell it to us as an alternative to encashment. The advantages are obvious:

› cash.life always pays more than the insurance company.
› death protection insurance coverage remains.
› for policies in existence for less than 12 years, capital gains tax and the solidarity supplement must be paid. In contrast, the sale of the policy is tax-free, because the tax burden is transferred to cash.life AG as the purchaser.

Initially, all policies are purchased for our own account. This »policy portfolio« is referred to as the trading portfolio. Finally, we re-sell the policies to investors, such as closed-end funds. We typically assume responsibility for the further management of the policies for these investors after we have sold them. The policies we manage for third parties are referred to as policies owned by third parties.

SOURCES OF REVENUE

cash.life Group revenues (E) comprise the following items:

- › revenue from the re-sale of policies
- › revenue from policy management
- › commission revenue from the referral of policies
- › other operating income

Gross profit also includes the appreciation of the insurance policies in our trading portfolio. However, we do not recognise this item as revenue.

We manage the policies for closed-end funds over the entire term of the fund, which usually amounts to 15 years. This provides us with stable and calculable long-term income which is independent of the capital markets. Our goal of covering our entire fixed costs with our revenue from policy management was achieved as early as the third quarter of 2005. For our shareholders, this means a high degree of income stability.

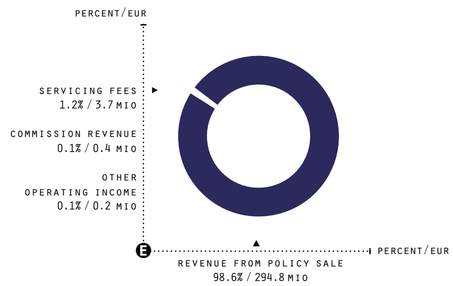
Revenue from the re-sale of policies

When we re-sell policies, we receive a mark-up on the surrender value of the life insurance policy from investors such as closed-end funds. The sale always occurs in tranches. Distortions can therefore arise when viewing our revenues and trading portfolio from a quarterly perspective. It may occur that policies which have not yet been sold could accumulate in one quarter, and/or that a policy tranche has been sold for which policies had already been aggregated in the previous quarter.

Revenue from policy management

We receive a servicing fee for policy management. This fee amounts to 0.4 to 0.5% per year of the surrender value of the policies under management. The fee is collected for the total term of the fund, which typically amounts to 15 years. Because the policies appreciate in value, revenue from policy management increases even when the number of policies remains unchanged. In addition to the guaranteed rate of interest and the yearly surplus allocation, the change in value is also due to the fact that the funds continue to make contributions to the policies, which appreciates their value. The new policies sold to funds also make a contribution. Those policies which reach the end of their term and thus drop out of the portfolio are deducted.

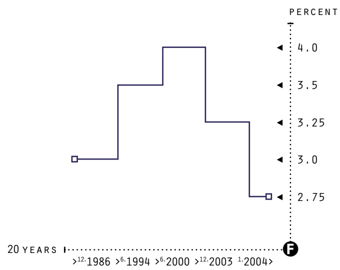
SOURCES OF REVENUE FOR THE CASH.LIFE GROUP



Our core business, the sale of endowment policies, dominated revenues of EUR 299.1 million in 2005 with a share of 98.6%.

Source: cash.life

GUARANTEED RATE OF INTEREST FOR LIFE INSURANCE POLICIES



The guaranteed interest rate on life insurance policies has fluctuated between 2.75% and 4.0% over the last 20 years (1986–2006).

Source: cash.life

Our portfolio under management has increased considerably due to the appreciation in value of existing policies and the new contracts sold to funds. The secure earnings from policy management will therefore continue to increase strongly and will considerably exceed our total fixed costs based on our forecast for 2006.

Commission revenue from the referral of policies

Our subsidiary, Barwert GmbH, does not maintain its own trading portfolio; rather, it acts as an intermediary between insured individuals interested in selling their policies, and investors. Barwert GmbH receives a commission for the successful referral of policies to investors.

Interest rate margin of the trading portfolio

The policies in our trading portfolio are appreciating. They are refinanced through bank loans. The appreciation exceeds the interest on the loans, so the margin is equivalent to the difference between the two.

Our plans are to maintain a trading portfolio with a volume of EUR 150 to 250 million. The income derived from this source should therefore remain relatively constant.

The policies in our trading portfolio can only appreciate in value and will never depreciate. The reason for this is the guaranteed interest rate of the policy, which the insurance company credits over the entire term of the life insurance policy. The new issuance of a contract in 2005 provided a guaranteed interest rate (F) of 2.75% per year. In the past, this rate has been as high as 4.0%. Due to the fact that we only purchase contracts that have a large portion of their term behind them, we are able to benefit from the high interest rate guarantees of the past. In addition to the guaranteed interest rate, insurance companies allocate a share of the surplus each year to the policy; the amount of the surplus depends among other things on the investment performance of the insurer. Policies that remain in our trading portfolio until the end of their term also receive the terminal bonus, which further increases the yield.

The business model in detail

We cover the entire value chain of the secondary endowment policy market: valuation, purchase, sale and management of policies.

Policy valuation

As with other companies, cash.life's earnings are determined by its purchasing. For this reason, a precise valuation of the policies on offer is crucial. Even for a single insurance company, significant differences can exist in terms of policy appreciation, depending on the type of plan underlying the policy. We conduct a thorough rating in order to identify those policies which promise the highest and most stable future yields. We have developed this rating process in cooperation with the Institut für Finanz- und Aktuarwissenschaften (Institute for Finance and Actuarial Theory), Ulm, as well as the rating agency, Assekurata, Cologne. The rating is updated on a quarterly basis. We also analyse insurers that are not listed on the capital markets. In this case, the rating is based on experience with yield progressions from over 2,000 insurance plans.

We analyse the insurance companies based on well over 100 key figures in order to gain information on earnings strength and stability. We publish the insurance companies from whom we prefer to purchase our policies on our positive list. As of 31 December 2005, 47 companies were on this list. The insurance companies on our positive list comprise some 85% of the market share in Germany.

Purchasing policies

In order to make our customers an offer, the policy must fulfil the following basic characteristics:

› the surrender value must amount to at least EUR 5,000.
› the remaining term of the policy must not exceed 15 years.
› the insurance company must be on our positive list.
› the policy must be a capital-forming endowment or pension assurance policy.

We obtain our policies from two sources:

› from insured individuals who approach us directly
› from brokers such as insurance agents, banks and savings banks, insolvency administrators, etc.

Roughly half of our policy purchases are derived from each of these two channels. The importance of the broker business is increasing. Initially, all policies are purchased for our own account in our trading portfolio. This means that our customers conclude their contracts with cash.life AG and can thus have faith in our good credit rating.

Selling policies
Following the purchase of our policies, we optimise them in such ways as converting to a yearly premium payment and terminating supplementary policies which burden the yield.

We then bundle the policies into portfolios, which we offer to investors such as closed-end funds. These portfolios are constructed according to the specifications of the investor. Such specifications involve:

› insurance companies and rates when applicable
› the size of the policies
› the remaining term of the policies

The investment funds make a final investment decision following an exhaustive review of the individual policies.

Policy management
We continue to manage the policies after we have sold them to the investment funds, and we assume a service function; the funds contract us to regularly collect surrender values, to conduct correspondence with the insurance companies, to control flow performance, to organise premium payments and to assume responsibility for processing in the event an insured individual passes away. In addition to German life insurance policies, we started managing British policies in 2005.

Markets and competitive position

Through cash.life AG, the cash.life Group only purchases German capital-forming endowment and pension policies and is the distinct market leader in the German secondary endowment policy market. In the 2005 financial year, cash.life AG began managing British policies in addition to the management of German life insurance policies.

Germany

We initiated the German secondary endowment policy market in 1999.

cash.life AG leads the German market by a large margin. An exact market share determination is difficult to make, given that our competitors do no publish audited results. Our estimates on the total volume of the German secondary endowment policy market can be found on page 64.

Our competitors are primarily agents who do not purchase policies on their own but instead receive a commission for matching up buyers and sellers. Insured individuals should take a close look at the companies behind the purchase price being offered. Some purchase prices are not paid immediately, but are spread over several instalments or several years. The continuation of life insurance coverage is also not guaranteed by all competitors.

Great Britain

Although we do not currently purchase British policies, cash.life AG manages UK policies for the »Britische Leben plus« fund of our partner, MPC Capital AG. Sales of »Britische Leben plus« began in October 2005. The fund has a prospective total investment volume of 48.1 million British pounds (around EUR 69.9 million). We receive a fee of 0.4% on the managed surrender values.

Legal factors

The opportunities and risks of our business model depend on external factors. We have listed those factors which could be relevant to our business below.

Legal changes affecting the new sale of life insurance and pension assurance policies (short- and medium-term consequences: none)

We purchase policies which are in their second phase of maturity. The average life insurance policy has an average term of 27.5 years. This results in a high degree of security in forecasting our policy purchases over the next 10 to 15 years.

The new German Income Retirement Act came into effect as of 1 January 2005. This law changed the tax privileges for life insurance policies: Whereas the income from life insurance policies was previously tax free after 12 years, such income is now subject to the half-income taxation method. This led to a boom in new business for life insurance in 2004, which led to the decline in 2005 when compared to the record levels of the prior year. Nevertheless, we expect that demand for life insurance and pension assurance policies will continue, underscored by the guaranteed interest rate and preferential tax treatment compared to other products. This is especially true given the increasing need for a private pension to supplement one's state pension, in light of the state's empty coffers.

Legal changes affecting the sale of closed-end funds (consequences: minimal)
The taxation of closed-end funds changed as of 1 January 2006. Losses from one fund can extensively no longer be used to offset other forms of income in order to reduce the tax burden. This is meant to stop the construction of funds solely for tax purposes. This change only has limited consequences for life insurance funds, due to the fact that losses in these funds only occur in the early years of the term, when the funds' costs are not offset by profit distributions. We expect a modest reduction in yields for secondary endowment policy funds due to this legal change. However, when viewed in relation to other classes of investments, life insurance funds are highly attractive. The demand by fund initiators for secondary endowment policies remains high.

Introduction of a duty to inform for insurance companies
in the secondary endowment policy market (consequences: considerable)
Since 2002, life insurance companies in Great Britain have been obligated to inform customers intending to terminate their policy about the option of selling it on the secondary endowment policy market. This duty to inform has strongly driven public awareness of the alternative to encashment; until now, only 25% of British citizens were familiar with the secondary endowment policy market, whereas today, this figure amounts to 85%.

We support the efforts of the BVZL in introducing such a duty to inform in the German Law on Insurance Contracts (VVG) as well. The VVG is currently being amended. Consumers willing to terminate their policies would benefit if their insurance companies informed them of the lucrative alternative of selling their policy. The German Federal Constitutional Court has urged lawmakers to reform the VVG by the end of 2007 and to implement the amended version at the beginning of 2008. Should the amended law include a duty to inform, this would provide an enormous growth spurt for the secondary endowment policy market.

Economic factors

In addition to external legal factors, economic factors are also important for our business:

Surplus allocations by the life insurance company (consequences: medium)
Insurance companies are obligated to pass on at least 90% of their earnings to their customers. The higher the earnings, the higher the surplus the customer receives in addition to the guaranteed interest rate. Whereas the guaranteed interest rate is fixed, the surplus is variable.

The level of surplus allocations has an effect on our three sources of income:

- Interest rate margin of the trading portfolio: the higher the surplus allocation, the higher our margin is – assuming that refinancing terms remain unchanged.
- revenue from the re-sale of policies: the higher the yield on the secondary endowment policy market, the greater the demand from investors and therefore also from fund initiators.
- Revenue from policy management: Our administrative fee is calculated based on surrender values. The more the policies appreciate due to surplus allocations, the more our administrative fees grow.

Overall interest rate level (consequences: medium)
Insurance companies invest a large portion of their assets in fixed income securities. The higher the interest rates on the capital markets, the more the insurance companies benefit. As such, the interest rate has an impact on the level of insurance companies-surpluses.

When the overall level of interest rates increases, our refinancing costs do too. Without taking countermeasures, the interest rate margin in our trading portfolio would decline because the insurance companies would allow their customers to share in the surplus from interest rate profits with an estimated time delay of between 12 and 36 months.

For this reason, we have hedged the interest costs for our loans margin until 2010 using derivatives. Thanks to this hedging strategy, our refinancing costs cannot exceed a certain cap level.

We can never encounter a negative margin in our trading portfolio, even without hedging, because we are continuously monitoring and optimising our portfolio. In the event that the refinancing rates are above the yields on the policies, we could sell or terminate the loss-making policies.

General economic conditions (economic growth, unemployment)
(Consequences: minimal)
General economic conditions have an indirect influence on the secondary endowment policy market; stagnant or sinking real wages and higher unemployment may cause consumers to require greater liquidity, which they could obtain through the termination of their life insurance policy or through the sale of their policy on the secondary endowment policy market. A survey commissioned by cash.life AG in November 2004 and conducted by the Institute for Public Opinion in Allensbach revealed that unemployment and the Hartz IV reforms have caused 20% of customers to discontinue their life insurance policies. However, the reasons for termination are far more varied and cannot be tied to one single instance of economic hardship. The results of the survey can be found on page 32. As such, the impact of the overall economic environment can be classified as minimal.

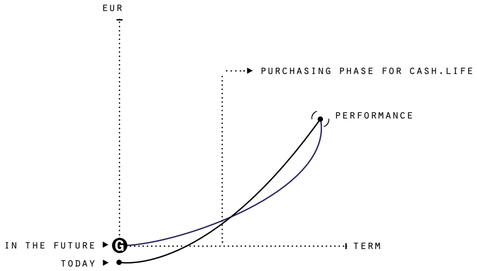
Changes in surrender values (consequences: minimal in the case
of early termination, considerable in the case of late termination)
In the event that an insurance company increases the surrender value in the initial years of a policy, this would not negatively impact our business, because we would not purchase the policy. An increase in surrender values in the case of late termination would lead to higher purchase prices for us. Based on a constant value at maturity, this would either result in lower margins or lead to lower yields for investors in the secondary endowment policy market, which would lower demand.

The trend is towards increasing the surrender values for early termination. This was also specified in a decision by the German Federal Court (BGH) in October 2005. In order to pay for higher surrender values for early termination, it is expected that insurance companies will lean towards reducing the surrender values for late termination (G). Over the past few years, the terminal bonus has become increasingly important for the overall yield of a policy. We expect this trend to continue.

We therefore expect a positive effect from the BGH judgment for cash.life:

› in future, policies will reach our minimum surrender value of EUR 5,000 earlier, which increases our market potential.
› in order to compensate for rising costs for early termination, the surrender values for late termination should fall, which will lead to lower purchasing prices for us. Lower purchasing prices also ensure that formerly unprofitable policies will meet our yield requirements in the future and will thus increase our market potential.
› the judgement supports transparency and consumer protection, which the BVZL supports through its attempts to achieve a legal duty to inform customers about the secondary endowment policy market.

PERFORMANCE OF LIFE INSURANCE POLICIES



In future, policies will reach our minimum repurchase value of EUR 5,000 at an earlier stage. This enhances our market potential.

Source: cash.life

CORPORATE MANAGEMENT, GOALS AND STRATEGY

The Supervisory Board

The Supervisory Board of cash.life AG comprises three members:

› Gerd A. Bühler (Chairman)
Lawyer, tax accountant
› Klaus Mutschler (Vice-Chairman)
Graduate in business management
› Ralf Brammer
Chief Financial Officer, AWD Holding AG

The Supervisory Board members are elected by a simple majority of the shareholders at the Annual Shareholders' Meeting for a term of four years. Their terms in office end at different times in order to cope with the requirements of change in a more efficient manner.

The two founders, Klaus Mutschler and Gerd A. Bühler, thus represent cash.life AG on the Supervisory Board. Both men held shares in the company as of the balance sheet date (details on the shareholder structure of cash.life AG can be found on page 26). Ralf Brammer, Chief Financial Officer of AWD Holding AG, does belong to the group of shareholders. Details on the other mandates of the Supervisory Board members can be found on page 133 of this annual report.

The Management Board

The Management Board of cash.life AG comprises three people:

› Dr. Stefan Kleine-Depenbrock (Chairman)
Born in 1967, Graduate in business management
Chairman of the Board of Management of cash.life AG since 1 October 2004.
Appointed until 30 September 2009.

› Ulrich T. Grabowski
Born in 1960, Graduate in business management/computer science (VWA)
Member of the Board of Management of cash.life AG since 1 December 2005.
Appointed until 30 November 2010.

› Dr. Marcus Simon
Born in 1964, Graduate in chemistry
Member of the Board of Management of cash.life AG since 1 February 2001.
Appointed until 28 July 2007.

The responsibilities of the Management Board are specified in the business allocation plan.

Lutz Schroeder resigned from the Management Board of cash.life AG effective from 31 October 2005. He was the Board Member responsible for sales at cash.life AG for over five years. The Supervisory and Management Boards thanked him for his successful work and performance in building up the company. The three members of the Management Board hold 2.4% of the share capital of cash.life AG.

Management and monitoring of cash.life AG

The Annual Shareholders' Meeting elects the Supervisory Board. The Supervisory Board decides on the appointment of the Management Board, which it consults and monitors. The company goals for cash.life Group and cash.life AG are determined by the Management Board with the approval of the Supervisory Board.

The Management Board is subject to the rules of internal procedure and a business allocation plan. The rules of internal procedure regulate the cooperation within the Management Board, whereas the business allocation plan determines the responsibilities of the members. The responsibilities of the Management Board can be found on page 133.

The Management Board engages in ongoing discussion and meets several times per month for formal Management Board meetings. Topics of discussion include important events at the respective organisational units, the business development at the company, multi-disciplinary topics, current appointments as well as the preparation for Supervisory Board meetings.

The management and monitoring of participations is the responsibility of the respective members of management. Participations are allocated to the members of the Management Board of cash.life AG according to the business allocation plan. The targets for the participations are conceived by the management and the cash.life Management Board. The management and monitoring of the individual departments are initially the responsibility of the department heads. Regularly scheduled department head meetings with the participation of the Management Board encourage mutual exchange both between department heads and with the Management Board.

We have provided information about our management and control mechanisms in the chapter, »Internal Company Monitoring System«. Whereas monitoring functions after the fact, risk management is designed to prevent risks. Additional information about our risk management can be found in the risk report starting on page 80.

Internal company monitoring system

A clearly defined goal forms the foundation of company monitoring. We have prepared a business plan for this purpose, which is updated at least quarterly.

We maintain current and relevant key figures at all times in order to measure the success of our projects and processes. Using our reporting system, we distinguish between figures used for the balance sheet and income statement, and process-related figures, which provide information on productivity and on the efficiency of individual sales measures.

Our reporting system compares the actual data with the budgeted figures from our business plan. We use the figures to map the partial stages of our handling processes in chronological order. We aggregate these into monthly reports, which are also provided to the Supervisory Board, and we summarise the key points into what we refer to as a »cockpit report«.

We use our figures to classify our customers and sales partners, from whom we acquire policies, into segments. In this way, we are able to focus on the best way to approach and care for our customers. Furthermore, this enables us to determine the effectiveness and economic feasibility of individual marketing measures.

We provide incentives to our employees through variable compensation elements, which comprise a particularly large share of total compensation in the sales division. The level of variable compensation is determined by reaching individual goals and is dependent on the financial success of cash.life AG. Furthermore, the Management Board is able to participate indirectly in the success of the company through company shares. At present, we have not implemented any stock option programs. Details on the compensation of the Management Board can be found on page 133 of the annual report.

Financial targets

The core of our business is the purchase of life insurance policies. All of our sources of income are based on these policies. Purchasing volume and earnings after taxes (net income) are the most important components of control.

The other key financial figures which we consider are derived from the balance sheet and income statement. Due to the fact that the net income stems from several factors, we are only able to indirectly influence it. Therefore, we consider revenues, margins, costs, and our portfolios for trading and third-party policies to be the decisive influencing factors. Furthermore, we analyse the percentage of our fixed costs covered by revenue from policy management. We expect coverage to far exceed 100% in 2006.

We will announce our targets for purchasing volume and net income for 2006 at our annual press conference. Please refer to our financial calendar on our website for the exact date and location.

Non-financial targets

Aside from financial targets, we have also established targets which cannot be quantified in terms of numbers but which are equally important:

› *Increasing public awareness of cash.life AG and the secondary endowment policy market*

A low familiarity amongst the general public about cash.life AG and the secondary endowment policy market hinders our growth. Because we initiated the secondary endowment policy market in Germany, we have a time advantage over other companies, but we must strive to maintain this time advantage in the future. Therefore, our priority is to increase public awareness about cash.life AG and the secondary endowment policy market.

› *Expansion of our network of free agents*

At present, cash.life AG maintains a network of over 8,000 free agents, including brokers, banks, savings banks and others, from whom it purchases policies. In order to increase our purchasing volume, we are continuously expanding our network. In 2005, we managed to add over 1,000 new agents to our pool.

› *Diversifying the sales channels*

The main purchasers of our policies are the closed-end funds of our partners, MPC Capital AG and König & Cie. We intend to expand our sales basis. We have taken the first steps in this direction with our open-end fund. Due to strong demand for policies from closed-end funds, we wish to develop the alternatives slowly, in order to guarantee the delivery of existing funds.

› *High degree of processing quality and speed*

Our customers are justified in expecting fast and smooth processing. The quality of our processing has been expressed in the analysis by the rating agency Scope, which awarded cash.life AG the best rating, AAA for the second time in a row, making it the only company of the secondary endowment policy market in the world to have received this designation. By further streamlining our settlement processes, we will continue to increase our processing speed considerably in the coming year.

› *High degree of customer satisfaction*

Attracting customers is a question of marketing, but retaining them is a question of service. Customers have three policies on average, and one broker has access to an average portfolio of 1,500 contracts. Often, customers will test our service with one policy and subsequently offer to sell us additional contracts. Customer satisfaction is therefore a prerequisite for turning customers into »repeat offenders«, thereby increase our purchasing volume.

› *Employee satisfaction*

cash.life AG is undergoing dynamic growth, and the pace of growth places high demands on our employees. Motivated and dedicated employees are a necessity in order to offer our customers the highest level of service possible. The satisfaction of our employees is therefore a key concern.

Strategy

Our strategic target is the profitable expansion of the secondary endowment policy market with high profitability. Our strategy involves three elements:

1. Expansion of existing sources of revenue

We intend to expand our total sources of revenue. Their share of total revenue will change in the future based on our forecasts (see details on page 89 of the annual report). The foundation for this change is a further increase in our purchasing volume. We are using the following instruments, among others, to achieve this:

› intensification of existing agent contacts
› new marketing strategies such as TV advertising
› approaching of tied representatives
› institutional co-operation with insurers
› acquisitions and/or participations in the presence of strategic opportunities
› supporting the initiatives of the BVZL, which is striving to introduce a duty to inform for insurance companies in order inform consumers interested in terminating their policies about the secondary endowment policy market.

2. Expansion of our product portfolio

We see ourselves as an innovator with two main assets: significant know-how in the area of life insurance and a closely-connected network of free agents. We intend to utilise these strengths to expand our product offering. Additional information can be found in the chapter, »Continued development of our services«, on page 57.

3. Internationalisation

The secondary endowment policy market in Germany is a growth market. Therefore, our priority is on unfolding the immense potential of the German secondary endowment policy market, which we estimate at between six and seven billion euros per year. When there are opportunities to internationalise our business, we intend to exploit them, as long as doing so provides a sensible complement to our business model and strategy. In this vein, we have been managing a fund with British policies for MPC Capital AG since 2005, which we intend to expand. Furthermore, we intend to initiate a secondary endowment policy market in Austria, where the conditions in the area of life insurance are similar to Germany (more information on page 58).

CONTINUED DEVELOPMENT OF OUR SERVICES

In the seven years of our company's existence, we have developed comprehensive know-how concerning all aspects of life insurance – we are familiar with over 2,000 insurance rates – and we have formed a close-knit agent network. We intend to use these strengths for developing new products as well.

We are continuing to develop our company in three ways:

› We intend to improve our existing services. This will also benefit our customers in the form of more service and faster processing, without sacrificing quality.
› We intend to develop cash.life AG from a single product to a multiple product company.
› We will expand geographically as opportunities arise. We already manage British policies and we are evaluating an expansion into Austria.

In July of last year, we received admission for an open-end fund with the Luxembourg legal form SICAV. This investment fund specifically targets institutional investors who wish to profit from the attractive risk/return profile of the secondary endowment policy market. The fund is permitted to assume debt in order to enhance the yield for investors. Due to the large demand for policies on the part of closed-end funds, we have not yet initiated the marketing of this fund. This provides us with an additional sales channel which is available at will.

We are developing an asset-backed security, which securitises the receivables from the life insurance policies and represents an alternative to closed-end funds because of the ability to refinance a large number of policies at once.

We are preparing additional products in the area of our core competency, life insurance, in order to fulfil our role as an innovator in the future as well.

We are currently in negotiations with the tax authorities in Austria in order to determine the legal and tax requirements for an entry into the Austrian market. Should the result be positive, we can begin straight away, as we have already concluded the preliminary steps, particularly with regard to rating the Austrian insurance companies. At around EUR 600 million per year, we expect the market potential for life insurance policies in Austria which meet our purchasing criteria to be about one-tenth of that in Germany.

CORPORATE RESPONSIBILITY

Corporate governance

The cash.life Group believes it is obligated to ensure the practice of good corporate governance. This is particularly true given that external shareholders held half of our share capital as of 31 December 2005. They are justified in expecting transparency and independence when it comes to managing the company. We have oriented our approach based on the German Corporate Governance Code, which was established by the German Corporate Governance Commission and is updated regularly.

As a young company, we are not yet in full compliance with all of the stipulations and recommendations of the Code. Nevertheless, we are steadily reducing the instances of non-compliance. These efforts are ongoing, and we will comply with the primary requirements of the Code in future through the planned expansion of the Supervisory Board and the establishment of Supervisory Board committees.

Declaration of compliance pursuant to section 161 of the German Stock Corporation Law (AktG).

At least once per year, the Supervisory Board and Management Board of cash.life AG submit a compliance statement for the Code, which is published on our website. This includes a listing of areas of non-compliance with the Code's suggestions and recommendations, along with an explanation. Past declarations of compliance are also available on the internet.

The current declaration is dated 22 September 2005 and refers to the version of the Code dated 2 June 2005, which states: »The Commission of the German Corporate Governance Code (the »Code«) contains essential statutory regulations, recommendations and suggestions for the management and monitoring of German companies listed on the stock exchange. Pursuant to section 161 of the German Stock Corporation Law (AktG), the Management and Supervisory Boards of such companies are required to submit a declaration of compliance which states that the recommendations of the Code have been or will be complied with, along with a listing of those recommendations which are not or which will not be complied with.

The recommendations and suggestions contained in the Code apply to the same extent for all publicly-listed German companies, regardless of their industry, size or other characteristics. cash.life AG complies with the recommendations of the Commission of the German Corporate Governance Code to the extent that non-compliance is not indicated. For this reason, the company publishes a detailed listing of its compliance with the statutory regulations, recommendations and suggestions of the Code on its website. Deviations from the recommendations of the Code exist in the following areas: 2.3.1, 3.8, 4.2.3, 4.2.4, 5.1.2, 5.2, 5.3.1, 5.3.2, 5.4.7, 7.1.2.«

Activities of the Supervisory Board

The Supervisory Board consults the Management Board on the company's management and supervises its activities. In this regard, the Management Board regularly briefs the Supervisory Board in real-time and in a comprehensive manner concerning all important decisions affecting the company.

The report by the Supervisory Board on page 18 of the annual report contains further information on the frequency and content of the Supervisory Board meetings. Aside from the meetings, the Supervisory and Management Boards are in regular contact.

The Supervisory Board is governed by the rules of internal procedure. This requires that the Supervisory Board be oriented toward the recommendations and suggestions of the Code. This includes an age limit for members of the Supervisory Board. Accordingly, the Annual Shareholders-Meeting shall only propose candidates for the Supervisory Board who will not reach the end of their 70th year of life while in office. The Supervisory Board has compiled a catalogue of transactions requiring authorisation, which is part of the rules of internal procedure for the Supervisory and Management Boards. The chairman shall coordinate the activities of the Supervisory Board. The vice-chairman shall maintain the same rights as the chairman in all cases where the vice-chairman is required to act on the chairman's behalf. The use of modern media for meetings and the adoption of resolutions are permitted when determined by the chairman of the Supervisory Board on a case-by-case basis, provided there is no objection by another Supervisory Board member.

The Supervisory Board of cash.life AG deals with all matters jointly; there are no committees. However, a proposal that the Supervisory Board be extended to six members shall be made at the Annual Shareholders' Meeting. We intentionally refrained from expanding the Supervisory Board before the increase in our free float in order to provide the new shareholders with the opportunity for co-determination. If the expansion is permitted by the Annual Shareholders' Meeting, the Supervisory Board will be organised into committees.

Activities of the Management Board

The Management Board is governed by the rules of internal procedure. This determines the overall responsibility of the members of the Management Board and regulates the individual activities of the Management Board. The rules of internal procedure also stipulate that the Management Board is responsible for securing an appropriate risk management and controlling system and that it must regularly report on these areas to the Supervisory Board. The division of responsibility within the Management Board is determined in the business allocation plan.

Avoidance of conflicts of interest

Potential conflicts of interest shall be brought to the attention of the members of the Management Board and the Supervisory Board immediately. All secondary occupations which are not associated with the Management Board position require the permission of the Supervisory Board. The Supervisory and Management Boards are aware of the statutory legal requirements governing insider trading. We publish stock transactions immediately under the heading »Directors' Dealings« on our website. We published the majority of directors' dealings disclosures in August 2005 due to the increase in the free float and in November due to the rearrangement of the shareholdings of the existing shareholders.

Remuneration of the Supervisory Board

The company's rules of internal procedure specify that the remuneration of members of the Supervisory Board shall be determined at the Annual Shareholders' Meeting. This concerns a fixed sum. Remuneration currently amounts to EUR 20,000 per year. The chairperson receives double this amount, the vice-chairperson 1.5 times this amount. As such, the remuneration of our Supervisory Board members in the 2005 financial year is as follows:

› Gerd A. Bühler (Chairman) EUR 40,000
› Klaus Mutschler (Vice-Chairman) EUR 30,000
› Ralf Brammer EUR 20,000

Remuneration of the Management Board

The Management Board members of cash.life AG receive a fixed and a variable remuneration. Variable remuneration is based on the company's commercial success in the relevant year as well as the individual performance of the respective Management Board member. The maximum amount of remuneration is specified in the employment contract.

Furthermore, all Management Board members are invested as private shareholders in cash.life AG. A share programme does not exist. As of the balance sheet date, the managements-stake in the company amounted to 2.4%.

Until now, we have refrained from publishing the remuneration of the members of the Management Board on an individual basis. We have commented on this in our declaration of compliance: Following the Annual Shareholders-Meeting in 2005, the Management Compensation Disclosure Act (VorstOG) came into effect, which stipulated that a disclosure of the salaries of the management will become a statutory requirement starting in the 2006 financial year. However, the Annual Shareholders' Meeting may choose to deviate from this regulation with approval by a qualified majority. As such, we do not intend to pre-empt the decision to be made at the 2006 Annual Shareholders' Meeting.

Accounting methods and audit of annual accounts

cash.life AG has concluded an agreement with its auditors, whereby the Supervisory Board shall be informed immediately in the event that conflicts with the declaration of compliance are discovered during their audit. The auditor must declare its independence to the Supervisory Board before assuming its auditing responsibilities. The Supervisory Board shall also be informed immediately in the event that reasons for exclusion or bias arise during the audit.

The auditor shall participate in the Supervisory Board meeting in which the approval of the annual accounts is discussed. The auditor shall inform the Supervisory Board about the results of the audit and report on all incidents which occurred during the audit which are relevant to the Supervisory Board in the fulfilment of its duties.

Values

cash.life AG believes it has an obligation to ensure achievement-orientation, fairness and sustainability. We intend to maintain our position as a pioneer and market leader in the German secondary endowment policy market and to consistently capitalise on our large market potential. We want you, our shareholders, to be the ultimate judges of our success.

Success is a joint task which can only succeed when all partners deal with one another fairly. This is true for our relationships to our customers, brokers, agents, shareholders, employees and all other partners with whom we work.

The successful and sustainable ongoing development of our company is our primary focus. We place long-term advantages before short-term considerations. This is the only way to increase our company's value in the best interest of our shareholders.

Employees

cash.life AG is a service company. Our employees are our capital, and their dedication is the foundation of our success. For this reason, the qualification and motivation of our employees is an important matter. This is even especially true given that our dynamic growth places high demands on the performance and flexibility of our employees. We believe that a company's quality cannot only be determined by its results, but also by the way it treats its employees: Fairness is a precondition for sustainability.

Number of staff at the cash.life Group increases to 54 employees

Our strong growth in purchasing volume and the number of policies under management requires additional personnel. For this reason, we increased the number of employees considerably in the financial year under review.

In 2005, the cash.life Group employed an average of 54 people (excluding the Management Board, managing directors and trainees).

Of this number, 47 employees belonged to cash.life AG – eight more than at the end of 2004, when we had 39 employees. The recruiting of our new employees was aided by the strong presence of banks and insurance companies in and around the Munich area. Barwert GmbH had an average of seven employees in 2005.

Performance-based remuneration
In addition to a fixed salary, we have specified a variable remuneration component for all of our employees. This is calculated according to individual performance based on goal-setting and on the overall success of the company. The variable share of remuneration increases in conjunction with higher levels of responsibility.

Apprenticeships and continuing education
It goes without saying that we provide young individuals with the opportunity to start their careers. This is a part of cash.life AG's societal responsibility. We provide at least one trainee with the opportunity to learn about the job of a management associate in office communication.

In doing so, we support our employees with the chance to expand their skill sets through continuing education and training programmes. In this regard, we carried out telephone trainings for our customer service employees and expanded the knowledge of insurance English terminology of our employees in the area of fund administration before we started managing British life insurance policies. In addition to general trainings, we provide support for individual trainings as well. In 2005, several of our employees participated in seminars or took part in long-distance or evening learning programmes.

Semi-annual performance reviews enable managers and employees to analyse their strengths and weaknesses.

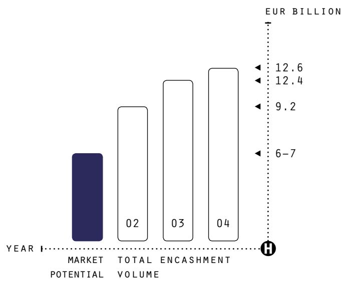
Thank you!
Credit for our solid financial results in 2005 is due to all those who helped bring it about: our employees. We would like to thank them for their dedication and loyalty.

OVERVIEW OF BUSINESS DEVELOPMENT

Macroeconomic conditions

At the moment, the companies of the cash.life Group are limited to purchasing insurance policies in Germany. In Germany, economic growth remained at a low level. In 2005, the growth in Germany's GDP amounted to 0.9%. However, this modest economic growth did not result in a significant decline in unemployment. In 2005, an average of 4.9 million people were unemployed in Germany; this amounts to an unemployment rate of 11.7%, or 1.2 percentage points higher than in 2004.

IMMENSE MARKET POTENTIAL FOR CASH.LIFE AG



Only 7–8% of the market potential in the German secondary endowment policy market has been tapped up to now. Policies amounting to EUR 6–7 billion p.a. fulfil our purchasing criteria.

Source: cash.life

Industry-specific conditions

The potential for the secondary endowment policy market remains high. As in the past, more than one in two policies is terminated early. In 2004, German life insurance companies paid some EUR 12.6 billion in surrender values for early terminations, as reported by the Association of German Insurers (GDV) in mid 2005. The GDV is expected to publish the market data for 2005 in mid-2006. We expect an increase in the number of encashments. We estimate that around half of the yearly encashment volume meets our purchasing criteria, indicating a market potential of some EUR 6 to 7 billion per year (H).

The German secondary endowment policy market continues to expand: We estimate the market volume in 2005 to be around EUR 500 million - an increase of over 60% compared to the previous year (2004: approx. EUR 300 million). This increase proves that insured individuals selling have become more familiar with the option of selling their policies as a lucrative alternative to encashment. The reform of unemployment assistance, typically known as Hartz IV, has led to the requirement that those who are applying for state assistance must value their remaining assets, should their assets exceed a certain limit. This obligation to value assets also includes life insurance policies. For this reason, 80% of those surveyed thought it was very important that the unemployment offices inform Hartz IV recipients about the lucrative alternative to encashment. The German unemployment office has fulfilled this wish. Based on the initiative of the BVZL, the German unemployment offices started providing information about the secondary endowment policy market in their forms and leaflets on certain forms of unemployment benefits (Arbeitslosengeld II/Sozialgeld) at the end of 2005. The German Lawyers' Association also recommends selling as an alternative to encashment in its standard »compulsory execution« publication geared towards insolvency administrators.

The legal conditions for the secondary endowment policy market have not changed significantly in the past financial year. In October 2005, the German Federal Court issued a decision which increased the calculation of surrender values for the early termination of policies (i.e. those policies terminated within the first few years of their initiation). Until now, insured individuals who terminated their policies in the early years of the term have come away empty-handed. The secondary endowment policy market is hardly affected by minimum surrender values in the case of early termination due to its focus on policies in the second half of their term.

Material events affecting the course of business

In 2005, no external company events had a material impact on the course of business. The positive business trend was characterised by a steady development on both the purchasing and sales side.

Policy purchases

Increasing familiarity with the secondary endowment policy market was the reason for the increased purchasing volume in 2005. This pleasing development occurred as a result of numerous individual measures which we initiated in 2005. Customers were able to obtain information about cash.life AG and the secondary endowment policy market through print media, radio and television. Thanks to our successful public relations activities in 2005, articles about cash.life reached some 110 million readers. In addition, we expanded our marketing measures. In September 2005 we released our first radio advertisements and we have been conducting TV advertisements since October on a trial-basis. We have therefore succeeded in finding an innovative financing model for this form of advertising: The majority of our marketing costs were performance-based and were only incurred when we purchased policies. We will decide whether or not to continue the use of these forms of advertisement in the first quarter of 2006. We addressed agents through publications in the trade press, through mass-mailings, at trade fairs and on roadshows. We also expanded our on-site presence. As of 31 December 2005, we travelled throughout Germany with ten account managers in order to personally recruit agents, banks and savings banks to work with cash.life. These marketing employees´ remuneration depends significantly on their level of performance.

Policy sales

The demand for secondary endowment policies by initiators of closed-end funds remained high in 2005 and exceeded our purchasing volume. Investors have come to value the combination of a high degree of security and an attractive yield. Fund initiators were restrained in their issuance of new funds in comparison to the previous year, because the existing funds had to be supplied with policies first: As of the end of December 2005, funds demanded policies for some EUR 385 million from us.

Changes in the tax treatment of closed-end funds came into effect as of 1 January 2006 but did not have a material effect on either the secondary endowment policy market in general or our business.

Policy management

Revenue from policy management developed in line with our policies under management. Income from policy management is specified in a contract and flows over the entire term of the fund, typically for a period of 15 years. These cash flows are largely independent of external influences. Only the change in value of the policies depends on the insurance company's earnings, but even these largely stem from fixed-income securities and can be smoothed through the accumulation and release of insurance company reserves.

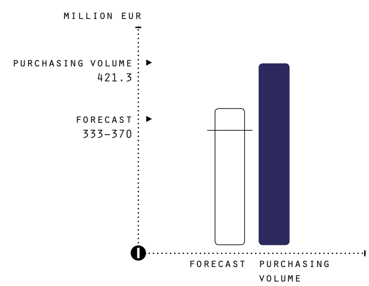
Policy referrals

Increased familiarity with the secondary endowment policy market is reflected in higher business volume for both the referral of policies through our subsidiary, Barwert GmbH, as well as for the purchase of policies by cash.life AG. Presence at trade fairs and press reports on Barwert GmbH both made a positive contribution to business development.

Summary of overall business development

Overall, we are very pleased with the business development in the financial year under review. Both our key figures and the strategic development of the cash.life Group and cash.life AG were extremely positive. We were able to increase our purchasing volume, which serves as the most important gauge of future income, by nearly 90% and thus demonstrate that we have met our target of growing our market potential. Our purchasing volume and our earnings after taxes were considerably above our expectations. Our total managed policy portfolio, which increased to EUR 1,125.7 million, guarantees disproportionately high growth in income from policy management. Our trading portfolio, which increased by around EUR 80 million, helps to secure additional revenue potential for 2006 through the purchasing of new policies. We have also established the foundation for continued strong growth in 2006 with the acquisition of Barwert GmbH and the redirection of our sales department.

PURCHASING VOLUME
CONSIDERABLY EXCEEDED FORECASTS



The purchasing volume of the cash.life Group, which amounted to EUR 421.3 million, significantly exceeded our forecast of EUR 330 to 370 million.

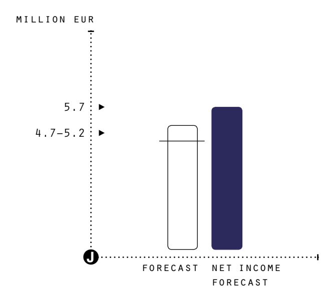
Source: cash.life

Comparison of actual and forecasted business development

We provided a forecast for the first time in the 2005 financial year. In 2005, we expected Group purchasing volume to amount to between EUR 330 and 370 million with earnings after taxes of EUR 4.7 to 5.2 million. We exceeded both estimates: purchasing volume of EUR 421.3 million (cash.life AG and Barwert GmbH) exceeded the upper end of our forecast by 13.9% (🅘). Earnings after taxes of EUR 5,7 million exceeded the upper end of our forecast by 9.6% (🅙).

The purchasing volume in the fourth quarter of 2005, which amounted to EUR 152.1 million, was higher than expected. We were also able to deliver very good fourth quarter results in previous years; however, the seasonality effect in the year under review was much stronger than in the past.

NET INCOME
EXCEEDED FORECAST



Earnings after taxes for the Group (net income) reached EUR 5.7 million, thereby exceeding our forecast of EUR 4.7–5.2 million.

Source: cash.life

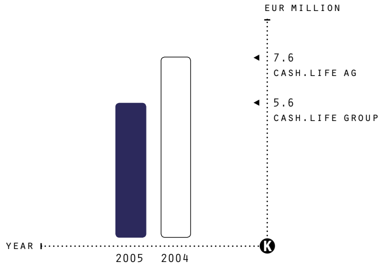
EARNINGS SITUATION

Development of earnings

cash.life Group

Earnings after taxes for the Group (net income) amounted to EUR 5,667,784.28 in the year under review, thereby exceeding our estimate of EUR 4.7 to 5.2 million. There are no directly comparable figures for 2004 due to the fact that we did not prepare consolidated financial statements for the Group in 2004 as we did not have any participations. For this reason, the individual accounts of of cash.life AG serve as the only basis for comparison.

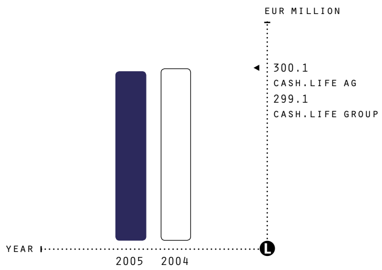
**CASH.LIFE GROUP
NET INCOME 2005 VS. 2004**



There were two reasons for the decline in net income compared to 2004: Firstly, we sold more policies than we purchased in 2004. Secondly, we invested in the expansion of our trading portfolio in 2005.

Source: cash.life

REVENUES VIRTUALLY UNCHANGED



In 2005, revenues remained virtually unchanged compared to 2004. In 2004, we reduced our trading portfolio and sold more policies than we purchased.

Source: cash.life

cash.life AG

In 2005, cash.life AG generated net income of EUR 5,675,000.96 (adjusted net income in 2004: EUR 7,603,265.91) (K). Earnings quality improved compared to the previous year. Two factors should be taken into account when comparing the net income figures in 2004 and 2005:

1. In 2004, we sold more policies than we purchased in 2004. The value of policies sold had a surrender value of EUR 282.5 million. The offsetting item of payments for policies purchased amounted to EUR 225.7 million, which corresponds to a difference of EUR 56.8 million. The purchase price payments also included purchase price supplements, which we had to pay to our customers above the surrender value, so that the purchased surrender values were even lower. We realised our margin from policy sales based on the difference amount of EUR 56.8 million.

2. In 2005, we invested in the expansion of our trading portfolio, which increased by EUR 79.2 million over the course of the year. Because the purchase price for policies is initially above the surrender value, the expansion of the trading portfolio tends to have a negative impact on earnings. However, the trading portfolio of today is the earnings potential of the future. When we re-sell the policies, we generate the margin from the sale and thereafter the yearly income from policy management. Our trading portfolio generates interest income until the policies are re-sold (see details on page 44 of the annual report).

The expansion of our trading portfolio can be explained as follows: The majority of our purchasing volume, which totalled EUR 152.1 million, occurred in the fourth quarter; December witnessed particularly strong volume growth. Because we must first optimise the purchased policies before they can be re-sold, they were mostly stored in our trading portfolio as of the balance sheet date on 31 December 2005.

Development of revenue

cash.life Group

In the year under review, the cash.life Group generated revenue of EUR 299,067,718 (L). Please refer to the individual accounts of the AG for a previous year comparison. Revenues comprise the following:

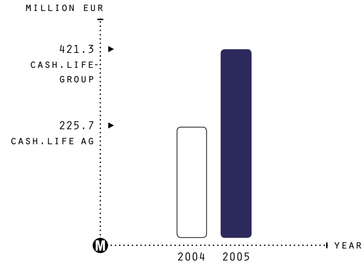
Revenue	EUR
Revenue from policy management	3,694,109.49
Revenue from policy sales	294,796,849.51
Commission revenue from policy referral	373,435.30
Other operating income	203,323.42

Revenues at cash.life AG remained virtually unchanged compared to the previous year. Revenues in 2005 amounted to EUR 298,692,730.16 (2004: EUR 300,088,769.01). Revenues comprise the following:

Revenue	EUR 2005	EUR 2004
Revenue from policy management	3,694,109.49	2,350,274.11
Revenue from policy sales	294,796,849.51	296,875,184.86
Other operating income	201,771.16	863,310.04

As with our net income, we sold more policies in 2004 than we purchased. This means that we reduced the level of our trading portfolio. In contrast, we invested in the expansion of our trading portfolio in 2005 with an increase of EUR 79.2 million (see details on page 68 of the annual report).

PURCHASING VOLUME NEARLY DOUBLED IN 2005



In 2005, we increased our Group-wide purchasing volume by 86.7% compared to 2004.

Source: cash.life

Development of purchasing volume

cash.life Group

In 2005, Group purchasing volume amounted to EUR 421.3 million in purchase price payments excluding commissions (M).

cash.life AG

In 2005, cash.life AG paid EUR 384.9 million in purchase prices to its customers (2004: EUR 225.7 million). This corresponds to growth of EUR 159.2 million or 70.5%. This strong growth is evidence of the growing awareness of and familiarity with the secondary endowment policy market.

Development of P&L items

cash.life Group

Because Group consolidated financial statements were not prepared in 2004 due to the lack of participations, we will limit ourselves to a discussion of the development of key P&L items in the individual accounts of the AG.

cash.life AG

Other operating income

Other operating income in 2005 amounted to EUR 201,771.16 (2004: EUR 863,310.04). This amount comprises rental revenue from the subleasing of office space to associated companies, the release of provisions, and other items. In 2004 other operating income was largely influenced by the disposal of a participation.

Value appreciation of insurance contracts

The appreciation in value of insurance contracts in the year under review amounted to EUR 20,021,619.23 (2004: EUR 21,366,972.49). This corresponds to a decline of 6.2%, due to purchase price supplements for the strong increases in purchasing volume.

The item »Value appreciation of insurance contracts« is a net figure: it comprises the increase in value of the trading portfolio less the purchase price supplements paid to customers based on the surrender value. Because the purchasing volume of cash.life AG (excl. Barwert GmbH) in 2005 increased by 70.5% to EUR 384.9 million, corresponding additional purchase price surcharges were due.

Disposal of sold insurance contracts

In 2005, cash.life AG sold policies with surrender values of EUR 282,028,613.65 (2004: EUR 282,509,994.42). This enabled us to generate revenue from the disposal of sold insurance contracts of EUR 294,796,849.51 (2004: EUR 296,875,184.86).

Insurance premiums

As long as a policy remains in our trading portfolio, we continue to make its premium payments. In 2005, we spent EUR 10,044,942.99 on premiums for policies in our trading portfolio (2004: EUR 9,284,406.81). This modest increase in value is due to the higher level of the trading portfolio. However, insurance premiums increase the surrender value of the policies and therefore serve to increase the value of the P&L item, »Value appreciation of insurance contracts«.

Personnel expenses

Personnel expenses in 2005 amounted to EUR 3,255,686.38 (2004: EUR 2,293,623.57). This increase is due to the considerable rise in the number of employees. As of 31 December 2005, cash.life AG employed a staff of 47 compared to 39 as of the balance sheet date in the previous year. The increase is due to a considerable rise in our business volume (see details on page 62 of the annual report).

Other operating expenses

In 2005, cash.life AG recorded other operating expenses of EUR 8,480,741.16 (2004: EUR 5,291,661.08). The rise was primarily due to the increase in broker commissions. Agents, banks, and savings banks that work with us receive a provision for policy referrals in the event that we purchase the policies they refer. Due to the considerable growth in our purchasing volume, more commissions were due despite unchanged commission rates.

Financial income

Financial income pertains to interest income from liquidity items as well as write-ups on derivatives, which we mark-to-market in accordance with IFRS.

Financial expenses

Our financial expenses are incurred for the financing of our trading portfolio as well as for our interest rate hedges. These amounted to EUR 7,569,208.47 (2004: EUR 11,573,065.25). The decline in financial expenses compared to the previous year was essentially due to better refinancing terms.

FINANCIAL POSITION

Basic principles and goals of financial management

Financial management has become increasingly important for the cash.life Group from both an operating and a strategic perspective. The Group benefits from the good ability to forecast the cash flows from policies in the trading portfolio and those owned by third parties. The goals of financial management are:

- › to secure liquidity
- › to monitor profitability for policies in the trading portfolio and for policies owned by third parties
- › to hedge interest rate risk through risk management
- › to diversify refinancing options

Liabilities are only denominated in euros. We therefore do not use hedging instruments to control against exchange rate volatility. However, we do utilise derivatives to hedge against interest rate changes in order to lock-in the interest rate margin in our trading portfolio.

Financing analysis

We finance the purchase of life insurance policies and premium payments through bank loans. These loans are in part secured by the policies. As of the balance sheet date, cash.life AG had EUR 377.7 million in approved credit lines. We can therefore expand our portfolio by at least this amount without requiring additional equity. As the value of the trading portfolio, which amounted to EUR 267.7 million, was significantly lower as of 31 December 2005, and because we expect its value to oscillate between EUR 150 to 250 million in the future, we have only utilised a small portion of our credit lines.

The credit lines used to finance the trading portfolio have a term of up to one year. These credit lines primarily involve credit that is not tied to specific policies and is therefore available to the company to use freely for its trading portfolio. We expect similar credit conditions to apply in 2006. Liabilities are denominated in euros. We do not expect any limitations which could affect the availability of funds. We only expect additional capital requirements in the event that there is a considerable contraction of credit lines. There are no material reserves of importance to the capital structure or capital stock of the cash.life Group or cash.life AG. In the year under review, there were no significant financing measures such as the issuance of shares, bonds, and profit participation certificates. The impact of the interest rate level on the financial position is explained on page 82 of this annual report.

Importance of off-balance sheet financial instruments for the financial position

Off-balance sheet financial instruments such as the sale of receivables or sale-and-leaseback transactions were not utilised in 2005. Guarantees for external liabilities (to associated companies) exist in the form of a directly enforceable guarantee up to a maximum amount of EUR 200 thousand to the Vorsorge Luxemburg Lebensversicherung S.A., Munsbach, Luxembourg for payment obligations of link.life Vertriebs- und Servicegesellschaft mbH, Vienna, Austria and cash.life plus Vertriebs- und Servicegesellschaft mbH, Munich.

Investment analysis

In the year under review, we invested primarily in office equipment and furnishings as well as in intangible assets. There are no significant investment obligations which extend beyond the balance sheet date.

Investment in office equipment and furnishings amounted to EUR 1.9 million and resulted from the furnishing of office space for new employees as well as the expansion of new floor space. The move was necessary because our previous office space did not provide enough room for further growth. Our office space now contains a reserve for an additional increase in our business volume. At the same time, the move has resulted in a lower tax rate, because our new location is subject to a lower trade tax.

Investment in intangible assets comprised investments in participations, investments in interest derivatives as well as investments in computer software. The investments in further enhancement of our IT structure amounted to EUR 0.3 million. In order to ensure efficient processes with a high level of quality, we have developed our own proprietary computer software, which we are constantly enhancing. We consider our highly efficient IT system to be one of our competitive advantages.

Liquidity analysis

In the period under review the cash.life Group was able at all times to meet its current financial obligations, make the necessary investments and pay out a dividend to the shareholders. The payments for investments to an amount of EUR 4,834 thousand as well as payment of the dividend for the 2004 financial year to an amount of EUR 7,800 thousand were able to be made from the cash flow from operating activities to an amount of EUR 12,954 thousand. Compared to the previous year, the amount of cash and cash equivalents as of the balance sheet date increased by EUR 320 thousand to EUR 1,058 thousand.

Cash flow from operating activities

The cash flow from operating activities was calculated according to the so-called indirect method on the basis of the net income of the period and increased in relation to the previous year by EUR 20,023 thousand to EUR 12,954 thousand. The cash flow from operating activities is primarily influenced by the use of cash and cash equivalents to increase the portfolio of traded policies by EUR 79,250 thousand and the increase in liabilities by EUR 86,090 thousand. This indicates that the cash.life Group can mobilise the required funds for a short-time increase in the trading portfolio.

Cash flow from investing activities

The cash flow from investing activities declined by EUR 35,999 thousand as compared to the previous year and amounted to EUR –4,834 thousand in the financial year. The outflows of cash and cash equivalents primarily affect investments for computer software and fixed assets to an amount of EUR 2,224 thousand as well as payments for the acquisition of the subsidiary Barwert GmbH to an amount of EUR 2,553 thousand. In the previous year the positive cash flow resulted from proceeds from disposals of financial assets amounting to EUR 31,811 thousand.

Cash flow from financing activities

The cash flow from financing activities contains the dividends paid out in the financial year for the previous financial year. The key structural data indicates the solid financing of the cash.life Group. The working capital (short-term assets minus short-term capital) amounted to EUR 7,375 thousand (previous year: EUR 15,504 thousand) as of the balance sheet date. The effective debt (borrowed capital minus short-term assets) amounted to EUR -5,320 thousand (previous year: EUR -14,942 thousand) as of the balance sheet date.

The equity ratio is 5.5% (previous year 8.4%). To this extent a higher leverage is desired because the basic goal in an interest arbitrage lies between the return from the life insurance policies and the refinancing.

NET ASSETS

Analysis of the balance sheet

The cash.life Group maintains a »net cash« position: Our current assets exceed our current and non-current liabilities by EUR 5.3 million. If we sold our policy portfolio, we would realise profits.

Receivables from the purchase of insurance contracts comprise the largest asset item by a large margin. These receivables pertain to life insurance policies in our trading portfolio. With a value of EUR 267.7 million as of 31 December 2005, the trading portfolio of the cash.life Group and cash.life AG was EUR 79.2 million higher than the previous year (cash.life AG as of 31 December 2004: EUR 188.5 million). Because numerous policies were not purchased until the fourth quarter of 2005, their re-sale did not occur in the reporting period.

Other assets developed as follows:
The cash.life Group's intangible assets amounted to EUR 5,616,627.23 as of the balance sheet date (cash.life AG as of 31 December 2004: EUR 394,292.23). Intangible assets include goodwill from the consolidation of Barwert GmbH as of 1 July 2005 to the amount of EUR 2,623 thousand (previous year: EUR 0 thousand), the rights stemming from interest rate hedges amounting to EUR 2,588 thousand (previous year: EUR 72 thousand) as well as computer software amounting to EUR 405 thousand (previous year: EUR 323 thousand).

The Group's plant, property and equipment amounted to EUR 2,255,285.55, whereas the same item at cash.life AG amounted to EUR 2,222,782.48 (cash.life AG as of 31 December 2004: EUR 607,673.01). The increase is due to the relocation of the offices as well as the equipment and furnishings of office space for new employees. Office equipment and furnishings are subject to straight-line depreciation over the common economic useful life of three to ten years. Low-value fixed assets are fully depreciated in the year of acquisition.

The financial assets of the cash.life Group amounted to EUR 57,200.00 at year-end and EUR 2,867,312.73 for cash.life AG (cash.life AG as of 31 December 2004: EUR 0). Financial assets comprise participations in Barwert GmbH, the cash.life Premium Policies SICAV fund and Deborah 2000 Vermögensverwaltungs GmbH. The participation in Barwert GmbH to an amount of EUR 2,810,112.73 is consolidated in the consolidated financial statements.

Deferred tax assets amounted to EUR 3,013,009.47 as of 31 December 2005. Deferred taxes arise from the difference between book values of assets and liabilities in the commercial and tax balance sheets, which offset one another in later periods. Deferred tax assets arise when asset values in our IFRS balance sheet are lower than in the tax balance sheet, or when debt in the IFRS balance sheet has a higher value than in the tax balance sheet. Deferred tax assets as cash.life AG are accrued for two reasons:

› differences in book values of the derivative financial instruments in the IFRS and tax balance sheet
› for tax-loss carry forwards.

Trade receivables amounted to EUR 35,321,282.76 for the cash.life Group and EUR 35,285,099.14 for cash.life AG (cash.life AG as of 31 December 2004: EUR 27,776,806.42). This item pertains to policies which have been sold to investment funds, but where the flow of funds has not yet occurred. As of the end of February 2006, 93.0% of the trade receivables had been received.

Tax refund claims totalled EUR 7,180,091.20 and comprised EUR 7,146,472.28 from allowable capital gains taxes including the solidarity surcharge after being offset by the corporate income tax expense for 2005 at cash.life AG, as well as EUR 33,618.92 from advanced tax payments by Barwert GmbH.

Other receivables and other assets as of 31 December 2005 amounted to EUR 3,843,710.00 for the Group and EUR 3,848,601.83 for cash.life AG (cash.life AG as of 31 December 2004: EUR 15,736,848.21). These comprise the following items:

Item	cash.life Group 2005 (EUR)	cash.life AG 2005 (EUR)	cash.life AG 2004 (EUR)
Receivables from associated companies	1,258,754.24	1,267,454.24	13,685,248.00
Accruals from pre-paid life and social security insurance premiums	2,302,658.68	2,302,447.30	1,638,087.89
Other assets	282,297.08	278,700.29	413,510.32

The significant decline in receivables from associated companies is due to the fact that receivables amounting to EUR 11.4 million in 2004 pertained to partner contributions. The extraordinary effect did not recur in 2005.

Cash in hand and bank balances increased to EUR 1,058,485.31 for the cash.life Group and EUR 814,805.47 for cash.life AG (cash.life AG as of 31 December 2004: EUR 737,568.68).

Off-balance sheet assets

The name cash.life has developed into a brand. Investments in PR and marketing which we have made since our company was established have helped contribute to this success. The value of this brand name is not accounted for on the balance sheet.

Importance of off-balance sheet financial instruments for the financial situation

Off-balance sheet financial instruments such as the sale of receivables or sale-and-lease-back transactions were not utilised in 2005.

Notes on company acquisitions

We are open to attractive opportunities for acquisitions. In 2005, one company acquisition took place with the purchase of Barwert GmbH. The acquisition became effective for accounting purposes as of 1 July 2005 and the company became a wholly-owned subsidiary (100% stake). The acquisition occurred for three main reasons:

› to expand cash.life AG's broker network
› to conquer additional sales channels
› to increase the number of policies referred to cash.life AG as a share of the total purchasing volume of Barwert GmbH; this generates added value in the trading portfolio, through re-sale and in connection with policy management.

EVALUATION OF THE ECONOMIC SITUATION BY THE COMPANY`S MANAGEMENT

The cash.life Group and cash.life AG maintain a very solid net asset and financial position and earnings situation. The »net cash« position of EUR 5.3 million and equity of EUR 18.0 million at year-end have made a contribution in this regard. Our receivables from insurance contracts of EUR 267.7 million can be liquidated quickly and within a short period of time. Due to their recognition at their surrender values, such an occurrence would not result in a write-down. The purchase and premium payments for our trading portfolio are financed using debt. Due to our credit lines of EUR 377.7 million as of 31 December 2005, which we have only partially utilised, we could significantly increase our trading portfolio. Overall, we would characterise the economic situation of the cash.life Group and cash.life AG as very solid.

FOLLOW-UP REPORT

Disclosures concerning activities of particular significance

In February 2006, the Federal Ministry of Justice announced the key points of its reform of the German Law on Insurance Contracts (VVG). In the same month, we increased our free float through a secondary placement to 100%. The placement was highly oversubscribed. In March 2006, we announced new contracts with closed-end investment funds: We will supply the »MPC Rendite Fonds Leben plus VI« and the »König & Cie. Deutsche Leben 3« funds with policies and manage them over their entire term. The MPC investment fund has a total investment volume of EUR 275 million and a term of 15 years, and the König & Cie. fund amounts to as much as EUR 105 million with a term until the end of 2020. Furthermore, we have assumed the management of the »MPC Rendite-Fonds Britische Leben plus II« fund, which invests in the British secondary endowment policies. This fund has a total investment volume of EUR 107 million and a term of 15 years. In the same month, the German Stock Exchange announced that cash.life shares will be admitted to the selection index SDAX as of 20 March 2006. On 22 March we announced a capital increase for the purpose of partial utilisation of our approved capital of up to EUR 3,900,000.00, which was decided at the Shareholders' Meeting of 15 June 2004. The Management Board of cash.life AG decided with the approval of the Supervisory Board of 13 March 2006 to increase the share capital of the company in return for capital contributions by an amount of EUR 779,900.00 to EUR 8,579,900.00 by issuing 779,900 new shares. The placement was carried out while excluding the statutory subscription right at a price of EUR 33.50 per share. As a result, we obtained gross issuing proceeds to an amount of around EUR 26.1 million.

Consequences of the activities for the company's financial and net assets position and earnings situation

VVG reform (consequences: short-term none, long-term positive)

The consequences for our business will not be felt until the medium-term, because the law will not come into effect until the end of 2007 or the beginning of 2008. We expect positive effects:

› The determination of a minimum surrender value for early termination ensures that life insurance policies will reach our minimum limit for surrender values of EUR 5,000 earlier in the future. This will increase our market potential.

› For counter-financing purposes, insurers will likely reduce their surrender values for late termination. That means increasing margins for us and a further increase in market potential, because more policies will now fulfil our yield requirements.

› Because insured individuals should receive a greater share of the hidden reserves in the future, we expect rising terminal bonuses as well as an increased ability to forecast.

› The regulations are justified in the name of consumer protection, which supports our argument regarding a duty to inform insured individuals about the secondary endowment policy market.

Increase in the free float / admission to SDAX (consequences: positive)

The increase in our free float and the admission of cash.life shares to the selection index SDAX will ensure a high degree of awareness about our company and thus make it easier for us to increase our purchasing volume.

Contracts with additional secondary market investment funds (consequences: positive)

These contracts ensure volume and earnings potential in the future. In conjunction with our supply rights to investment funds already in existence, we are sold out of policies well into 2007. This provides us with a high degree of assurance in forecasting. With the contracts for policy management, we are able to secure stable income which is independent of the capital markets for the entire term of the fund, which means over the next 15 years.

RISK REPORT

Risk and opportunity management system

The job of our risk and opportunity management system is to limit risks and to identify opportunities. These are regularly and systematically analysed.

Risk management system as it relates to financial instruments

The analysis of our three sources of income (see details on page 43 of the annual report) indicates that the interest margin on the trading portfolio is the only source subject to changes in interest rates (see details on page 82 of the annual report). For this reason, we have hedged using derivatives. This is the case for both our trading portfolio and for a base volume of new purchases.

As of 31 December 2005, we used interest rate derivatives used to hedge variable money market interest rates. The particular derivatives used are caps, which we entered into at the favourable interest rate levels in July 2005. The interest rate hedge is in place until 2010.

Furthermore, we re-calculate the performance of the policies in our trading portfolio on a regular basis and compare the surplus allocations of the insurance companies with our refinancing rates. The insurance company's surplus declaration is valid for the next insurance year, so that the performance of the policies can be reasonably estimated for this time period. In this way, we are able to recognise the occurrence of a negative interest margin in good time. In order to prevent this occurrence, we would terminate the policies in question.

Other details of the risk management system

The structure and systematic approach to risk management is determined by the Management Board. We distinguish between internal and external Group risks. These risks are assigned probabilities and their consequences are evaluated; preventative measures are taken when necessary. The Management Board regularly reports to the Supervisory Board about the company's risks and risk management. The basis of risk monitoring and control is a regular and anticipatory business forecast and regular target-performance comparisons. Details about our internal company monitoring system can be found on page 53.

Opportunity management system

As with risk management, we regularly review our business model for potential external and internal opportunities. This can involve new products, new markets, or a combination of the two. We complement our business in areas where we can utilise our core competencies in a profitable manner: this involves utilising our know-how in all aspects of life insurance as well as our comprehensive broker network. Additional information about the ongoing development of our services can be found on page 57. One example of this approach was our acquisition of Barwert GmbH in 2005, which enabled us to strengthen our broker network, particularly in the region of northern Germany, thereby expanding our purchasing volume. When we identify an opportunity and wish to pursue it further, after conducting an initial analysis regarding its potential, we then add it to our project portfolio. This step involves the allocation of responsibilities as well as the quantification of the project's utility, the specification of a budget and the determination of a timetable. The projects are constantly monitored and discussed at monthly Management Board meetings dedicated solely to the project portfolio and the monitoring of project progress.

Market environment and industry risks

Based on the legal (see details on page 47 of the annual report) and economic (see details on page 49 of the annual report) factors influencing our business, the following market environment and industry risks exist:

Decline in new sales of life and social security insurance policies (risk: low)

Due to the pull-ahead effect resulting from the German Income Retirement Act, which came into effect at the beginning of 2005, German insurance companies reported a decline in new sales of life insurance policies in 2005. As of the end of 2004, there were 95 million life insurance policies (source: Association of German Insurers, GDV). A change in new policy sales will not affect our business for another 10 to 15 years, because we purchase insurance policies in the second phase of the policy term. A lasting decline of new policy sales would lead to a long-term decline in our market potential. We expect that demand for life insurance policies will remain high given the increasing need for private pensions. Until now, life insurance has been the preferred investment instrument in Germany, with 27% of savings invested in life insurance policies (source: AWD).

Decline in demand for closed-end funds by policy (risk: minimal)
Strong demand for policies by closed-end investment funds continues unabated. Should demand decline, we would first supply our open-end funds in accordance with Luxembourg law, then institutional investors as well as additional sales channels currently in development. These include asset-backed securities and the sale to institutional investors (see details on page 57 of the annual report).

Lower surplus allocations of the life insurance companies (risk: minimal)
Lower surplus allocations theoretically lead to low interest rate profits in our trading portfolio as well as to lower demand for policies by investors. The primary cause of lower surplus allocations is lower interest rates, because life insurance policies invest the assets of their customers in fixed-rate securities and pass on lower yields to their customers with a time delay. However, because we would also have to pay lower interest rates on credit in such an environment, our interest margin would remain constant. This development has occurred since our company was founded in 1999, as since this time, insurance companies have reduced their surplus allocations due to lower interest rates on the capital markets. Investor demand for policies has also remained at a high level, because investors compare the yield on a secondary endowment policy with the yield on government bonds, and secondary endowment policies generate a higher yield.

Increase in the overall level of interest rates (risk: minimal)
Increasing interest rates on the capital markets would result in an increase in surplus allocations on the part of life insurance companies in the medium-term. Otherwise, they would lose new business because the yield on their life insurance policies would be less attractive than other forms of capital market investment, and several of their existing customers would terminate their policies. We expect that surplus allocations would occur with a time delay of between 12 and 36 months. In the meantime, our interest rate profits from our trading portfolio would decline as the difference between our policy yield and refinancing rates is lower. We will never encounter a negative interest rate margin, because we can terminate or sell the policies beforehand. However, in order to help secure our interest rate profits, we have used derivative financial instruments to hedge against interest rate increases until 2010.

Increase of surrender values for life insurance policies in the case of late termination (risk: minimal)

The surrender value is the current value at which insured individuals can liquidate their policies. We usually have to offer a premium on the surrender value in order to purchase a policy. In the event that an insurance company increases the surrender value in the first phase of the policy - commonly referred to as early termination - this would only have a minimal impact or no impact at all, because we do not purchase policies until the second phase of the policy's term. The encashment of policies during this phase is referred to as late termination. If insurance companies increase their surrender values in the event of late termination, this would increase our purchasing prices for policies in relation to the maturity, which would have the effect of lowering the yield. However, we do not believe this scenario is likely. Following the decision by the German Federal Court in October 2005, the current trend indicates that there will be increasing surrender values for the early termination of policies and decreasing surrender values in the even of late termination (see details on page 50 of the annual report).

Strategic risks

We currently do not envisage any strategic risks for the company.

Economic performance risks

Financial risks from the further development of our services (risk: minimal)

It is natural that not every idea for the development of new products is actually implemented, and not every product introduced to the market is a success. Therefore, there is a risk that the developments described on page 57 could lead to expenses which are not covered by the income from the project. However, our financial involvement is typically limited to consulting fees. Furthermore, we evaluate potential risk factors before the start of the project. The opportunities from projects thus far outweigh the risks.

Dependence on suppliers (risk: minimal)

As of the end of 2004, there were some 95.0 million life insurance policies in Germany divided amongst 30 million policyholders. In addition to acquiring policies from customers, we also purchase them from agents such as brokers, banks and savings banks, among others. As of the balance sheet date, our network of contacts comprised over 8,000 agents. In this respect, the purchasing side of the market is highly fragmented. There is therefore not a dependence on customers, agents or broker organisations. No agent outside of the cash.life AG Group has supplied more than five percent of the purchasing volume.

Dependence on investors (risk: medium)
As of the balance sheet date, we supplied ten investment funds from MPC Capital AG and König & Cie. with policies and managed policies for eleven investment funds. These funds have a prospective total investment volume of some EUR 1.3 billion. Some 80% of this volume pertains to the MPC Capital AG fund.

We place emphasis on a long-term relationship with our highly capable partners. The demand on the part of our fund initiators exceeds our purchasing volume substantially. We therefore do not see the sense in co-operating with additional fund initiators.

However, for risk diversification purposes, we are developing additional sales channels. In this regard, we are focusing first and foremost on institutional investors in order to avoid competition for sales to closed-end funds. With our open-end fund, »cash.life Premium Policies SICAV« in accordance with Luxembourg law, demand from institutional investors as well as the additional sales channels of Barwert GmbH, we already have alternatives. Additional alternatives are in the planning stages (see details on page 57 of the annual report).

Personnel risks

Fluctuation or lack of representation of employees in key positions (risk: low to medium)
All operating units are organised and trained so that the temporary absence of an employee does not result in problems. Contact with policy suppliers and purchasers is not tied to individuals. The same is true of our rating know-how. Information important to business operations is documented in such a way that numerous persons have access to it.

Procurement of personnel at short notice (risk: minimal)
Due to our growth, we are consistently seeking new employees. Our need for personnel is based on our business plan, which we update regularly. For this reason, our demand for personnel can be determined well in advance. The procurement of qualified employees with experience in insurance and banking is particularly easy in the Munich region.

Personnel development in accordance with our company's demands (risk: minimal)

The company's increasing size places demands on the leadership qualifications of our management as well as on the level of qualification of the employees, particularly in the administrative areas. In order to keep pace with these growing demands, we offer continuing education programmes for our employees, we analyse strengths and weaknesses in semi-annual performance reviews and we recruit external service providers for support when needed.

Technical support risks

Data loss (risk: minimal)

Data processing plays in an important role in the provision of our services. The yield calculation on policies, the settlement of sales and purchasing processes, the management of our policy portfolio as well as the administrative areas of the company all rely on the fast availability of data. For this reason, we are extremely careful in the electronic and physical back-up of our databases. The policies also exist in hard copy.

Lack of IT system scalability (risk: minimal)

Our IT systems are designed to be easily scalable given increasing business volumes. There are no IT-related capacity limits.

Financial and economic risks

Change in margins (risk: minimal)

The demand for policies exceeds supply. At present, we are therefore not experiencing margin pressure for the sale and management of policies. Our purchasing prices are largely stable. We do not see room for significant change here, as we represent a marketplace where equilibrium prices are established. Should we offer to pay a considerably higher price premium for our purchased policies, this would reduce the yield from life insurance policies and therefore impinge on investor demand.

Our interest rate margin in the trading portfolio is constant. In order to maintain this in an environment of increasing interest rates, we have used derivatives to hedge against rising interest rates.

Default risks (risk: minimal)
Prior to payment for a policy, we have the insurance company confirm all data and unencumbered transfer of the rights to the policy to cash.life AG in writing.

We believe that credit risk in the event that an insurance company is unable to pay its obligations is extremely low. Comprehensive guarantee measures ensure that life insurance companies as a form of investment have the highest credit rating. In particular, these measures include:

- › Bankruptcy-protected premium reserve stock, in which the claims of the insurance company are securitised
- › Management of the premium reserve stock by an independent trustee
- › Strict legal regulations regarding the insurance company's investment policies
- › Federal oversight by the Federal Institute for Financial Services Supervision (BaFin) as well as regular stress tests, which test whether an insurance company is able to fulfil its payment obligations at any given time
- › Profit and loss transfer agreements, which are used to stabilise life insurance companies within the group of companies when required
- › Legally required security funds of the German life insurance companies

Since World War Two, not a single German insurance company has declared bankruptcy. We are informed in a timely manner about changes in the financial strength of the insurance companies through our rating.

Liquidity risks and risks from cash flow volatility (risk: minimal)
Because the exact cash flows from insurance polices are predictable, at least for the next insurance year for which an insurance company declares its surplus allocation, we rate liquidity risks and the risk from cash flow volatility as extremely low.

Moreover, the purchase and the premium payments of life insurance policies are secured as both are financed exclusively with credit. Our current credit limit amounts to some EUR 378 million, which we have not fully utilised in light of our trading portfolio, which was valued at EUR 267.7 million as of 31 December 2005.

Other risks

We currently do not anticipate any additional risks for the company.

Evaluation of the risk situation by the company's management

Based on our current knowledge, we do not anticipate any risks which could jeopardise the existence of the company in the short or medium-term or which could materially and negatively impact the company's net assets, financial position and earnings situation.

Company rating

For the second time in a row, the Scope rating agency issued the best possible rating, AAA, which makes us the only secondary endowment policy company in the world to have received this designation. Scope highlighted in particular the quality of the company's management and processes as well as its risk monitoring. cash.life AG has not been rated by any credit rating agencies as the company has not issued any debt.

OUTLOOK

Anticipated changes in company policy

The conquering of the six to seven billion euro market potential in Germany is our main priority. Our efforts are aimed at increasing the familiarity with cash.life AG and expanding the secondary endowment policy market. With regards to our core business, there are no changes expected in our business policy. Nevertheless, we intend to use our strengths to develop cash.life AG from a single-product to a multiple-product company. More detailed information can be found on page 57. In addition to organic growth, we are also evaluating acquisitions or the purchase of stakes in other companies, as long as this represents a sensible complement to our business model.

Future sales markets

Policy purchasing and management

We also manage British policies in addition to German life insurance policies. We intend to further expand in this area. Furthermore, we are considering an entry into the Austrian market, where there is currently not an established secondary endowment policy market (see details on page 58 of the annual report). We do not have any additional plans for geographic expansion, even though we believe that our business model could be extended to other countries.

Policy sales

German secondary endowment policies are already in demand by international investors. However, because the current demand for policies from closed-end funds in Germany already exceeds demand, we have not actively marketed to international investors.

Future products and services

More information about the expansion of our product portfolio can be found in the chapter, »Continued development of our services«, on page 57.

Future overall macroeconomic situation

We currently expect moderate economic growth in Germany without a significant recovery in the labour market. We also expect a modest increase in key interest rates. We expect that future state payments for pensions will grow increasingly limited, which will increase the need for private pensions. Products with guarantees to preserve capital and yields are in particularly high demand for long-term asset accumulation. We therefore expect life insurance policies to remain an important part of the private pension plans for German consumers.

Future industry situation

In our view, the German secondary endowment policy market will continue to register double-digit growth. The average term of a life insurance policy amounts to 27.5 years. Today, it is more difficult than ever to plan one's personal situation in life for such a long time period. For this reason, more than 50% of all life insurance policies will be subject to early termination in the future as well. The difficult situation in the labour market is responsible for a portion of the encashments. The German secondary endowment policy market is only in its infant stage: In 2005, policies worth some EUR 500 million were traded. This only represents around eight percent of the yearly market potential of six to seven billion euros. In parallel with the market in Great Britain, we therefore expect that awareness of the secondary endowment policy market as a better alternative to encashment will grow at around 1.5 to 2.0 percentage points per year. Should the reform of the German Law on Insurance Contracts lead to a duty for insurance companies to inform their customers interested in early termination about the secondary endowment policy market, the growth of the secondary endowment policy market would accelerate rapidly.

ANTICIPATED EARNINGS SITUATION

Anticipated development of our sources of income

We define revenue as income that is generated from policy disposals, policy management and commissions from policy referrals. The value appreciation of policies is not recognised as revenue, but this item is included in the gross profit figure. We anticipate that our purchasing volumes will increase in line with the growing awareness of the secondary endowment policy market. We therefore expect significant, double-digit growth rates for purchasing volumes. A legal duty to inform consumers about the secondary endowment policy market has not yet been incorporated into our expectations for future development.

Revenue from policy sales: Growth in line with purchasing volumes, a continuously growing share of gross profit

We expect that the policies we purchase can be resold promptly. Thus, one can assume that the revenues from policy sales will develop in line with purchasing volume. The trading portfolio serves as a buffer for the structuring of portfolios in accordance with the specifications of the investors.

Revenue from policy management: Exponential increases, growing share of gross profit

Revenue from policy management is increasing at a disproportionately high rate, because it is measured according to the surrender values of the policies under management. These surrender values increase at a rapid rate, not only as a result of the newly purchased policies, which increase the portfolio under management, but also due to the existing portfolio which appreciates in value due to the policy yields and the premium payments.

Interest rate profits in the trading portfolio to represent a steadily decreasing share of gross profit

Because the trading portfolio is supposed to fluctuate within a range of EUR 150 to 250 million, the interest rate profit will remain constant given unchanged margins. Because we expect a considerable increase in gross profit, the relative importance of the interest rate profit in terms of overall gross profit is diminished.

Commissions from the referral of policies

Barwert GmbH receives a commission for the successful referral of policies to investors. Commissions grow in step with increases in referral volumes. Barwert GmbH receives a commission from cash.life for policies it refers to cash.life AG; however, this commission is eliminated in the Group consolidated financial statements in the scope of consolidation. The only commissions affecting the income statement of the consolidated financial statements are those which Barwert receives for third party policy referrals.

Anticipated earnings development

Should our expectations for growth materialise, we expect a significant increase in earnings for the cash.life Group and cash.life AG at constant margins. We anticipate income from policy management, which is predictable and independent of the capital markets, will comprise a growing share of earnings.

Anticipated development of significant P&L items

Revenue: increasing
See details on page 89 of the annual report

Value appreciation of insurance contracts: declining
Assuming that the trading portfolio and surplus allocations remain unchanged, we expect a constant value appreciation of insurance contracts. Because this P&L item also contains the depreciation on the purchase price supplements paid to customers, a growing purchasing volume leads to lower value appreciation.

Disposal of sold insurance contracts: increasing
In line with the increase in revenues from policy sales.

Insurance premiums: constant
Because we anticipate a largely constant trading portfolio, the premiums due remain unchanged.

Personnel expenses: increasing
We expect our personnel expenses in the company's operating units to grow in line with revenues. Below-average growth is expected in the administrative areas.

Other operating expenses: increasing
We expect our marketing expenses to grow in line with revenues. The commissions paid

to brokers will grow in line with our purchasing volume. Other expenses will grow slightly below the rate of revenue growth.

Financial result: constant

Because we intend to keep our trading portfolio relatively constant, we do not expect a change in our interest payments. We have hedged ourselves against rising interest rates as a precautionary measure. Because we are required to value derivatives at their fair value, the resulting volatility can impact our financial result.

Anticipated development of the dividend

Because cash.life targets strong growth, the net income should be invested in further and more rapid exploitation of the market potential, development of new services and tapping new markets. For this reason, the Management Board and Supervisory Board of cash.life AG will propose to the Annual Shareholders' Meeting that a dividend not be paid out for the 2005 financial year.

Planned investment and financing measures

We are only planning to invest in office furniture and fixtures required as a result of additional purchasing volume and additional employees, as well as in legal and consulting expenses for the further development of our services. Material changes to the liabilities side of the balance sheet or a material impact on our cash flow is not expected as a result of these measures.

Anticipated development of liquidity

Should our growth expectations be fulfilled, we expect a considerable rise in earnings (see details on page 89 of the annual report). In the event of purely organic growth, the rise in earnings will directly result in improved liquidity, because we finance the purchase of policies and the premium payments for policies in our trading portfolio with debt.

Opportunities from the development of general conditions

The secondary endowment policy market remains a growth market: Of a market potential of between six and seven billion euros per year, only EUR 500 million was realised in 2005. We therefore expect significant, double-digit growth rates for our company.

Strategic company opportunities

We do not expect considerable effects on our earnings from the development of new products and sales markets until the medium-term.

The market potential of the secondary endowment policy market in Austria amounts to around one-tenth of that in Germany. Due to the stronger concentration of the life insurance market, we expect faster market penetration than in Germany. The expansion will not have a noticeable effect on our earnings situation until the medium-term. The development of new products to diversify our sales channels is primarily of strategic importance, in order to secure policy sales in the long-term. Because we already re-sell the vast majority of our purchased policies, additional sales channels will not lead to significant increases in revenue.

Economic performance opportunities

Economic performance opportunities result particularly from the expansion of our purchasing activities. We intend to expand existing sales channels, attract new ones and achieve an optimisation of our services to be more geared towards our customers as a result of better customer segmentation and faster processing times. We expect this to lead to an increase in our purchasing volume and therefore in our revenues as well.

Summary of the Group´s overall economic development

We expect a positive business trend for cash.life AG, which will be reflected in a significant increase in revenues and earnings. Our positive expectation is based on the numerous measures we have undertaken in order to achieve greater market penetration. The further development of our services for new products and markets has also led to our positive outlook. Should the law be changed to legally require insurance companies to inform their customers interested in encashment about the secondary endowment policy market, we expect our growth to accelerate rapidly.

DEPENDENCY REPORT PURSUANT TO SECTION 312 SUBSECTION 3 OF GERMAN STOCK CORPORATE LAW (AKTG)

The Management Board hereby states that cash.life AG has always received an appropriate consideration in light of the circumstances prevailing at the time that its respective legal transactions were undertaken. No measures subject to reporting requirements were undertaken in the period under review from 1 January to 19 August 2005.

Munich, 27 March 2006

Dr. Stefan Kleine-Depenbrock
Ulrich T. Grabowski
Dr. Marcus Simon

Consolidated Financial Statements for the 2005 financial year according to International Financial Reporting Standards (IFRS)

CONSOLIDATED BALANCE SHEET ACCORDING TO IFRS AS OF 31 DECEMBER 2005

Assets	**31.12.2005** EUR	**31.12.2004** EUR THOUSAND	Notes
A. Non-current assets			
1. Intangible assets	5,616,627.23	394	1
2. Property, plant and equipment	2,255,285.55	608	2
3. Financial assets	57,200.00	0	3
4. Deferred tax assets	3,013,009.47	4,265	4
5. Long-term receivables	1,814,678.00	0	5
Total non-current assets	*12,756,800.25*	*5,267*	
B. Current assets			
Accounts receivable and other assets			
1. Receivables from insurance contracts	267,719,029.54	188,469	6
2. Trade receivables	35,321,282.76	27,777	7
3. Tax receivables	7,180,091.20	4,104	8
4. Other receivables and other assets	3,843,710.00	15,736	9
5. Cash in hand, bank balances	1,058,485.31	738	
Total current assets	*315,122,598.81*	*236,824*	
	327,879,399.06	**242,091**	

Liabilities and Equity	31.12.2005	31.12.2004	
	EUR	EUR THOUSAND	Notes
A. Equity			
1. Share capital	7,800,000.00	7,800	10
2. Revenue reserves including profit carried forward	4,609,429.31	0	11
3. Net income	5,667,784.28	12,409	
Total equity	*18,077,213.59*	*20,209*	
B. Non-current liabilities			
1. Deferred tax liabilities	901,869.32	25	12
2. Other non-current liabilities	1,152,695.63	537	13
Total non-current liabilities	*2,054,564.95*	*562*	
C. Current liabilities			
1. Liabilities to banks	253,811,382.50	158,507	14
2. Liabilities from the purchase of insurance contracts	48,648,479.94	48,582	15
3. Trade payables	753,391.06	159	16
4. Other current liabilities	2,953,866.49	13,411	17
5. Current provisions	1,580,500.53	661	18
Total current liabilities	*307,747,620.52*	*221,320*	
	327,879,399.06	**242,091**	

CONSOLIDATED INCOME STATEMENT ACCORDING TO IFRS FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2005

	2005 EUR	**2004** EUR THOUSAND	Notes
1. Revenues	299,067,717.72	300,089	
2. Value appreciation of insurance contracts	20,021,619.23	21,367	
3. Disposal of sold insurance contracts	-282,028,613.65	-282,510	
4. Insurance premiums	-10,044,942.99	-9,284	
Gross profit	27,015,780.31	29,662	1
5. Personnel expenses	-3,482,334.16	-2,294	2
6. Amortization of intangible assets, depreciation of property, plant and equipment	-492,120.25	-336	3
7. Other operating expenses	-8,638,372.05	-5,292	4
Operating profit	14,402,953.85	21,740	
8. Financial income	2,144,566.52	13,515	
9. Financial expenses	-7,569,208.47	-11,573	
Financial result	-5,424,641.95	1,942	5
Income before taxes	8,978,311.90	23,682	
10. Income taxes	-3,310,527.62	-4,138	6
11. Net income	**5,667,784.28**	**19,544**	
Earnings per share in EUR (undiluted)	0.73	2.51	7
Earnings per share in EUR (diluted)	0.73	2.51	7
Average number of shares outstanding (undiluted)	7,800,000	7,800,000	
Average number of shares outstanding (diluted)	7,800,000	7,800,000	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ACCORDING TO IFRS FOR THE 2005 FINANCIAL YEAR

	Share capital	Revenue reserves	Profit carried forward	Net income	Total	
	EUR[1]	EUR[2]	EUR[2]	EUR[2]	EUR[2]	EUR[3]
As of 1.1.2004	7,800,000.00	-58,113,829.63	67,517,843.56	13,490,770.21	22,894,784.14	30,694,784.14
Allocation to revenue reserves		50,978,613.77	-37,487,843.56	-13,490,770.21	0.00	0.00
Net income				19,544,645.17	19,544,645.17	19,544,645.17
Profit carried forward					0.00	0.00
Dividends			-30,030,000.00		-30,030,000.00	-30,030,000.00
As of 31.12.2004	7,800,000.00	-7,135,215.86	0.00	19,544,645.17	12,409,429.31	20,209,429.31
Reclassification of profit carried forward		7,915,215.86	11,629,429.31	-19,544,645.17	0.00	
As of 1.1.2005	7,800,000.00	780,000.00	11,629,429.31	0.00	12,409,429.31	20,209,429.31
Dividends			-7,800,000.00		-7,800,000.00	-7,800,000.00
Net income				5,667,784.28	5,667,784.28	5,667,784.28
As of 31.12.2005	**7,800,000.00**	**780,000.00**	**3,829,429.31**	**5,667,784.28**	**10,277,213.59**	**18,077,213.59**

[1] Paid-in equity
[2] Generated equity
[3] Equity

CONSOLIDATED CASH FLOW STATEMENT 2005 ACCORDING TO IFRS

The cash flow statement was prepared according to the indirect method pursuant to IAS 7.18b. It displays cash inflows and outflows of the Group, divided into operating, investment and financing activities.

Line		Item	1-12/2005 EUR THOUSAND	1-12/2004 EUR THOUSAND
1		Net income	5,668	19,545
2	+/-	Amortization / Depreciation / Write-ups of fixed assets	492	336
3	+/-	Decrease / Increase in asset value of financial derivates	-2,517	339
4	+/-	Increase / Decrease in other provisions	293	140
5	+/-	Increase / Decrease in tax provisions	562	0
6	+/-	Deferred tax expenses / income	2,129	4,374
7	+/-	Other cash-neutral expenses / income	0	0
8	-/+	Gain / loss from the disposal of fixed assets	23	-602
9	-/+	Increase / Decrease in trade receivables and other assets not allocated to investing or financing activities	-79,786	89,528
10	-/+	Decrease / Increase in trade payables and other liabilities not allocated to investing or financing activities	86,090	-120,729
11	=	Cash flow from operating activities	12,954	-7,069
12	+	Proceeds from disposals of fixed assets	0	22
13	-	Payments for capital expenditures	-1,906	-417
14	+	Proceeds from disposals of intangible assets	0	0
15	-	Payments for investments in intangible assets	-318	-251
16	+	Proceeds from disposals of financial assets	0	31,811
17	-	Payments for investments in financial assets	-57	0
18	-	Payments for the acquisition of Barwert GmbH	-2,553	0

Line		Item	1-12/2005 EUR THOUSAND	1-12/2004 EUR THOUSAND
19	+	Proceeds from investments in financial assets in connection with current financial disposition	0	0
20	-	Payments for investments in financial assets in connection with current financial disposition	0	0
21	=	Cash flow from investing activities	-4,834	31,165
22	+	Proceeds from additions to equity	0	0
23	-	Dividend	-7,800	-30,030
24	+	Proceeds from the issuance of debenture loans and taking out of financial loans	0	0
25	-	Payments to repay debenture loans and financial loans	0	0
26	=	Cash flow from financing activities	-7,800	-30,030
27	=	Net increase / decrease in cash and cash equivalents (Total cash flow from the three types of activity)	320	-5,934
28	+ / -	Changes in cash and cash equivalents due to currency exchange rates and valuation	0	0
29	+	Cash and cash equivalents at the beginning of the period	738	6,672
30	=	Cash and cash equivalents at the end of the period	1,058	738

ADDITIONAL DISCLOSURES

Interest paid	6,167	12,596
Interest received	818	464
Taxes paid	3,671	4,104

Notes to the Consolidated Financial Statements according to International Financial Reporting Standards (IFRS) for 2005

LEGAL STRUCTURE OF THE GROUP

1. Parent Company cash.life AG / Legal conditions as of 31 December 2005:

Year of Company Formation
1984

Company, Headquarters
cash.life AG, Munich

Commercial Register
Munich Local Court, section B, No. 126120

Parent Company Purpose According to the Articles of Association
Purchase and use of existing life insurance policies and pension assurances as well as capitalisation rates both domestically and abroad, purchase, management and sale of companies, parts of the company and participations, creation and structuring of investment products and the related provision of consulting services, proprietary or third-party arbitrage transactions, as well as the purchase and use of other assets and all types of receivables. Excluded activities include those which are subject to limiting conditions according to the Law on the Supervision of Insurance Companies or the German Banking Law (KWG), as well as activities which fall under section 34c of the Trade Regulation Act.

Articles of Association
The valid Articles are those dated 19 July 1999 and changed by resolution as of 1 July 2005 (entry in Commercial Register on 17 November 2005).

Financial Year
The financial year is equivalent to the calendar year.

Capital Structure
Subscribed capital (share capital) amounts to EUR 7,800,000 and is divided into 7,800,000 individual ordinary shares. In addition, approved capital to the amount of EUR 3,900,000 has been authorised until 15 June 2009.

2. Shares in Associated Companies

As of 31 December 2005, cash.life AG held an equity stake in the following companies:

Company	Equity stake	Inclusion in scope of consolidation
Barwert GmbH	100%	yes
Deborah 2000 Vermögensverwaltungs GmbH	100%	no
cash.life Premium Policies SICAV	75%	no

3. Scope of Consolidation

All significant subsidiaries under legal or factual control by cash.life AG are included in the scope of the Group consolidation. The scope of consolidation is determined according to the purchase method. The following companies are not included in the Group consolidated financial statements as a result of their subordinate importance for the firm's net assets, financial position and earnings situation, due to inactivity or minimal business activity: Deborah 2000 Vermögensverwaltungs GmbH in Stuttgart and cash.life Premium Policies SICAV in Luxemburg. Non-consolidated subsidiaries account for less than 0.1% of Group revenues, and their percentage of Group equity amounts to 0.5%. These companies have been classified in the Group consolidated financial statements as financial assets at amortised cost.

4. Consolidated Company: Barwert GmbH

Name, Headquarters

Barwert Europäische Versicherungsvermittlungs GmbH, Großhansdorf

Date of Company Formation

8 October 2001

Company Purpose

To act as an agent for insurers and insurance services with a focus on life insurance companies in Germany and the rest of Europe

Commercial Register

Lübeck Local Court, section B, No. 4517 AH

Capital Structure

Share capital EUR 25,000

Date of Acquisition

1 July 2005

Acquired Voting Rights

100%

The transaction was accounted for in accordance with the purchase method.

Acquired net assets	Fair value (EUR thousand)
Fixed Assets	20
Receivables	7
Cash on hand, bank balances	258
Tax liabilities	-56
Other liabilities	-42
Acquired net assets	187

Purchase Price

EUR 2,810 thousand; paid in cash

Goodwill

EUR 2,623 thousand resulting from the position as a leading broker of life insurance policies on the German market. For the cash.life Group, significant synergies arise with respect to increases in its purchasing volume.

Group Cash Outflow at Acquisition

EUR 2,553 thousand

Profit since Group consolidation

EUR -7 thousand

5. Change Versus Previous Year

As of the last balance sheet date, 31 December 2004, there were no additional shares in other companies.

BASIS AND METHODS

1. First-time Group consolidated financial statements

The Group consolidated financial statements have been prepared for the first time in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as well as of the Standing Interpretations Committee (SIC). Furthermore, the supplementary commercial provisions in accordance with section 315a, subsection 1 of the German Commercial Code (HGB) are applied. New standards passed by the IASB will be applied starting from the date of their validity. Formerly, individual accounts were only prepared according to the German Commercial Code (HGB). The required disclosures concerning the transition from HGB to IFRS are detailed in the section »Change of Accounting Standards to IFRS«. The accounts of the individual companies have been prepared according to a uniform set of accounting and valuation principles for their inclusion in the Group consolidated financial statements. All consolidated companies have their balance sheet date on 31 December.

2. Methods of Consolidation

The first-time consolidation of Barwert GmbH occurred on 1 July 2005. At that time, cash.life AG's amortised costs recorded for consolidation were offset with the shareholders' equity of Barwert GmbH. The resulting positive difference amounts from the consolidation were classified as goodwill under intangible assets. The effects of internal business transactions have been eliminated in the context of the consolidation. Receivables and liabilities between the consolidated companies are offset against each other, and any intragroup profits and losses have been eliminated. Any intragroup profits have been offset by the corresponding expenses. The necessary tax accruals/deferrals have been made for any temporary differences resulting from the consolidation. The Group consolidated financial statements were prepared in euros (EUR) or in thousands of euros (EUR thousand).

SIGNIFICANT ACCOUNTING AND VALUATION METHODS

1. Accounting Principles

The significant accounting and valuation methods applied are detailed below. For acquisitions, the assets and liabilities of the subsidiary have been valued at fair value at the time of purchase. The surplus from the amount in which the purchase price exceeded the fair value of Barwert GmbH's identifiable net assets was reported as goodwill. Earnings generated by the subsidiary in the course of the financial year in which it was acquired were included in the Group income statement starting from the effective date of the acquisition. The annual financial statements of the subsidiary have been adjusted as necessary in order to adapt the accounting and valuation methods to those of the parent company. All principle intragroup transactions, balances and intermediate results between Group companies have been eliminated in the context of the consolidation.

2. Goodwill

Goodwill resulting from the scope of consolidation is capitalised in accordance with IFRS 3 (business combinations) and classified under intangible assets. Goodwill is subject to an impairment test at least once per year.

3. Recognition of Profits and Losses

Revenues and other operating income are recognised only when the service has been rendered, the amount of the income can be reliably predicted, and the economic benefit is likely to accrue to the Group. Operating expenses affect the income statement at the time the service is rendered or at the time the expense is incurred.

4. Leasing Contracts

According to IAS 17, leasing contracts must be classified as either financing or operating leases. The leasing contracts concluded by the cash.life Group only pertain to operating leases. The leasing instalments are recognised as leasing expenses by the lessee, the cash.life Group, and are classified under other operating expenses with effect on the income statement.

5. Foreign Currency

Foreign currency transactions are recognised at the exchange rates prevailing at the time of the transaction. On each balance sheet date, liabilities and receivables in foreign currencies are valued at the middle market price as of the balance sheet date. Foreign currency transactions are only of limited significance to the cash.life Group.

6. Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they occur.

7. Operating profit

The operating profit includes all income and expenses before the financial result and taxes on income.

8. Taxes on Income

The income tax expense represents the total of actual and deferred taxes on income. Taxes on income are calculated on the basis of applicable tax law and are recognised as an expense in the period in which the corresponding profits are realised.

Deferred taxes are accrued for temporary differences between the valuation according to IFRS and the tax values determined according to the balance sheet liability method. Deferred tax liabilities are fundamentally accrued for all taxable temporary differences. Deferred tax claims are accrued to the extent that it is likely that taxable income will be available against which deductible temporary differences can be applied. Deferred taxes are not accrued in the event that temporary differences arise from goodwill that is not tax-deductible. Deferred taxes are subject to valid tax rates applicable for the expected period in which an asset is to be sold or a liability is to be repaid. The calculation of deferred taxes is based on the future expected tax rate of 35%. Tax receivables and tax liabilities are offset when both relate to the same taxable entity, when both are subject to the same tax jurisdiction and when an enforceable law permitting their offset exists.

9. Intangible Assets

Acquired computer software is recognised at purchase cost, less cumulated amortisation. Assets are depreciated pro rata temporis on a linear basis over a common economic useful life of three years.

10. Fixed Assets

Fixed assets used for business activities for a period exceeding one year are recognised at purchase cost less accumulated depreciation. They are depreciated pro rata temporis on a linear basis over a common economic useful life of three to ten years. Repair costs are recorded immediately as expenses. Income from asset disposals is recognised on the income statement under revenues or other operating expenses. Assets for which the purchase cost is less than EUR 410 are fully depreciated in the year they are purchased. The alternative new valuation method has not been employed.

11. Impairment of Fixed and Intangible Assets

Fixed, financial assets and long-term intangible assets (including amortised goodwill) are subject to an impairment test in accordance with IAS 36. No impairments were carried out in 2004 and 2005.

12. Financial Assets

Shares in associated companies which are not consolidated are recorded at their purchase cost.

13. Financial Instruments

Financial assets and liabilities are recognised on the balance sheet at the point in time that the Group becomes the contractual partner. Details on the financial instruments are shown in points 14, 15, 16, 17 and 20.

14. Long-Term Receivables

Receivables with a remaining term to maturity of more than one year are discounted at an annual interest rate (that is appropriate with regard to the term) of 4.5% on the balance sheet date.

15. Short-Term Receivables and Other Assets

Short-term receivables and other assets are valued at fair value at the time of first inclusion. Short-term receivables and other assets held for trading purposes are subsequently valued at fair value. The resulting profit or loss is included with effect on the income statement. Trade receivables are recognised at face value. When doubts concerning recoverability exist, the receivable is recognised at its lowest recoverable value. Tax refund claims arising from taxes on earnings are recognised at their notional amount and include after possible offsetting against tax liabilities the refund claims against the responsible tax authority. Other receivables and other assets are recognised at their notional amount.

16. Long-Term Liabilities

Long-term liabilities are assessed according to the discounted value of future amounts paid out. The liabilities to agents included here are discounted at an annual interest rate of 5.5%.

17. Short-Term Liabilities

Short-term liabilities are valued at amortised cost. This amount corresponds to the repayment amount in cash.life Group's liabilities. Interest-bearing loans from banks are recognised at the amount received at distribution. Financing costs, including those for the repayment or redemption of payable premiums, are recognised according to the accruals concept principle.

18. Tax Provisions

Tax provisions include obligations from the trade tax on income due to municipal public authorities.

19. Other Provisions

Other provisions include all other recognizable obligations which are based on past events and whose amount and timing are uncertain as of the balance sheet date. Provisions are only accrued when a legal or factual obligation to a third party exists. The provisions are recognised at the value required to fulfil the claim and are not netted with refund claims. Provisions are valued using the best estimate methodology.

20. Derivative Financial Instruments and Hedging Transactions

The Group is subject to interest rate risk resulting from its activities. Interest rate caps and floors are concluded in order to secure future cash flows. Derivative financial instruments are not used for speculative purposes. The use of derivative financial instruments must be approved by the Management Board in each individual case.

Financial derivatives are recognised at fair value. The derivatives are reported on the basis of the valuation of the contract banks and on the interest structure curve on the balance sheet date. Changes in the fair value of derivative financial instruments which do not fulfil the criteria for hedge accounting are recognised with effect on the income statement in the period they arise. In the reporting period, the cash.life Group did not have any financial derivatives which met the criteria for hedge accounting.

21. Income Statement

The income statement has been prepared according to the total-cost method.
Taxes on income include deferred taxes as well as actual taxes on income.

NOTES TO THE GROUP BALANCE SHEET

The following notes concern the Group balance sheet as of 31 December 2005.

1. Intangible Assets

Balance sheet figure: EUR 5,616,627.23

Previous year: EUR 394,292.23

1.1. Intangible Assets

The development of Group fixed assets is shown in the Group schedule of gross fixed assets. Additions to Group assets in the financial year due to the consolidation of Barwert GmbH have been capitalised at fair value and recorded as net additions in accordance with the purchasing method. Intangible assets include goodwill from the consolidation of Barwert GmbH as of 1 July 2005 as well as computer software.

	1.1.2005 EUR	CC* EUR	Additions EUR	Depreciation EUR	31.12.2005 EUR
Goodwill	0.00	2,623,028.05	0.00	0.00	2,623,028.05
Software	322,741.31	0.50	318,051.53	235,379.62	405,413.72
Total	**322,741.31**	**2,623,028.55**	**318,051.53**	**235,379.62**	**3,028,441.77**

* Change in consolidation

Additions to software primarily pertain to the acquisition of additional expansion levels of the Calipso, Calihopa and Calimero computer programs. Computer software is depreciated pro rata temporis on a linear basis over a common economic useful life of three years.

1.2. Derivatives

Balance sheet figure: EUR 2,588,185.46

Previous year: EUR 71,550.92

In the year under review, the cash.life Group entered into interest rate hedges in order to protect itself against interest rate risk. The interest rate derivatives are recognised at fair value. They have been classified as long-term financial assets because their maturities exceed 12 months. Details on the individual financial derivatives are provided in point 20 of the Notes to the Group Balance Sheet. Changes in the fair value of the derivatives are recorded under financial income (see point 5.1 of the Notes to the Income statement).

2. Property, plant, and equipment

	1.1.2005 EUR	CC* EUR	Additions EUR	Depreciation EUR	31.12.2005 EUR
Operating and office equipment	607,673.01	20,476.01	1,185,235.80	(R) 22,572.35 192,675.95	1,598,136.52
Renter improvements	0.00	0.00	650,192.93	5,209.93	644,983.00
Low-value assets	0.00	3.00	58,889.75	58,854.75	38.00
Advance payments	0.00	0.00	12,128.03	0.00	12,128.03
Total	**607,673.01**	**20,479.01**	**1,906,446.51**	(R) **22,572.35** **256,740.63**	**2,255,285.55**

* Change in scope of consolidation
(R) = Release

Additions from the changes in the scope of consolidation to an amount of EUR 20 thousand pertain to the consolidation of property, plant and equipment belonging to Barwert GmbH. Additions to property, plant and equipment of EUR 1,906 thousand (previous year: EUR 417 thousand) are due primarily to investments for the move to Pullach and the related building expansion.

3. Financial assets

Balance sheet figure: EUR 57,200.00
Previous year: EUR 0.00

The carrying amount includes the amortised participations in cash.life Premium Policies SICAV amounting to EUR 30 thousand as well as Deborah 2000 Vermögensvewaltungs GmbH to the amount of EUR 27 thousand. Neither company is included in the scope of the Group consolidation. (see the notes on the legal structure of the Group, point 3 Scope of Consolidation).

Name	Headquarters	Share Percent	Equity EUR thousand	2005 net profit EUR thousand
Deborah 2000 Vermögensverwaltungs GmbH	Stuttgart	100	33	1
cash.life Premium Policies SICAV	Luxembourg	75	20	-

4. Deferred Tax Assets

Balance sheet figure: EUR 3,013,009.47

Previous year: EUR 4,265,528.38

	Tax-loss carry forwards EUR	Interest rate derivatives EUR	Total EUR
As of 1.1.2005	4,078,341.87	187,186.51	4,265,528.38
Amount affecting the income statement in the financial year	-1,594,750.32	342,231.41	-1,252,518.91
As of 31.12.05	2,483,591.55	529,417.92	3,013,009.47

As of the balance sheet date, the cash.life Group maintained unused trade tax-loss carryforwards amounting to EUR 6,704 thousand (previous year: EUR 11,282 thousand) as well as corporate tax-loss carryforwards amounting to EUR 7,334 thousand (previous year: EUR 11,912 thousand). The losses can be carried forward for an indefinite period of time. Deferred tax assets have been accrued for all losses because the company anticipates future profits.

5. Long-Term Receivables

Balance sheet figure: EUR 1,814,678.00

Previous year: EUR 0.00

The reported figure pertains to non-interest bearing commission receivables with a remaining term of more than one year. The receivables have been discounted at 4.5% as of the balance sheet date.

6. Receivables from Insurance Contracts

Balance sheet figure: EUR 267,719,029.54

Previous year: EUR 188,468,852.63

The receivables from insurance contracts pertain to life insurance policies in the proprietary trading portfolio. These receivables are accounted for as financial instruments at repurchase value which is corresponding to the fair value. The repurchase value is an amount confirmed by the insurance company that can be realised at any time. There is no policy purchase obligation at a higher value on the part of closed-end funds. The receivables from insurance contracts of EUR 209,257 thousand act as collateral for short-term liabilities to banks.

7. Trade Receivables

Balance sheet figure: EUR 35,321,282.76

Previous year: EUR 27,776,806.42

Composition	31.12.2005 EUR	31.12.2004 EUR
MPC	11,281,349.53	6,089,941.94
König & Cie.	24,003,432.42	21,495,540.72
Other	36,500.81	0.00
Maturity payments from insurance policies	0.00	191,323.76
Total	**35,321,282.76**	**27,776,806.42**

The reported figure primarily pertains to receivables from the sale of policies to closed-end funds. As of the end of February 2006, 93% of the receivables had been received.

8. Tax Refund Claims

Balance sheet figure: EUR 7,180,091.20

Previous year: EUR 4,104,464.76

Tax refund claims of EUR 7,146 thousand resulted from allowable capital gains taxes including the solidarity surcharge at cash.life AG, relating specifically to tax withholdings on insurance income. The tax refund claims from tax withholdings have been reduced by the corporate income tax expense and the solidarity surcharge of cash.life AG in the 2005 financial year. These two items are offset because the income taxes are levied by the same tax authority and are paid in a single net payment. Due to the overpayment of taxes, Barwert GmbH maintains a refund claim from the tax authorities for EUR 34 thousand. The tax refund claim from allowed taxes in 2004 had been received to the full amount by the end of February 2006.

9. Other Receivables and Other Assets

Balance sheet figure: EUR 3,843,710.00

Previous year: EUR 15,736,846.21

Composition	31.12.2005 EUR	31.12.2004 EUR
Accrual of pre-paid life and social security insurance premiums	2,302,658.68	1,638,087.89
Receivables from associated companies	1,258,754.24	13,685,248.00
Other assets	282,297.08	413,510.32
Total	**3,843,710.00**	**15,736,846.21**

The receivables from associated companies as of 31 December 2005 to the amount of EUR 1,259 thousand pertain to loan receivables from link.life Vertriebs- und Servicegesellschaft mbH of EUR 1,115 thousand and from cash.life plus GmbH of EUR 144 thousand. The loan receivables have a remaining term of up to one year and are discounted yearly at one percentage point per year above the 12-month EURIBOR rate or at 6% per annum. The other assets to the amount of EUR 282 thousand pertain to accounts payable on the debit side and accruals of pre-paid expenses of the following year.

Receivables from associated companies as of 31 December 2004 to the amount of EUR 13,685 thousand primarily pertain to loan receivables from ALTAM Holding AG of EUR 11,465 thousand and from ZH Holding GmbH & Co. KG of EUR 1,560 thousand. The receivables were paid off in the 2005 financial year.

10. Subscribed Capital

Balance sheet figure: EUR 7,800,000.00
Previous year: EUR 7,800,000.00

The company's share capital amounts to EUR 7,800,000 and is divided into 7,800,000 individual ordinary bearer shares.

With a resolution from the Annual Shareholders-Meeting dated 15 June 2004, the Management Board was authorised, with Supervisory Board approval, to increase the share capital one or more times until 15 June 2009 for cash and / or capital subscribed in kind up to an amount of EUR 3,900,000; in doing so, shareholders' subscription rights may be exempted (approved capital).

11. Reserves Including Profit / Loss Carryforwards

Balance sheet figure: EUR 4,609,429.31
Previous year: EUR 0.00

The reported value includes the legally required accrual in accordance with section 150 of the German Stock Corporation Law (AktG) amounting to EUR 780 thousand was well as the profit brought forward, reduced by the dividend payout of EUR 7,800 thousand in 2005. Details on the development of the total equity are provided in the statement of changes in equity. The Management Board and Supervisory Board of cash.life AG decided on 13 March 2006 to propose retention of the profits in the 2005 financial year to the Shareholders' Meeting without any distribution of dividends.

12. Deferred Tax Liabilities

Balance sheet figure: EUR 901,869.32
Previous year: EUR 24,932.01

The figure pertains to deferred tax liabilities from the asset values of interest rate hedging transactions at the balance sheet date to the amount of EUR 2,588 thousand (see Notes to the Balance Sheet, point 1.2 Derivatives).

13. Other Long-Term Liabilities

Balance sheet figure: EUR 1,152,695.63
Previous year: EUR 537,195.56

The figure pertains to liabilities from interest rate hedges with a remaining term exceeding one year to the amount of EUR 809 thousand (previous year: EUR 537 thousand) as well as commission liabilities due to brokers to the amount of EUR 343 thousand (previous year: EUR 0 thousand). Commission liabilities are discounted on a yearly basis at 4.0% or 5.5% respectively as of the balance sheet date.

14. Liabilities to Banks

Balance sheet figure: EUR 253,811,382.50
Previous year: EUR 158,507,087.48

Liabilities to banks amounting to EUR 253,811 thousand (previous year: EUR 158,507 thousand) are used primarily to finance the trading portfolio and all have a remaining term to maturity of less than one year. Guarantees to credit institutions were mainly provided through the surrender of all rights and claims resulting from life and social security insurance contracts. cash.life AG has pledged fixed-term deposits to Ulmer Volksbank eG amounting to EUR 51,129.19 (previous year: EUR 51 thousand). The total amount of liabilities covered by liens and similar rights amounted to EUR 209,257 thousand (previous year: EUR 158,507 thousand).

15. Liabilities from the Purchase of Insurance Contracts

Balance sheet figure: EUR 48,648,479.94
Previous year: EUR 48,582,106.54

The figure pertains to purchase price liabilities to the sellers of life insurance or pension assurance policies.

16. Trade payables

Balance sheet figure: EUR 753,391.06
Previous year: EUR 158,773.01

The figure pertains to liabilities from ongoing activities excluding the purchase of insurance policies. As of the end of February 2006, 87% of the liabilities had been settled.

17. Other short-term liabilities

Balance sheet figure: EUR 2,953,866.49
Previous year: EUR 13,411,508.41

Other short-term liabilities as of 31 December 2005 mostly pertain to interest accruals to banks. Other short-term liabilities as of 31 December 2004 pertain to liabilities to associated companies. This item pertains to a liability to ZH Partner-Fonds Nr. 8 GmbH & Co. KG due to the take-over of interest rate derivatives. The liability was settled in the 2005 financial year.

18. Short-Term Provisions

Balance sheet figure: EUR 1,580,500.53
Previous year: EUR 661,000.00

Short-term provisions pertain to tax provisions and other provisions.

18.1. Provisions for taxes on income

	1.1.2005 EUR	CC* EUR	Additions EUR	31.12.2005 EUR
cash.life AG				
Trade tax on earnings	0.00	0.00	561,500.00	561,500.00
Barwert GmbH				
Corporate and trade taxes from previous years	0.00	56,238.53	0.00	56,238.53
Total	**0.00**	**56,238.53**	**561,500.00**	**617,738.53**

* Change in scope of consolidation

18.2. Other Short-Term Provisions

	1.1.2005 EUR	Release / Use* EUR	CC** EUR	Additions EUR	31.12.2005 EUR
		(R) 3,099.38			
Personnel	247,400.00	244,300.62	0.00	345,000.00	345,000.00
Legal and consulting costs	255,000.00	255,000.00	0.00	366,000,00	366,000,00
	(R) 19,010.75				
Outstanding invoices	158,600.00	139,589.25	8,400.00	243,362.00	251,762.00
		(R) **22,110.13**			
Total	**661,000.00**	**638,889.87**	**8,400.00**	**954,362.00**	**962,762.00**

* Release or use, respectively, (R) = Release
** Change in scope of consolidation

Income from the release of provisions was recognised with effect on the income statement.

19. Contingent Liabilities and Liability Guarantees

Other financial liabilities of importance which are not detailed on the balance sheet comprise operating lease contracts.

	2005 EUR	2004 EUR
Minimum leasing instalments from operating leases	368	269

As of the balance sheet date, the Group had remaining obligations from operating lease contracts not subject to termination, which are due as follows:

	2005 EUR	2004 EUR
Within one year	808	336
In two to five years	2,710	700
After five years	0	0
Total	**3,518**	**1,036**

Payments from operating lease contracts pertain to rents for office property, company cars and office equipment for the Group. Rental contracts for office property have a term of five years, and the remaining rental contracts are concluded for an average term of three or five years. A portion of the rented office properties have been sublet. Income from rental in the financial year under review amounted to EUR 46 thousand (previous year: EUR 30 thousand). The sublet contracts had a term of four years or one year. The following rental income is anticipated due to the contractually stipulated minimum rental payments:

	EUR
Within one year	202,000
In two to five years	484,000
After five years	0

Contingencies for external liabilities
Contingencies for external liabilities (to associated companies) exist as an absolute suretyship against the Vorsorge Luxemburg Lebensversicherung S.A., Munsbach / Luxemburg up to a maximum amount of EUR 200 thousand for the payment obligations of link.life Vertriebs- und Servicegesellschaft mbH, Vienna / Austria and cash.life plus Vertriebs- und Servicegesellschaft mbH, Munich.

There are direct insurance premiums which are paid by the Group on behalf of its employees. The contract obligates the insurance company but provides an option to the employee. Contributions to these direct insurance policies are recognized under personnel expenses. There is a final but nearly risk-free liability on the part of the employer, cash.life AG, in accordance with section 1 subsection 1 clause 3 of the BetrAVG, which provides for an obligation to meet claims in the event of bankruptcy on the part of the insurance company. There are no forfeitable legal rights to future pension payments which occur at retirement for cash.life AG employees.

20. Financial Derivatives

The company has entered into several interest rate hedges (SWAPS, CAPS). The fair value of these derivative financial instruments is calculated as the cash value of the expected benefit minus the expenses required for this. The fair value of the interest rate hedges are documented by communications of the respective banks and amount to EUR 1,366 thousand as of 31 December 2005. They comprise the asset value of the derivatives (EUR 2,588 thousand) minus the liability value of the derivatives (EUR 1,222 thousand). The total reference amount of the derivatives is EUR 650,000 thousand. The period from the end of 2005 to mid-2010 is covered.

CONSOLIDATED ANALYSIS OF FIXED ASSETS ACCORDING TO IFRS AS OF 31 DECEMBER 2005

	PURCHASE AND MANUFACTURING COSTS				
	1.1.2005[1]	**CSC**[2]	**ADDITIONS**	**DISPOSALS**	**31.12.2005**[1]
	EUR	EUR	EUR	EUR	EUR
Intangible assets					
1. Goodwill	0.00	2,623,028.05	0.00	0.00	2,623,028.05
2. Computer software	1,549,465.37	0.50	318,051.53	158,193.28	1,709,324.12
	1,549,465.37	*2,623,028.55*	*318,051.53*	*158,193.28*	*4,332,352.17*
Property, plant and equipment					
1. Other equipment, operating and office equipment	1,299,291.07	20,479.01	1,894,318.48	206,784.59	3,007,303.97
2. Payments in advance	0.00	0.00	12,128.03	0.00	12,128.03
	1,299,291.07	*20,479.01*	*1,906,446.51*	*206,784.59*	*3,019,432.00*
Financial assets					
Shares in affiliated companies	0.00	0.00	57,200.00	0.00	57,200.00
Total	**2,848,756.44**	**2,643,507.56**	**2,281,698.04**	**364,977.87**	**7,408,984.17**

[1] As of

[2] Change in scope of consolidation

[3] Amortization/depreciation of the financial year

ACCUMULATED AMORTIZATION / DEPRECIATION				CARRYING AMOUNT	
1.1.2005[1]	**ADDITIONS**[3]	**DISPOSALS**	**31.12.2005**[1]	**31.12. 2005**[1]	**31.12.2004**[1]
EUR	EUR	EUR	EUR	EUR	EUR
0.00	0,00	0,00	0.00	2,623,028.05	0.00
1,226,724.06	235,379.62	158,193.28	1,303,910.40	405,413.72	322,741.31
1,226,724.06	*235,379.62*	*158,193.28*	*1,303,910.40*	*3,028,441.77*	*322,741.31*
691,618.06	256,740.63	184,212.24	764,146.45	2,243,157.52	607,673.01
0.00	0.00	0.00	0.00	12,128.03	0.00
691,618.06	*256,740.63*	*184,212.24*	*764,146.45*	*2,255,285.55*	*607,673.01*
0.00	0.00	0.00	0.00	57,200.00	0.00
1,918,342.12	**492,120.25**	**342,405.52**	**2,068,056.85**	**5,340,927.32**	**930,414.32**

NOTES TO THE GROUP INCOME STATEMENT

The following notes refer to the Group income statement for the 2005 financial year:

1. Gross Profit

Gross profit comprises primarily the following items:

1.1 Revenues from policy management EUR 3,694,109.49
Previous year EUR 2,350,274.11

Revenues from policy management pertain to the servicing of policies sold to closed-end funds.

1.2 Revenues from the sale of insurance policies EUR 294,796,849.51
Previous year EUR 296,875,184.86

As in the previous year, this item pertains to revenues from the sale of insurance policies to MPC and König & Cie.

1.3 Disposal of sold insurance contracts EUR 282,028,613.65
Previous year EUR 282,509,994.42

Income from the sale of insurance policies to closed-end funds (see section 1.2) is offset, as in the prior year, by expenditures for the disposal of sold insurance contracts.

1.4 Commission revenues EUR 373,435.30
Previous year EUR 0.00

This figure pertains to revenues from commissions for referrals to third parties through the first-time consolidation of Barwert GmbH.

1.5 Value Appreciation of insurance contracts EUR 20,021,619.23
Previous year EUR 21,366,972.49

The value appreciation of insurance policy contracts result primarily from the yield on the portfolio minus purchase price premium payments to customers.

1.6 Insurance premiums EUR 10,044,942.99
Previous year EUR 9,284,406.81

As in the previous year, this item pertains to insurance premiums for the trading portfolio policies.

2. Personnel Expenses

	2005 EUR	2004 EUR
Wages and salaries	3,062,923.29	2,019,103.82
Social security	419,410.87	274,519.75
Total	**3,482,334.16**	**2,293,623.57**

Social security expenses include expenditures for direct insurance policies to the amount of EUR 43 thousand. The increase in personnel expenses of EUR 1,189 thousand to EUR 3,482 thousand compared to the previous year period was due primarily to the higher number of employees, as well as the inclusion of Barwert GmbH with seven employees.

Average	**2005** number	**2004** number	change
Employees	54	39	15
Apprentices	1	1	0
Total	**55**	**40**	**15**

3. Amortisation of intangible assets and depreciation of tangible assets

EUR 492,120.25
Previous year EUR 335,928.52

(see point 1, 2 of the Notes on the Group Balance Sheet)

4. Other Operating Expenses

EUR 8,638,372.05
Previous year EUR 5,291,661.08

Other operating expenses primarily pertain to expenses for legal and consulting costs, agent commissions, advertising and public relations, trust fees, rents for office space, as well as travel expenses. The increase is largely due to increases of EUR 484 thousand for legal and consulting costs, EUR 2,007 thousand for agent commissions, and EUR 374 thousand for advertising and public relations.

5. Financial Result

5.1 Financial income EUR 2,144,566.52
Previous year EUR 13,515,357.67

Financial income pertains to interest and similar income to the amount of EUR 889 thousand (previous year: EUR 429 thousand) as well as income from interest rate hedges of EUR 1,256. The previous year's figures for financial income include a partner contribution of EUR 11,400 thousand to compensate for commercial law expenses, which limits the comparability of the financial income figure.

5.2 Financial expenditures EUR 7,569,208.47
Previous year EUR 11,573,065.25

The decline in financial expenses compared to the previous year resulted primarily from better refinancing terms.

6. Taxes on Income

Taxes on income comprise actual taxes on income and deferred taxes.

6.1 Current taxes on income EUR 1,181,071.40
Previous year EUR 0.00

The current expenses for taxes on income for the 2005 financial year amount to EUR 1,181 thousand (previous year: EUR 0 thousand).

6.2 Deferred taxes on income EUR 2,129,456.22
Previous year EUR 4,137,774.35

The deferred tax expense of EUR 1,595 thousand in the financial year resulted from the reduction in deferred tax asset claims from future useable tax-loss carryforwards and from the increase in deferred tax liabilities by EUR 877 thousand due to the increase in asset values for interest rate hedges. The increase in deferred tax asset claims from the liability values of interest rate hedges to the amount of EUR 342 thousand had the effect of reducing the tax liability.

The theoretically expected tax rate (trade tax, corporate tax, solidarity surcharge) for the financial year is around 40%. The tax rate used to calculate deferred taxes amounted to about 35% as a result of the move to Pullach.

The difference between the expected and reported tax expense can be seen in the following tax reconciliation statement.

	2005	**2004**
	EUR thousand	**EUR thousand**
Income before taxes	8,978	23,682
Expected tax expense	3,623	9,676
Reduction in tax expense of previous year	-7	0
Tax-free income	0	-5,565
Tax expense of non-deductible operating expenses	8	27
Effect of change in tax rate due to move	-313	0
Tax expense acc. to Income Statement	**3,311**	**4,138**

7. Earnings per Share

Earnings per share are calculated by dividing the period result apportioned to ordinary shareholders by the weighted average number of ordinary shares. The number of ordinary shares amounted to 7,800,000 as of both 31 December 2004 and 31 December 2005 (undiluted and diluted).

Earnings per share (diluted/undiluted) for the 2005 financial year amounted to EUR 0.73 (previous year: EUR 2.51). Earnings per share in the comparable period of the previous year were primarily influenced by the partner contribution of EUR 11,400 thousand (see point 5 Financial Result). The earnings per share figure (diluted/undiluted) in the previous year, adjusted for extraordinary effects, amounted to EUR 0.97 per share. After the elimination of extraordinary effects, the remaining decline in earnings per share compared to the previous year is due to the fact that in 2004, significant portions of the trading portfolio were sold, whereas policies intended for immediate re-sale were acquired and investments were made in the trading portfolio in 2005.

EXTERNAL TRANSACTIONS WITH AFFILIATED COMPANIES AND PERSONS

External transactions between the company and its subsidiary, Barwert GmbH, have been eliminated in the context of the consolidation. Here is a summary of business relationships with affiliated persons:

	2005	2004
Service transactions in EUR thousand	-277	-15,257
Receivables outstanding in EUR thousand	1,259	13,685
Partner contributions	0	11,400
Furnished guarantees in EUR thousand	200	200
Liabilities in EUR thousand	0	13,086

The business relationships primarily pertain to the following closely affiliated companies:

› ALTAM Holding AG
› cash.life plus Vertriebs- und Servicegesellschaft mbH
› link.life Vertriebs- und Servicegesellschaft mbH
› ZH Holding GmbH & Co. KG
› ZH Partner-Fonds Nr. 8 GmbH & Co. KG

NOTES TO THE GROUP CASH FLOW STATEMENT

The Group cash flow statement depicts the Group's cash flows. The following explanations relate to the Group cash flow statement:

1. Cash flow from operating activities

The cash flow from operating activities, which is calculated using the indirect method starting with net income for the period, increased by EUR 20,023 thousand compared to the previous year and amounts to EUR 12,954 thousand. The expenses for investments and dividend payments on the previous year's result were covered with the cash flow from operating activities.

2. Cash flow from investing activities

Cash flow from investing activities declined over the previous year by EUR 35,999 thousand to EUR -4,834 thousand. Cash outflows in the financial year mainly concern investments in computer software and property, plant and equipment to the amount of EUR 2,224 thousand and payments for the acquisition of Barwert GmbH amounting to EUR 2,553 thousand. In the previous year, the positive cash flow resulted from income received from the sale of financial assets to the amount of EUR 31,811 thousand.

3. Cash flow from financing activities

Cash flow from financing activities of EUR 7,800 thousand includes dividends paid in the financial year. A dividend payment of EUR 1.00 per common share for the 2004 financial year was approved at the Annual Shareholders' Meeting on 1 July 2005. The dividend payment occurred in the third quarter of 2005.

In the comparable period of 2004, a total of EUR 30,030 thousand was paid as a dividend for the 2003 financial year (EUR 3.85 per common share), as approved at the Annual Shareholders' Meeting on 15 June 2004.

4. Cash and cash equivalents at the end of the period

Cash outflows for investments and the payment of the dividend in the financial year were paid from the cash flow from operating activities. Cash equivalents increased by EUR 320 thousand to EUR 1,058 thousand at the end of the financial year.

NOTES TO THE CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY IN ACCORDANCE WITH IFRS

The consolidated statement of shareholders' equity shows the development of Group equity from 1 January 2004 through 31 December 2005.

CHANGE OF ACCOUNTING STANDARDS TO IFRS

cash.life AG, as a company oriented towards the needs of the capital markets, was required to prepare its consolidated financial statements according to International Financial Reporting Standards (IFRS) for the first time in the 2005 financial year. The opening IFRS balance sheet was prepared starting 1 January 2004. In accordance with IFRS 1, assets and liabilities will be reported and valued according to the IFRS regulations valid in the EU on

31 December 2005, the point in time at which the consolidated financial statements were first prepared according to IFRS. The resulting difference in amounts from the book values of assets and liabilities in the balance sheet according to HGB on 31 December 2003 will be included in equity at the time of the changeover to IFRS, without effect on the income statement. In the opening IFRS balance sheet as of 1 January 2004, the book values of assets and liabilities from the balance sheet according to HGB as of 31 December 2003 are to be retroactively valued and recognised in accordance with the IFRS regulations in effect as of 31 December 2005. IFRS 1 allows for certain exemptions which may deviate from this principle. cash.life AG did not choose to utilise this exemption.

The reconciliation of shareholders' equity in accordance with HGB to that of IFRS as of 1 January 2004 and 31 January 2004 is shown in the following overview.

Statement of reconciliation of shareholders' equity from HGB to IFRS

	31.12.2004	**1.1.2004**
	EUR	**EUR**
Equity acc. to HGB	16,434,477.58	39,191,565.46
Intangible assets	71,550.92	410,499.23
Deferred taxes		
Deferred tax assets	4,265,528.38	8,521,409.72
Deferred tax liabilities	-24,932.01	-143,039.00
Other long-term liabilities	-537,195.56	-703,368.55
Other short-term liabilities	0.00	-16,582,282.72
Equity acc. to IFRS	**20,209,429.31**	**30,694,784.14**

The reconciliation of earnings in accordance with HGB to those of IFRS as of 1 January 2004 and 31 January 2004 is shown in the following overview.

Statement of reconciliation of earnings from HGB to IFRS from 1.1.2004 to 31.12.2004

	EUR
Net income acc. to HGB	-43,124,136.19
Loss due to merger	50, 397,048.31
Intangible assets	-338,948.31
Deferred taxes	
Deferred tax assets	-4,255,881.34
Deferred tax liabilities	118,106.99
Other long-term liabilities	166,172.99
Other short-term liabilities	16,582,282.72
Net income acc. to IFRS	**19,544,645.17**

OTHER DISCLOSURES

Executive bodies of the company

Management Board

Dr. Stefan Kleine-Depenbrock (Chairman)
Corporate Development / Strategy Department, Legal Matters, Investor Relations, Auditing, Personnel

Dr. Marcus Simon
Pricing Department; Finance, Taxes, Fund Administration, IT, General Administration

Ulrich T. Grabowski (from 1 December 2005)
Marketing Department, Sales, Product Development, Associated Companies

Lutz Schroeder (until 31 October 2005)
Public Relations And Marketing Department, Personnel Management, Organising And Company Insurance

The total pay of the Management Board in the current financial year amounted to EUR 773 thousand (previous year: EUR 533 thousand) and represented exclusively payments due in the short term.

Supervisory Board

Gerd A. Bühler (Chairman)
Lawyer, tax accountant
(member until 30 June 2005 due to court appointment, from 1 July 2005 due to nomination at the Annual Shareholders' Meeting)
Vice-Chairman of the Supervisory Board of ALTAM Holding AG, Ulm
Member of the Supervisory Board of IREKS GmbH, Kulmbach

Klaus Mutschler (Vice-Chairman)
Graduate in business management
Chairman of the Supervisory Board of ALTAM Holding AG, Ulm

Ralf Brammer
Member of the Management Board of AWD Holding AG, Hanover
Member of the Supervisory Board of tecis Asset Management Aktiengesellschaft, Hamburg
Member of the Supervisory Board of tecis Finanzdienstleistungen Aktiengesellschaft, Hamburg
Member of the Supervisory Board of tecis Holding Aktiengesellschaft, Hamburg

The total pay of the Supervisory Board in the current financial year amounted to EUR 90 thousand (previous year: EUR 120 thousand).

Disclosures in accordance with section 160 subsection 1 No. 8 of the German Stock Corporation Law (AktG)

cash.life AG was notified of the existence of the following participations in the current financial year in accordance with section 21 subsection 1 of the Securities Trading Act (WpHG):

Fidelity International Limited, P.O. Box HM 670, Hamilton HMCX, Bermuda, gave notice on 12 October 2005 in accordance with section 21 subsection 1 of the Securities Trading Act (WpHG) that its voting share in cash.life AG reached the threshold of 5% on 11 October 2005 and now amounted to 5.02%. Of that, 5.02% is accounted for by Fidelity International Limited in accordance with section 22 subsection 1 No. 6 of the Securities Trading Act (WpHG).

Deutsche Bank Aktiengesellschaft gave notice on 8 November 2005 in accordance with section 21 subsection 1 of the Securities Trading Act (WpHG) that its subsidiary DWS Investment GmbH, Mainzer Landstraße 178–190, 60327 Frankfurt am Main, surpassed the threshold of 5% of the voting rights in cash.life AG on 2 November 2005 and its voting share now amounted to 5.47%.

M&G Investment Management Limited, London, gave notice on 24 November 2005 in accordance with section 21 subsection 1 of the Securities Trading Act (WpHG) that

› M&G Investment Funds (1) surpassed the threshold of 5% of the voting rights in cash.life AG on 18 October 2005 and now held 5.02%.
› M&G Investment Management Limited surpassed the threshold of 5% of the voting rights in cash.life AG on 18 October 2005 and now held 5.02%. In accordance with sec-

tion 22 subsection 1 clause 1 No. 6 of the Securities Trading Act (WpHG), it accounts for 5.02% of these voting rights.

- M&G Limited surpassed the threshold of 5% of the voting rights in cash.life AG on 18 October 2005 and now held 5.02%. In accordance with section 22 subsection 1 clause 1 in connection with section 22 subsection 1 clause 2 of the Securities Trading Act (WpHG), it accounts for 5.02% of these voting rights.
- M&G Group Limited surpassed the threshold of 5% of the voting rights in cash.life AG on 18 October 2005 and now held 5.02%. In accordance with section 22 subsection 1 clause 1 No. 6 in connection with section 22 subsection 1 clause 2 of the Securities Trading Act (WpHG), it accounts for 5.02% of these voting rights.
- Prudential plc. surpassed the threshold of 5% of the voting rights in cash.life AG on 18 October 2005 and now held 5.11%. In accordance with section 22 subsection 1 clause 1 No. 6 in connection with section 22 subsection 1 clause 2 of the Securities Trading Act (WpHG), it accounts for 5.02% of these voting rights.

Declaration on Corporate Governance pursuant to section 161 of the German Stock Corporation Law (AktG)

The declaration prescribed by section 161 AktG concerning compliance with the German Corporate Governance Code was made by the Management Board and Supervisory Board. In accordance with the Code's recommendations, this declaration is available to shareholders on the company's website.

Fees for the Auditor

In the current financial year, the following auditors-fees were recognised as an expense in accordance with section 319 subsection 1 clause 1 HGB:

- Audit of financial statements EUR 109 thousand
- Tax consultancy services EUR 37 thousand
- Total EUR 146 thousand

Significant events after the balance sheet date

A purchase and transfer agreement for endowment insurance as well as a service agreement were concluded with MPC Rendite-Fonds Leben plus VI GmbH & Co. KG, Quickborn on 24 February 2006.

As of the same date, a service agreement was concluded with MPC Rendite-Fonds Britische Leben Plus II GmbH & Co. KG, Quickborn.

The diversified holdings of cash.life AG were increased to 100% on 20 February 2006.

A purchase and transfer agreement for endowment insurance was concluded with König & Cie. Deutsche Leben 3 GmbH & Co. KG, Hamburg, on 28 February 2006.

On 22 March 2006 cash.life AG announced a capital increase for the purpose of partial utilisation of the company's approved capital of up to EUR 3,900,000.00, which was decided at the Shareholders' Meeting of 15 June 2004. The Management Board of cash.life AG decided with the approval of the Supervisory Board of 13 March 2006 to increase the share capital of the company in return for capital contributions by an amount of EUR 779,900.00 to EUR 8,579,900.00 by issuing 779,900 new shares. The placement was carried out while excluding the statutory subscription right at a price of EUR 33.50 per share so that cash.life AG obtained gross issuing proceeds to an amount of approx. EUR 26.1 million.

Forward-looking statements

This report contains forward-looking statements which reflect the current view of the management of cash.life AG regarding future events. Forward-looking statements are based on current forecasts, estimates and expectations, and are therefore subject to risks and uncertainties. These statements can deviate significantly from actual future developments and are subject to general political, economic, legal and tax developments, changes, risks and uncertainties.

cash.life AG does not intend to update forward-looking statements in order to adapt them to the events and developments following the date of this report, nor is the company subject to any special obligations requiring it to do so.

Munich, 27 March 2006

Dr. Stefan Kleine-Depenbrock
Ulrich T. Grabowski
Dr. Marcus Simon

INDEPENDENT AUDITORS' REPORT

»We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements as well as the Management Report on the position of the Company and Group for the business year from 1 January to 31 December 2005. The preparation of the consolidated financial statements and Management Report on the position of the Company and Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German Commercial Law pursuant to § 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) are the responsibility of the parent company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and on the Management Report on the position of the Company and Group, based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German Commercial Law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Management Report on the position of the Company and Group is consistent with the consolidated financial statements and as a whole provides a suitable view of the Company's and Group's position and suitably presents the opportunities and risks of future development.«

Munich, March 30, 2006

O&R Oppenhoff & Rädler AG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Heidemann, Wirtschaftsprüfer
Schön, Wirtschaftsprüfer

Death protection

Death protection is equal to the amount insured according to the life insurance agreement. Death protection remains when a life insurance policy is sold to cash.life AG. Should the insured die during the duration of the contract, the amount insured is paid out to cash.life. This amount is then paid out to the beneficiary less the purchase price and the premiums already paid by cash.life deducted by a certain interest.

Early termination

Early termination is a measure for the number of contracts terminated shortly after the beginning of the contract. High early termination causes high costs borne by the insured – a company faces losses with these kinds of contracts. Furthermore, a high number of early terminations indicates insufficient customer advisory service.

Encashment (termination)

The cancellation equal to an early termination of an insurance agreement is called encashment. This is an exclusive right of the policyholder.

Expected value at maturity

The expected value of an insurance contract at maturity equals the sum of the value at maturity guaranteed by the insurance company and the projected profits.

German Association of Investments in the Secondary Endowment Market of Life Insurance (BVZL)

Association in which secondary market companies of different fields (purchasers of policies, fund initiators, service firms) are organised. The member companies of the BVZL are active in the German, British or American life insurance secondary market. The association lobbies politically for the mandatory release of information on the secondary market, which should be anchored in the VVG.

German Insurance Contract Act (VVG)

Law stipulating the design of insurance contracts. The German Federal Court of Justice requested a revision of the law in a resolution from October 2005. In this respect, the BVZL campaigns for the release of information on the secondary market of life insurance policies.

Guaranteed rate of interest

Irrespective of insurance companies' success in regard to the returns on the investment of funds of insured persons, they are required by law to credit this guaranteed rate of interest. This rate currently amounts to 2.75%.

Insured person

The person stated in the contract, for whom the insurance coverage applies. The insured person and policyholder may differ.

Late termination

Contrary to early termination, late termination comprises all prematurely terminated contracts or those classified as exempt from contributions. Contracts which are terminated late often represent a source of income for the companies, as a part of the saved capital remains within the company to the benefit of the other policyholders.

Mandatory release of information

Insurers in Great Britain are legally required to inform their customers intending to terminate their policies about the second-hand endowment policy market. The BVZL is advocating a similar guideline in Germany. The reform of the German Insurance Contract Act (VVG) offers a chance for this.

Overall return

The overall return of an insurance policy is the return the insured receives on his paid-in savings funds. It consists of two parts: guaranteed rate of interest and profits.

Policyholder

The person who has concluded an agreement with an insurance company.

Profits

The overall return of a life insurance contract consists of two parts: the guaranteed rate of interest and profits. The insured participates in the earnings of the insurance company via profits. Profits are split into two types: one part is credited to the insured on an annual basis and the other part is allocated to the terminal bonus.

Surrender value

Time value of the policy after deducting a termination discount in the case of a premature cancellation of the life insurance agreement. The surrender value through the next premium renewal date is guaranteed in either case. Surrender values relating to the period after the next premium renewal date are extrapolated with the current profit participation. These values are not guaranteed and may be subject to change, for example in the case of changed capital market conditions.

Terminal bonus

A part of a policyholder's profits are only paid out upon maturity of the agreement. This part is called terminal bonus. cash.life AG involves its customers in the terminal bonus through the purchase price and is therefore able to offer more money as the surrender value.

Withholding tax on capital (KEST)

In Germany, withholding tax on capital and a solidarity surcharge are charged on interest income. Life insurance contracts are exempt from this taxation under certain conditions. These conditions comprise a period of at least five years of payment of contributions and contract duration of at least 12 years. The sale of life insurance policies is normally tax-free for the policyholder.

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Graphic Design, typography and production

Studio Wolfgang Beinert, Berlin and Munich

Photography

Michael Nischke, Munich

Lectorate

Schmellenkamp Communications GmbH, Koblenz

Printing and binding of books

Mediahaus Biering GmbH, München

Note on the headline

The year 2005 is the seventh (VII.) financial year of cash.life AG
as a company of the secondary endowment market.

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