CASH.LIFE AG ANNUAL REPORT 2006

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

EXCHANGES:

REGULATED MARKET_PRIME STANDARD
BERLIN
BREMEN
FRANKFURT AM MAIN
HANOVER
XETRA

REGULATED UNOFFICIAL MARKET
DUSSELDORF
HAMBURG
MUNICH
STUTTGART

cash.life

Annual Report 2006 of cash.life AG

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

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 best way to predict the future is to create it. We have stayed true to this motto since our founding. In 1999 we created the secondary endowment policy market in Germany and since then have vigorously promoted its development. One figure proved the continuous desire to shape the market: 51%. This is how much we were able to increase our purchase volume in 2006. With this we have kept our promise to also continue tapping into our market potential with significantly double-digit growth rates.

The cornerstone of this performance was the reorientation of our marketing and our successful advertising campaign in the past year. »Just sell it« - this sentence ran 4,000 times on German television. We promoted cash.life's service in television adverts with actor Sky du Mont in the main role: the sale of a life insurance policy is better than encashment. The campaign has allowed us to win over many new customers and partners.

A capital increase, which we successfully placed in March, has provided us with the necessary capital basis. The result: we were immediately able to put our growth plans into practice. The television advert was the first step, followed by our introduction of the secondary endowment policy market in Austria in July. There we expect nearly a tenth of the German market volume. The third milestone then came in November when with the loan on policies, we began offering cash to customers whose life insurance policies did not meet our purchase criteria. This product is highly important for our future, as with it we will ultimately double our market potential. Because we see ourselves as innovators, we have been offering our customers a package with real value added. Regardless of whether the issue is a loan of up to 100% of the surrender value, low interest, the ability to terminate at any time or financing future premiums, all of these things are new to the market. And the next products will soon be ready for the market. This is good news for our customers – and for you as a shareholder.

This was also how investors, who subscribed to our secondary placement in February, saw it. The demand for shares exceeded the supply considerably. All cash.life shares have since been in free float. As a result, we rose in rank to the small-cap index SDAX in March. This helped us to strengthen our position as Germany's leading secondary market company by far and as a financially sound, transparent and trustworthy partner for our customers as well as for brokers, banks and insurers. We agreed upon a co-operation with three state banks and savings banks associations. However, even insurers themselves are increasingly seeing the advantages that the secondary endowment policy market brings. Ten insurance companies have put their money where their mouth is. We agreed upon pilot projects for a direct co-operation with these companies.

Our successful expansion in Germany as well as into new markets and new products continues to require investments. For this reason our operating profit in the past year did not grow to the same extent as our purchase volume. However, we are convinced that we will reap the benefits of these investments in the coming months and years.

Our 2006 earnings only reflect our profitability in part, as we only generate the full profit from a policy over the years up to the end of its term. During this time we continue to manage the policies, for which we receive compensation. In terms of cash, this means that the policies which we have re-sold in the past year alone will generate future revenues of EUR 16.2 million.

We generated a net income for 2006 of EUR 6.9 million or EUR 0.82 per share in an increasingly established market environment. We feel well equipped for additional growth given our equity basis. We therefore plan to propose to you the payout of a dividend of EUR 0.50 per share at the Annual General Meeting. We see this amount as a basis dividend in the coming years as well.

In the last few weeks and months proposed legislation has emerged which will also affect our business. The German Insurance Contract Act is currently undergoing a reform. The new version should go into effect in 2008. The law should become more consumer friendly overall – cash.life will profit from this as one of the largest customers in German life insurance. The second plan will affect the taxation of income from capital: the settlement tax should take the place of the previous capital income tax. This law will not affect us in the foreseeable future, as it only applies to policies concluded as of 2005. These will only be traded on the secondary endowment policy market beginning around 2012. The law will not change our purchase prices.

In the next few months we will consistently continue along the pursued path. Our aim is to continue improving our level of awareness and to tap into our market potential. Of the six to seven billion euros per year, the secondary market captured some EUR 1.1 billion in 2006. We will ensure that cash.life AG continues to expand its market leadership and that the company also grows by double digits in 2007 in the core business in Germany and Austria and with new services and products.

Moreover, we are working towards initiating additional secondary markets and are continuously extending our product spectrum. We will take advantage of every opportunity to sensibly extend our business fields through any shareholding or acquisition opportunities which may arise.

On behalf of my fellow Management Board members, I would expressly like to thank all of those who have accompanied us and supported us thus far – above all our employees. Their dedication makes it possible for us to continue growing.

Yours, Dr. Stefan Kleine-Depenbrock
CEO

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

Dear Shareholders,

Growth in the core business, further company development through capital expenditures in new products and new markets and the possible amendments to legal general conditions: these topics dominated strategy discussions in 2006. cash.life AG is very well equipped for this as a young and fast-acting company in a new market. The expansion into Austria and the introduction of policy loans as a new, promising service both support cash.life AG's innovation potential.

Further expanding the market-leading position in Germany and laying claim to a pioneer role in the other segments will now be the task and incentive in the coming months.

SUPERVISORY BOARD ACTIVITIES IN THE 2006 FINANCIAL YEAR

The Supervisory Board continuously monitored the activities of the Management Board and provided advisory services to the Management Board during the period under review. In particular, we were intensively involved with the strategic direction of the company in the past year. Additional focal points of the consultations included business planning for the coming years as well as risk management and hedging against interest changes. Marketing and sales activities, partnerships with banks and insurers, and the development of new products were furthermore on the agenda. The Management Board regularly informed the Supervisory Board verbally and in writing of the situation of the company and on upcoming decisions. The development of subsidiaries was always included in consultations as far as relevant shareholdings were concerned. In addition, the audit committee intensively dealt with the auditor's findings of the Deutsche Prüfstelle für Rechnungslegung e.V. (DPR).

STRUCTURE OF THE SUPERVISORY BOARD

The altered ownership structure – all shares have been in free float since February 2006 – and the strong growth of cash.life AG has had an impact on the Supervisory Board. For this reason we proposed to you an expansion of the Supervisory Board from three to six members at the last Annual General Meeting. This helps us secure and profit from external know-how for our further development. Moreover, we organised the responsibilities of the Supervisory Board into committees. A personnel committee and an audit committee have since dealt with the respective technical issues.

MEETINGS AND PARTICIPATION

The Supervisory Board of cash.life AG held 5 meetings in the 2006 financial year. This included one per quarter and an extraordinary meeting on 3 March 2006 to address the topic and financing of the current year's strategy. Four of the meetings took place in Pullach and one in Hamburg. In accordance with our compliance statement on the German Corporate Governance Code, we would like to note that all Supervisory Board members, with the exception of Hans-Gerd Füchtenkort, were present at at least half of all meetings. The entirety of the Management Board was present at all meetings.

SUPERVISORY BOARD PERSONNEL CHANGES

At the Annual Shareholders' Meeting on 23 June 2006, Hans-Gerd Füchtenkort, Dr. Michael Kemmer and Professor Dr. Frank A. Schäfer were appointed to the Supervisory Board for a term of 4 years. Ralf Brammer and Klaus Mutschler are appointed through 2008. Gerd A. Bühler's term ends in 2009.

MANAGEMENT BOARD PERSONNEL CHANGES

Dr. Marcus Simon resigned from the Management Board of cash.life AG on 31 May 2006. The Supervisory Board and the Management Board would like to thank him for his extremely successful work. Dr. Marcus Simon had been involved in the successful establishment of the company as the CFO since 2001.

After a transition period, during which Dr. Stefan Kleine-Depenbrock managed the finance department on a provisional basis, the Supervisory Board appointed Klaus Leusmann as the new CFO with effect on 1 November 2006.

CONFLICTS OF INTEREST

We are not aware of any conflicts of interest that could impinge on the duties of the Supervisory Board. No consultant's contracts have been concluded with members of the Supervisory Board.

Certain agents belonging to the AWD Group supply policies to cash.life. In this context, these agents receive the same compensation as other agents with whom cash.life AG works. 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 2006 ANNUAL FINANCIAL STATEMENTS FOR THE GROUP AND THE AG

The Annual General Meeting on 23 June 2006 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 2006
› the consolidated financial statements of the Group as of 31 December 2006
› the management report and Group management report for the 2006 financial year

and issued an unreserved audit certificate for the financial statements and reports.

All documents relating 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 29 March 2007 in the presence of the auditor, who reported on the most significant findings of the audit. The Supervisory Board accepted the findings 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, and the management reports for both the Group and the AG. The Supervisory Board furthermore examined the statements made by the Management Board in the company's management report regarding Section 289 Paragraph 4 and Section 315 Paragraph 4. The contents of these statements are correct and applicable according to the assessment of the Supervisory Board. 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.

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 21 September 2006, the Supervisory Board and Management Board of cash.life AG approved an amendment to 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

THE CASH.LIFE BOARD OF MANAGEMENT

DR. STEFAN KLEINE-DEPENBROCK (CHAIRMAN)
IR/PR, Personnel, Legal Matters, Auditing, Corporate Development/Strategy.
Born 1967, Graduate of Business Administration.
CEO of cash.life AG since 1 October 2004.
Appointed through 30 September 2009.

ULRICH T. GRABOWSKI
IT, Marketing, Product Development, Affiliated Companies, Sales.
Born 1960, Graduate Business Economist, IT Business Economist (VWA).
Management Board member of cash.life AG since 1 December 2005.
Appointed through 30 November 2010.

KLAUS LEUSMANN
General Administration, Budget Planning, Controlling,
Annual and Interim Reports, Taxes, Treasury.
Born 1960, Graduate of Business Administration.
Management Board member of cash.life AG since 1 November 2006.
Appointed through 31 October 2009.

THE CASH.LIFE SUPERVISORY BOARD

All Supervisory Board members are appointed for a term of four years.

GERD A. BÜHLER (CHAIRMAN)

Born 1951, Lawyer, Tax Accountant.
Appointed to the Supervisory Board of cash.life AG on 1 July 2005.

KLAUS MUTSCHLER (VICE-CHAIRMAN)

Born 1956, Graduate of Business Management.
Appointed to the Supervisory Board of cash.life AG on 15 June 2004.

RALF BRAMMER

Born 1963, member of the Management Board of AWD Holding AG, Hanover.
Appointed to the Supervisory Board of cash.life AG on 15 June 2004.

HANS-GERD FÜCHTENKORT

Born 1949, member of the Management Board of Grohe AG, Rottach-Egern.
Appointed to the Supervisory Board of cash.life AG on 23 June 2006.

DR. MICHAEL KEMMER

Born 1957, member of the Management Board of BayernLB, Munich.
Appointed to the Supervisory Board of cash.life AG on 23 June 2006.

PROF. DR. FRANK A. SCHÄFER

Born 1957, Lawyer.
Appointed to the Supervisory Board of cash.life AG on 23 June 2006.

Committees

Personnel Committee
Gerd A. Bühler (Chairman), Prof. Dr. Frank A. Schäfer (Vice-Chairman) and Ralf Brammer.

Audit Committee
Dr. Michael Kemmer (Chairman), Ralf Brammer (Vice-Chairman) and Gerd A. Bühler.

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 2006

The cash.life share emerged as a real public stock in 2006. The share's liquidity increased considerably through the 100% free float beginning in February. The result was an SDAX membership beginning in March 2006. The index membership strengthens our position with co-operation partners such as banks and insurers. Our public relations work is also benefiting. With our capital increase in March we have laid the foundation for further rapid growth.

A strong presence in the capital market is important to us. We are continuously presenting our business model at national and international conferences and roadshows. As such, we have been able to develop a high level of recognition among small-cap stocks.

10.8% RISE IN EARNINGS PER SHARE

In 2006 we generated earnings per share of EUR 0.82 after EUR 0.74 in the previous year. This amounts to a 10.8% increase.

INVESTMENTS THAT PAY OFF: EUR 0.50 DIVIDEND PER SHARE

Our shareholders are expected to profit from our successful business performance. The Supervisory Board and Management Board will therefore propose to the Annual General Meeting the payout of a dividend of EUR 0.50 per share. We see this as a base dividend for the coming years.

Thanks to our capital increase from March 2006, and because we had refrained from paying out a dividend for the 2005 financial year, we have a sufficient amount of capital (even with the dividend payout for 2006) to finance our further growth and tap into new business fields.

RECORD LEVEL OF DAX AND SDAX

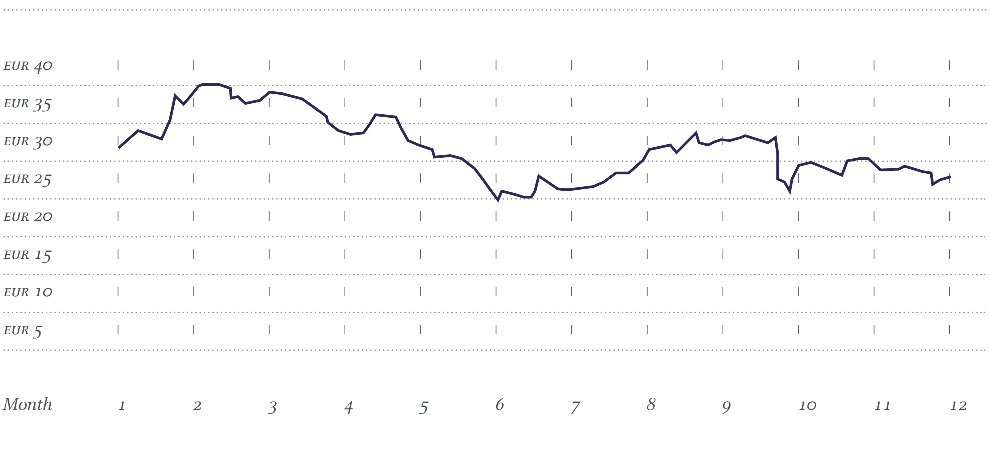
The capital market environment in 2006 was positive. The DAX increased considerably in the course of the year and improved from 5,449.98 to 6,596.92 points. This translates into a gain of 21.0%.

The SDAX gained 29.5% on a yearly average and rose from 4,297.47 points at the beginning of the year to 5,567.36 points at the end of December.

CASH.LIFE SHARE PRICE DROPPED

In 2006 the cash.life share slipped by 13.8% from EUR 29.00 at the beginning of the year to EUR 25.00 at the end of the year.

SHARE PRICE DEVELOPMENT OF THE CASH.LIFE SHARE IN 2006



Our share price fell by 13.8% in 2006, from EUR 29.00 at the beginning of the year to EUR 25.00 at the end of the year. The year high for the share was EUR 36.50 and the year low was EUR 22.45.

Source: Deutsche Börse AG

At the beginning of the year the market rewarded our preliminary business figures for the year 2005: the share price increased significantly, up to the year high of EUR 36.50 on 7 February 2006. The year low was reached on 13 June 2006 with EUR 22.45. The price recovered following the release of good half-year figures and rose beyond the EUR 30 mark. With the release of the government draft on the amendment to the German Insurance Contract Act, our share price came under considerable pressure on 13 October 2006. The reason was speculations by analysts on how the reform could impact our business model. Some market participants used the share price slide for cheap investments. The share price thereafter recovered and concluded the year at EUR 25.00.

DAILY TRADING VOLUME RISES

The average daily trading volume of the cash.life share rose from EUR 473,047.98 in H2 2005 to EUR 635,846.82 in 2006. This is an increase of 34.4%. The strongest month in terms of stock market turnover was October, with some EUR 1.6 million per trading day on average, followed by December with some EUR 1.5 million. July was the weakest month in terms of turnover, when cash.life shares changed owners with a value of EUR 0.3 million on average per trading day.

FREE FLOAT INCREASES IN THE CONTEXT OF A SECONDARY PLACEMENT

In 2005 cash.life AG took a step toward becoming a truly publicly-owned company. It was then that we increased our free float from 1.5% to some 50%. The next step followed in 2006. On 20 February our founding shareholders informed us that they had sold another 3.7 million shares to international institutional investors. From this point on, 100% of our shares were in free float. The placement at a price of EUR 32.00 was significantly over-subscribed.

ENTRY INTO THE SDAX

After we had increased our free float in February to 100%, our free float market capitalisation rose considerably; even the trading volume of our share profited, thus making us a candidate for the SDAX. On 3 March, the Deutsche Börse announced the entry of our share into the small-cap index SDAX. The entry took effect on 20 March. We gained a great deal of attention with this step to the benefit of our core business. Customers and co-operation partners since perceive us as a reliable and financially strong company that addresses the transparency requirements of the capital market.

CAPITAL INCREASE ACCELERATES GROWTH

On 22 March we conducted a capital increase to generate additional funds for our further rapid growth. We hope to use the gross issuing proceeds of some EUR 26.1 million to quickly tap into the market potential as well as for the development of new services and the opening up of new markets.

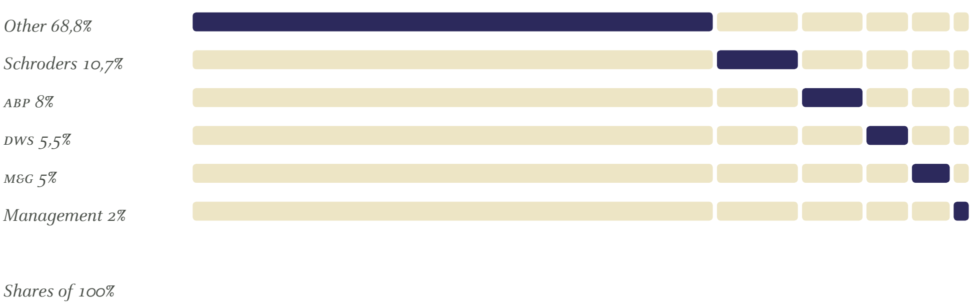
We have increased the share capital in return for capital contributions by an amount of EUR 779,900.00 to EUR 8,579,900.00. The capital increase was carried out while excluding the statutory subscription right in an accelerated book-building procedure at a price of EUR 33.50 per share. The subscribers of the new shares were institutional investors.

For the capital increase we are using a former resolution, which had been passed at the Annual General Meeting on 15 June 2004. This is valid until 15 June 2009 and allows us to increase our share capital by up to EUR 3.9 million upon approval by the Supervisory Board (more on page 64). This resolution was only partially used through the capital increase from March 2006.

INSTITUTIONAL INVESTORS DOMINATE THE SHAREHOLDER STRUCTURE

As of 31 December 2006, predominantly institutional investors held 100% of all cash.life shares. Most of our shareholders are located outside of Germany.

SHAREHOLDER STRUCTURE AS OF 31.12.2006



All cash.life shares are in free float. Institutional investors make up our largest group of shareholders – the four largest alone hold a combined share of 29.2 % of our stock. Most shareholders are located outside of Germany.

Source: cash.life AG

PRESENCE SHOWN WITH SOME 150 INVESTORS

We spoke with more than 150 investors at over 30 national und international roadshows and conferences in the past year. We were represented at the following investor events:

Date	Event	Location
17 May 2006	UBS Insurance Day	London/UK
31 May 2006	Deutsche Bank German Corporate Conference	Frankfurt/Germany
19 October 2006	Citigroup Pan-Euro Small/Mid Cap Conference	London/UK
9–10 November 2006	Berenberg German Small Mid Cap Conference	Brocket Hall/UK
16 November 2006	Dresdner Kleinwort Mid and Small Cap Day	London/UK
27 November 2006	German Equity Capital Forum	Frankfurt/Germany
29 November 2006	KBW Insurance Conference	London/UK

We furthermore inform our analysts and institutional investors on current events on a regular basis by the way of telephone conferences. The recordings are available on our homepage shortly thereafter. We held six telephone conferences in 2006:

Date	Occasion
20 April 2006	*Final financial figures for 2005*
4 May 2006	*Financial figures for Q1 2006*
3 August 2006	*Financial figures for Q2 2006*
16 October 2006	*Effects of the new German Insurance Contract Act on the secondary market*
6 November 2006	*Financial figures for Q3 2006*
19 December 2006	*Forecast update for the 2006 financial year*

On the occasion of the reorganisation of cash.life AG's internet presence, we have expanded the information offering for investors and analysts considerably. The IR pages were first made available in English in 2006, thus allowing us to address our international shareholder base.

In the investor relations section under www.cashlife.de you can also subscribe to the IR newsletter that we have added this year. The newsletter, published sporadically, goes beyond the required coverage and gives those interested a glimpse into our operating business. Four versions were released in 2006, all of which are available on our homepage. The core business also benefits from our capital market communication, as this increases our media presence and thus our level of recognition. Some 30% of all media reports on cash.life centre around capital market topics.

TEN BANKS REGULARLY ANALYSE CASH.LIFE AG

Ten banks regularly released research studies on the cash.life share in 2006. This is seven more than in 2005. The rising interest of bank analysts supports the establishment of cash.life and the business area. The analysts made the following recommendations on the balance sheet date:

Bank	Recommendation	Price target as of 31 December 2006
*Bayern LB**	*Buy*	*EUR 31.71*
Berenberg Bank	*Buy*	*EUR 31.00*
*Citigroup**	*Buy*	*EUR 37.00*
Commerzbank	*Buy*	*EUR 42.00*
*Deutsche Bank**	*Buy*	*EUR 39.00*

*DZ Bank**	*Buy*	*EUR 27.00*
HSBC Trinkaus & Burkhardt	*Buy*	*EUR 31.50*
*Keefe Bruyette & Woods**	*Hold*	*EUR 30.00*
*Merck Finck**	*Buy*	*EUR 32.00*
*WestLB**	*Buy*	*EUR 30.00*

* *incorporated research activities for the cash.life share in 2006.*

MORE LIQUIDITY THROUGH DESIGNATED SPONSORS

Designated sponsors increase the liquidity of a share by offering bid-ask spreads for the shares. cash.life AG is served by three designated sponsors: BayernLB, Munich (since 2005), Berenberg Bank, Hamburg (since 2005) and DZ Bank, Frankfurt (since October 2006).

THIRTEEN AD-HOC RELEASES ON THE CAPITAL MARKET

As a listed company, we are required to publish ad-hoc releases on any facts having influence on the share price. The 13 ad-hoc releases from 2006 are available on our homepage.

Date	Title
23 January 2006	*Preliminary financial figures 2005 / Policy purchases and earnings grew stronger than planned*
20 February 2006	*Free float increased to 100 percent*
1 March 2006	*Contracts for new life insurance funds signed*
6 March 2006	*Leader of secondary market policies becomes SDAX member*
13 March 2006	*The Management Board wants to continue investing in growth*
22 March 2006	*cash.life AG has decided on a capital increase*
22 March 2006	*cash.life AG places capital increase*
4 May 2006	*Strong earnings increase in Q1 2006 / comprehensive cooperation with Hessische Landesbank*
17 July 2006	*cash.life AG releases preliminary half-year figures – growth forecasts exceeded – profit increase of some 119% in the first half year*
2 August 2006	*Profit increase of 123% to EUR 5.8 million in the first six months / company is increasing its 2006 forecast considerably*
16 October 2006	*The cash.life Group releases preliminary figures for the third quarter and the first 9 months of 2006 / Purchase volume in Q3 rose by some 100 percent – new service as of 1 November 2006*
6 November 2006	*cash.life AG releases final figures for the third quarter and the first 9 months of 2006 – Purchase volume rose by some 100 percent*
18 December 2006	*cash.life AG forecast revision – revaluation of trading portfolio agreed upon*

DIRECTORS' DEALINGS RELEASES EMERGED PRIMARILY THROUGH THE SPO

The significant part of directors´ dealings in 2006 referred to the secondary placement in February. The shares for this placement were originally owned by our founders and current Supervisory Board members Klaus Mutschler and Gerd A. Bühler

Date of transaction	Person/party involved	Transaction	Number of shares	Share price
17 February 2006	*adv.orga Beteiligung GbR (Dr. Marcus Simon)*	*Sale*	*117,000*	*EUR 32.00*
17 February 2006	*ALTAM 5 Beteiligung GmbH (Klaus Mutschler)*	*Sale*	*382,374*	*EUR 32.00*
17 February 2006	*ALTAM 7 Beteiligung GmbH (Klaus Mutschler)*	*Sale*	*585,000*	*EUR 32.00*
17 February 2006	*ALTAM 10 Beteiligung GmbH (Klaus Mutschler)*	*Sale*	*780,000*	*EUR 32.00*
17 February 2006	*ALTAM 15 Beteiligung GmbH (Klaus Mutschler)*	*Sale*	*1,170,000*	*EUR 32.00*
17 February 2006	*Dr. Marcus Simon*	*Sale*	*39,000*	*EUR 32.00*
17 February 2006	*GAB GmbH (Gerd A. Bühler)*	*Sale*	*732,711*	*EUR 32.00*
6 July 2006	*Dr. Stefan Kleine-Depenbrock*	*Purchase*	*2,000*	*EUR 23.00*
29 August 2006	*Sylvie Mutschler*	*Sale*	*5,517*	*EUR 28.20*
5 September 2006	*Dr. Stefan Kleine-Depenbrock*	*Sale*	*2,000*	*EUR 31.00*
17 October 2006	*GAB GmbH (Gerd A. Bühler)*	*Purchase*	*10,000*	*EUR 24.83*
18 October 2006	*Dr. Stefan Kleine-Depenbrock*	*Purchase*	*5,000*	*EUR 23.75*

INFORMATION AND FACTS ON THE CASH.LIFE SHARE

The basic information on cash.life shares for the 2006 financial year:

Ticker:	SGS.ETR
WKN:	500 910
ISIN:	DE 000 500 9104
Type:	Individual shares
Nominal value:	EUR 1.00
Subscribed capital:	EUR 8,579,900.00
Index:	SDAX

Exchanges

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

Performance

Share price as of 2 January 2006:	EUR 29.00 (XETRA)
Share price as of 29 December 2006:	EUR 25.00 (XETRA)
Year high 2006:	EUR 36.50 (7 February 2006)
Year low 2006:	EUR 22.45 (13 June 2006)
Market capitalisation as of 29 December 2006:	EUR 214.5 million
Average daily trading volume 2006:	EUR 635,846.82

The cash.life business model: almost a perpetual motion machine

Of course, cash.life is not a construct which, when nudged, can continue on its own without consuming or producing energy. The perpetual motion machine is rather an allegory for something that is actually impossible, and for something that produces only winners and no losers – cash.life to be exact.

On the one hand, a winner would be the customer. They are aware of cash.life because they generally need money at short notice, whether this is because they want to repay debts, optimise their finances, buy real estate, found a new enterprise or get a divorce. For this they want to use their own resources – their endowment insurance. The insured have had a lucrative alternative to encashment for seven years now – the sale of the policy to cash.life.

cash.life offers consumers on average seven percent more money than insurance companies in the case of encashment. Moreover, they retain their insurance coverage at no cost. Because cash.life continues to manage the policy as opposed to terminating it, the person insured with the contract also remains insured following the sale. Should the person pass away prior to the end of maturity, cash.life pays the survivors the death benefit minus all costs. Many consumers also enjoy a tax benefit upon the sale. With policies terminated before the expiration of 12 years, capital gains tax and the solidarity supplement reduce the policy assets. In contrast, the sale of the policy is generally tax-free for the seller, as the tax liability is passed on to cash.life.

In November 2006 customers began receiving another alternative to encashment: they can also lend on their endowment insurance through cash.life under conditions that are more consumer-friendly than on the market. The loan can amount to up to 100 percent of the current surrender value of the policy depending on preference. Because we are aware that the funds for monthly premiums can often be hard to come by even with short-term financial bottlenecks, insured persons are able to co-finance future premiums. This is an innovation on the market. Claims from retirement provision and insurance coverage are thus received to their full extent.

Due to the great deal of customer interest in our services, our perpetual motion machine has come into full swing. In the meantime, every fourth life insurance bearer has heard of cash.life at least once. The reason for this ultimately lies in the fact that we first began running television adverts in 2006.

Partners of cash.life include agents, financial service providers, brokers and banks. They above all profit because they have long met the higher expectations of individual and comprehensive customer consultation (which the EU agent guideline hopes to implement) in regard to the secondary endowment policy market. According to the »Best Advice« principle, agents today are already required to refer insurance bearers willing to terminate their policies to alternatives to encashment.

Our partners receive fringe benefits upon a successful placement. Because we continue to manage the policies as opposed to terminating them, the policy portfolio remains stable. Agents on the one hand profit from this through portfolio commissions which the insurance company pays them as long as the policy is intact. On the other hand, the policy portfolio is the basis used calculating for the retirement provision of many agents.

In addition, the sale of policies creates liquidity – and thus a possibility for new business. The average term of a life insurance policy amounts to 27.5 years. How life circumstances change in this time also changes the investment strategy. Agents can then accommodate the altered requirements through new products.

A functioning secondary endowment policy market benefits insurance companies. They profit from a low encashment rate, as the policies retain their validity as opposed to being terminated. A low encashment rate is an important quality feature and thus helps in new business. At the same time, this is useful in the competition for market shares due to the fact that of two insurers with the same new business, it is the one with the lower encashment rate that wins over more customers.

When a policy is continued on the secondary endowment policy market, the policyholder not only retains his financial assets, they are even increased further by the contribution proceeds. Moreover, every policy is a cost unit. A large portfolio has a positive effect on the distribution of costs, as the cost burden per policy and customer sinks. In addition, the insurer must make up for terminated policies through additional sales efforts – new business is considerably more expensive than maintaining existing business.

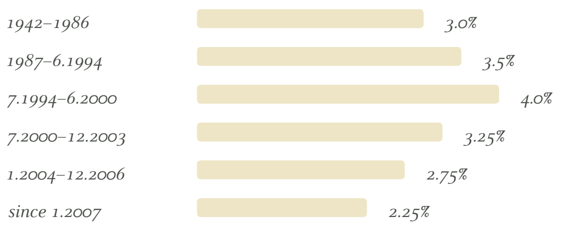
The profits from the remaining term of a policy, referred to by economists as the »embedded value«, are typically higher than the short-term profit earned by insurer through the retention of encashment fees. If this were not the case, insurers would have to actively accelerate their encashment rate. The opposite is true – the companies invest in encashment prevention. These are good reasons why ten insurance companies are already working with us on a pilot project basis.

Issuing houses and their investors are profiting from secondary endowment policy market for life insurance as well. Closed-end funds which invest in German secondary market policies are a favourite of private investors due to fact that they offer attractive yields with a high degree of security. Fund initiators forecast an increase in value of 6–8% p.a.

Life insurance policies in Germany are subject to strict monitoring. Insurance companies are required by law to have a conservative investment policy – an average of 88% of the assets of their policyholders are invested in fixed-income securities, 2% in real estate and only some 10% in equity. The assets of the insured are protected from bankruptcy, and the remaining creditors only have access once the claims of the insured have been met. In regular stress tests, insurance companies are forced to prove that they can still honour their obligations if, for example, the value of their equity portfolio sinks. If all of these security mechanisms are not effective and a policy ends up in a precarious situation, the German insurance industry as a whole steps in through the statutory security fund called Protector.

Surrender values are guaranteed. These are increased annually by the interest credited by the insurer, though at least by the guaranteed interest rate. This is specified for the entire term of a life insurance policy. Because we only purchase policies that have a portion of their term behind them, we are able to benefit from the higher interest rate guarantees of the past. As of 1 January 2007, the guaranteed interest rate for a recently concluded life insurance policy lies at 2.25%. In contrast, this amounts to some 3.5% in our trading portfolio and in the funds which we supply, which does not even include the ongoing and terminal bonuses.

DEVELOPMENT OF THE GUARANTEED RATE OF INTEREST



cash.life is benefiting from the high guaranteed interest rates of the past. At the moment we primarily purchase life insurance policies which were concluded by the mid 90s.

Source: cash.life AG

Klaus Leusmann
has been the Chief Financial Officer of cash.life AG since November 2006. His carrier has led him to Bankhaus Merck, Finck & Co in Munich, and Vereins- und Westbank in Hamburg, among others. He was most recently responsible for group controlling of the BHW Group in Hameln. Klaus Leusmann is a graduate in Business Administration. He is married and has two children.

Management Report on the position of the Company and Group

for the 2006 financial year

CASH.LIFE AG

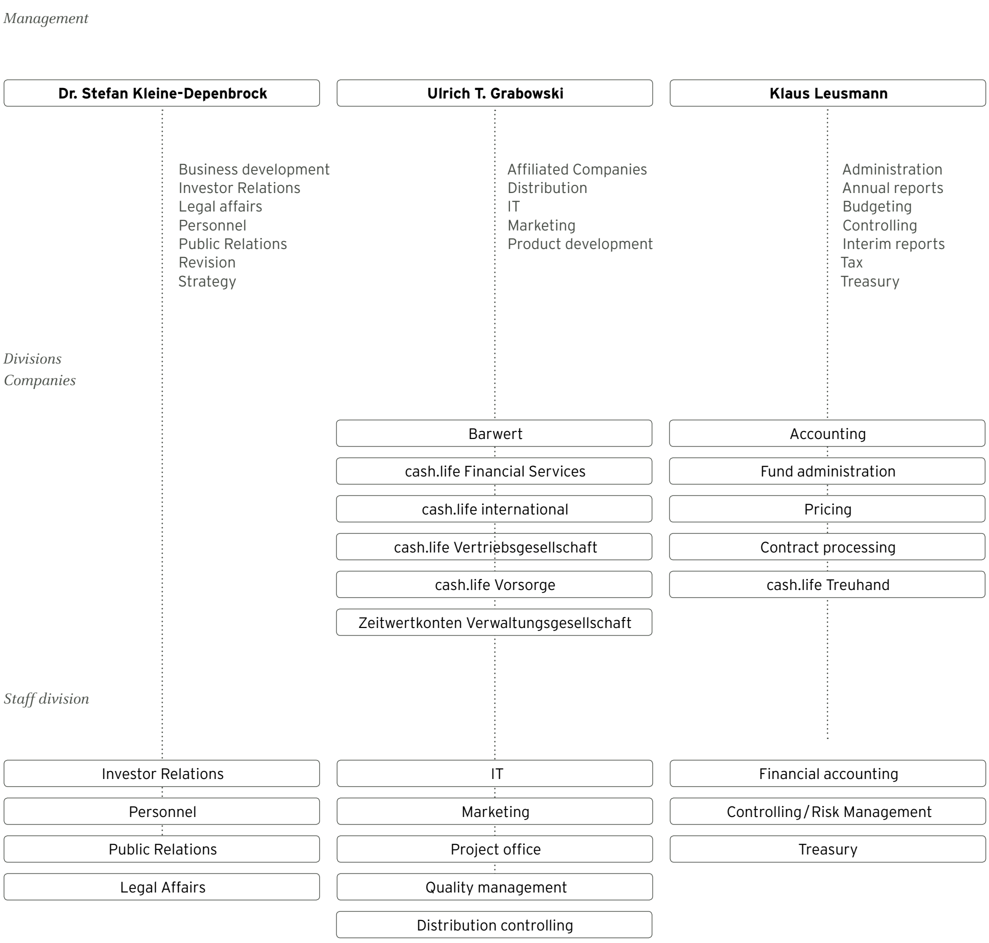
Business fields

The cash.life Group and cash.life AG are active on the secondary endowment policy market for life insurance. cash.life purchases, sells and manages life insurance policies. Moreover, we also now offer the possibility of lending on endowment insurance. We have abstained from segment reporting, as the lending of policies and our business in Austria are still very young business fields and are therefore economically insignificant segments.

Organisational structure

cash.life AG is divided into four departments and ten staff functions. Each department is managed by one departmental head, who reports to the Management Board. The staff departments report directly to the responsible Management Board member. The eight subsidiaries are each led by managing directors.

ORGANISATIONAL STRUCTURE OF CASH.LIFE AG AS OF 31.12.2006



Flat hierarchies are one of our main characteristics: the company is organised in departments and staff functions, which report to the Management Board.

Legal organisational structure

As of 31 December 2006, cash.life AG maintained eight holdings. These have been consolidated as follows:

Holding	Share	Type of consolidation
Barwert-Europäische Versicherungsvermittlungs GmbH	*100%*	*Full consolidation*
cash.life FINANCIAL SERVICES GmbH	*100%*	*No consolidation*
cash.life international Vertriebsgesellschaft mbH	*100%*	*Full consolidation*
cash.life Premium Policies SICAV	*75%*	*No consolidation*
cash.life Treuhand GmbH	*100%*	*No consolidation*
cash.life Vertriebsgesellschaft mbH	*100%*	*Full consolidation*
cash.life Vorsorge GmbH & Co. KG	*100%*	*Full consolidation*
Zeitwertkonten Verwaltungs GmbH	*100%*	*Full consolidation*

Locations

cash.life AG is located in Pullach near Munich. Our address and the addresses of our subsidiaries are as follows:

cash.life AG
Zugspitzstrasse 3, 82049 Pullach, Germany
Telephone +49.(0)180.2 000 393
Fax +49.(0)89.286 953 299
www.cashlife.de

Barwert-Europäische Versicherungsvermittlungs GmbH
Große Strasse 41, 22926 Ahrensburg, Germany
Telephone +49.(0)4 102.695 000
Fax +49.(0)4 102.6 950 020
info@barwert.de : www.barwert.de

cash.life FINANCIAL SERVICES GmbH
Zugspitzstrasse 3, 82049 Pullach, Germany

cash.life international Vertriebsgesellschaft mbH.
Seilergasse 4, 1010 Vienna, Austria
Telephone +43.(0)1.51 296 110
Fax +43.(0)1.512 961 152
office@cashlife.at : www.cashlife.at

cash.life Premium Policies SICAV
2 Boulevard Konrad Adenauer, 1115 Luxembourg, Luxembourg

cash.life Treuhand GmbH
Zugspitzstrasse 3, 82049 Pullach, Germany

cash.life Vertriebsgesellschaft mbH
Zugspitzstrasse 3, 82049 Pullach, Germany

cash.life Vorsorge GmbH & Co. KG
Zugspitzstrasse 3, 82049 Pullach, Germany

Zeitwertkonten Verwaltungs GmbH
Zugspitzstrasse 3, 82049 Pullach, Germany

Our services

cash.life AG offers two services:

› The purchase of life insurance policies
› The lending of life insurance policies

PURCHASING LIFE INSURANCE

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

Advantages for customers choosing to sell their policies as opposed to terminating them:

- We pay more money than the insurance company.
- Death protection insurance coverage remains.
- A sale to cash.life is generally tax-exempt.

Basic criteria for purchasing policies:

- Capital-forming endowment or pension assurance policy with capitalisation option of a German insurance company.
- Surrender value of at least EUR 5,000.
- Remaining policy term of a maximum of 15 years.
- The policy must meet our yield requirements.

LENDING LIFE INSURANCE

In November 2006 we began offering customers whose policies fail to meet our purchasing criteria an alternative for their liquidity needs: the lending of policies. Upon request, we co-finance the future premium payments. In such a case, the claims from the customer's private pension provision and the insurance coverage remain to their full extent. We lend policies for the amount desired, up to a maximum of the current surrender value at a fixed interest rate for a maximum of 10 years. The customers are then able to make repayments in part or in full at any time and at no charge. Aside from the interest rate, there are no additional fees or handling costs.

Sources of income

Income within the cash.life Group stems from the following sources:

- Interest rate margin of the trading portfolio
- Margin from the re-sale of policies
- Income from policy management
- Margin from policy loans
- Other

INTEREST RATE MARGIN OF THE TRADING PORTFOLIO

Initially, all policies are purchased for our own account in our trading portfolio. After the policies are optimised and bundled in tranches, we re-sell them to investors such as closed-end funds. As long as the policies remain in the trading portfolio, they are our property and accounted for as assets. The trading portfolio is refinanced through bank loans. Our banks usually lend the life insurance policies at 100% of their surrender value. The policies are continuously appreciating: the annual interest credit of the insurer and the ongoing premium payments accrue value added of some 5% each. The policy yield exceeds the interest on the loans for the trading portfolio. This interest difference in our case leads to earnings. Our average refinancing rate lies 60 to 65 basis points above the 3m interest (EURIBOR).

INTEREST MARGIN IN THE TRADING PORTFOLIO

We earn money with our inventory of policies, our trading portfolio, as the yield from our policies exceeds refinancing interest rates.

Source: cash.life AG

MARGIN FROM THE RE-SALE OF POLICIES

Investors purchasing policies from us pay a price exceeding our acquisition cost. This margin leads to income. The re-sale price for the funds which we supplied with policies in 2006 exceeds the surrender value of policies by up to 4.8%.

MARGIN FROM THE RE-SALE OF POLICIES

We purchase our policies at a higher price than the surrender value of the policies purchased. We re-sell them to closed-end funds for a premium of up to 4.8% above the surrender value.

Source: cash.life AG

INCOME FROM POLICY MANAGEMENT

After the sale of policies to investors, we continue to manage them until their maturity. We receive an administrative fee for this, the so-called servicing fee. This amounts to 0.4 to 0.5% per year of the surrender value of policies managed. We receive servicing fees over the entire term of the funds, typically a period of 15 years. The funds reach their maximum volume after five to six years, after which their value sinks again due to the maturity of policies. Income from the management of policies is fixed according to a contract, provides a great visibility and is practically independent of the capital market. As such, they make a considerable contribution to the stability of our earnings situation.

Because the policies appreciate in value, proceeds from policy management increase even when the number of policies remains unchanged. The values develop as a result of annual interest credit and the continuous flow of contributions. The policies that have been newly sold to funds must be added. The policies which reach the end of their term and thus drop out of the portfolio are deducted.

MARGIN FROM POLICY LOANS

In addition to the purchase of policies, we also offer our customers the opportunity to lend on them. With this we are also able to help customers obtain liquidity whose life insurance fails to meet our purchase criteria. Deutsche Kreditbank (DKB), a subsidiary of BayernLB, pays the bank loans. We procure the loans. The credit interest that the customer pays exceeds the refinancing conditions of the bank. We split this margin evenly with DKB, and we receive it annually over the entire term of the loan. As with servicing fees, the margin from policy loans is a relatively deterministic and stable source of income.

OTHER

This primarily includes commission proceeds for the referral of policies to third parties through our subsidiary Barwert GmbH. The company does not maintain its own trading portfolio, but rather acts as an intermediary between those selling their policies and investors. Barwert GmbH receives a commission for the successful referral of policies to investors.

Income sources in our income statement

You can find our sources of income in our consolidated income statement. We do not itemise the cost positions separately according to sources of income.

In the 2006 financial year, the individual sources of income had the following share of gross profit:

INTEREST MARGIN IN THE TRADING PORTFOLIO

We show the appreciation of policies in the trading portfolio under »value appreciation of insurance contracts«. The appreciation is made up of the credit yield of the insurer, the ongoing premium payments and the development of market prices for the purchase of policies.

The premiums we pay for the policies in our trading portfolio are shown under »insurance premiums«. The premium payments and the resulting appreciation cancel each other out: if you deduct the »insurance premiums« from the »value appreciation of insurance contracts«, you then get the yield of life insurance policies in our trading portfolio. This figure reduced by the share of »financial expenses«, which are allotted to the refinancing of our trading portfolio, yields the interest rate margin.

MARGIN FROM THE RE-SALE OF POLICIES

The proceeds from the sale of policies are a component of »revenues«. This is compared to the book value of policies sold. These are accounted for in the position »disposal of sold insurance contracts«. If you deduct the amortised costs from revenues, you get the re-sale margin.

The following re-sale margin has been calculated for the 2006 financial margin:

	EUR thousand
Revenue from policy sales	*524.353*
Disposal of sold insurance contracts	*504.312*
Total	*20.041*

INCOME FROM POLICY MANAGEMENT

The servicing fees are a part of »revenues«. These accrue over the entire remaining term of the policies. In the 2006 financial year we received EUR 6,247 thousand worth of servicing fees. Moreover, we secured future servicing fees from the policy sales of 2006. The present value of these fees over the next few years amounts to EUR 16.2 million (discounted at 5.0%).

MARGIN FROM POLICY LOANS

We share the margin from policy loans with the bank with whom we are co-operating for this product. Our share of the margin is a component of »revenues«. Because the product was first offered in November 2006, we did not generate any noteworthy revenue from it in the 2006 financial year.

OTHER

Other sources of income are a part of »revenues«. In the 2006 financial year we generated revenues of EUR 2.073 thousand.

The business model in detail

We offer the entire value chain in the secondary endowment policy market for life insurance in one stop:

Value-added chain of cash.life AG: secondary market in one stop

Valuation ›	Purchase ›	Sale ›	Policy management (servicing) ›

From valuation to management – cash.life covers the entire value-added chain in the secondary endowment policy market for life insurance in Germany and Austria.

Source: cash.life AG

POLICY VALUATION

Our earnings are determined by our purchasing. The precise valuation of the policies being offered is therefore crucial for the pricing. An insurance company typically has several dozen different rates. These have different effects on the appreciation of policies. cash.life is familiar with more than 2,000 different insurance tariffs and calculates every contract individually. The valuation is conducted in two steps: first for the insurer, then for the contract. Overall, we buy less than 50% of the policies offered to us.

For the valuation of insurers we have developed our own rating procedure together with the Institut für Finanz- und Aktuarwissenschaften (Institute for Finance and Actuarial Theory) in Ulm. The ASSEKURATA rating agency in Cologne supplies us with the current data of insurers on a quarterly basis. Our rating procedure allows us to forecast future yields from a life insurance contract. The rating includes more than 100 ratios from the annual reports of insurers. From this we derive statements on the earnings strength and stability of the insurer, as these are factors that impact the future yields. In order to assess the yield of a policy we take the forecast maturity payment communicated to us by the insurer as a basis. From this we deduct a discount depending on how the insurer performed according to our rating procedure. We then compare the expected yield with our refinancing costs. If this exceeds the cost of financing, we can purchase the policy. With some insurers, the discount is so great that their policies do not meet our yield expectations. However, the life insurance companies whose contracts we purchase make up a share of some 85% of the market in Germany.

If the insurer meets our criteria, the next step is to analyse the individual insurance contract. After eight years in the market, we have become familiar with more than 2,000 insurance plans and their historical performance. This know-how is a major competitive advantage, from which we and the investors to whom we re-sell the policies profit.

PURCHASING POLICIES

We purchase all policies on our own. This means that the consumer always signs the contract directly with us and can therefore benefit from our excellent credit rating. The sale of policies is not a matter of petty change. As the market leader and a listed company, we are financially strong and transparent – and therefore always a reliable partner for our customers.

We purchased our policies in 2006 from the following sources:

› Final customers referring directly to us: 25%

› Intermediaries: 75%

thereof

Banks: 25%

Brokers: 25%

Other (co-operations with insurers among others): 25%

Our trading portfolio is always approximately half as large as our purchase volume. This is due to the fact that we hold policies in the trading portfolio for some six months on average. For 2006 we planned a trading portfolio in a range of EUR 200 to 300 million. As of 31 December 2006 we were at EUR 286.3 million.

SELLING POLICIES

Following the purchase of our policies, we optimise them, for example by arranging for the conversion 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. The closed-end funds choose policies from these portfolios according to their own criteria. The investors make specifications including:

› Insurance companies and rates when applicable

› The size of the policies

› The remaining term of the policies

› Diversification

Consumers are predominantly closed-end funds of the issuing houses MPC Capital AG, Hamburg, and König & Cie., also in Hamburg. Another customer was added in 2006 with Hannover Leasing, Pullach. 83% of our policies in 2006 were sold to MPC, 13% to König & Cie. and 4% to Hannover Leasing.

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

We have initiated an open-end fund, the »cash.life premium policies«, as a supplement to the closed-end funds. This opens up another sales channel if required. Due to the continuously high demand by closed-end funds for policies, we have not actively marketed the open-end fund up to now. The fund is addressed to institutional investors and is structured in the legal form of a Luxembourgian SICAV. It was approved by the Luxembourgian Commission de Surveillance du Secteur Financie (CSSF) in July 2005.

POLICY MANAGEMENT

We continue to manage the policies until their maturity after we have sold them to the funds. We furthermore assume a service function; the funds contract us to regularly collect surrender values, conduct correspondence with the insurance companies, control flow performance, organise premium payments and assume responsibility for processing in the event that an insured person passes away prior to maturity of the policy. In addition to German life insurance policies, we also began managing British policies in 2005.

POLICY LOANS

We are also able to offer our customers liquidity in the event that a policy fails to meet our purchasing criteria in that we offer to lend on policies. Customers can borrow up to 100% of the surrender value of their policy. Banks and insurance companies typically only pay loans up to 80–90% of the surrender value. Upon request, we also finance the future premiums. In such a case, the claims from the customer's private pension provision and the insurance coverage remain to their full extent. The loan can be paid back in parts or in full at any time and at no charge.

We offer the customer a fixed interest rate for a maximum of 10 years. As of 31 December 2006, the interest rate for our policy loans amounted to 5.99% (annual percentage rate).

Markets and competitive position

We are by far the market leader in the German secondary endowment policy market with our portfolio of some EUR 1.7 billion worth of policies under management. We are active on three markets:

› We have purchased, sold and managed German life insurance policies since our founding in 1999.
› We have managed British life insurance policies since 2005. However, we do not purchase these ourselves.
› We have purchased, sold and managed Austrian life insurance policies since 1 July 2006.

The focal point of our business clearly lies in Germany: some 95% of our managed policy volume takes place on this market.

GERMANY

We initiated and established the secondary endowment policy market for life insurance in Germany with our company founding in 1999.

The secondary endowment policy market in Germany again showed significant growth in 2006. As the German Association of Investments in the Secondary Endowment Market of Life Insurance (BVZL) disclosed, some EUR 1.1 billion worth of policies were traded on the German secondary market in 2006. EUR 636.0 million thereof was attributable to the cash.life Group, which equals a market share of some 60 percent. Volumes and market shares cannot be identified more precisely due to the fact that the majority of our competitors do not publish their audited figures.

The market volume has doubled in the lapsed year. In 2005 the trading volume amounted to some EUR 500 million. The cash.life Group's purchase volume made up EUR 421.3 million thereof, thus representing a market share of a good 84%.

The secondary market has taken root. This also has an effect on the competitive situation. The purchase of large-volume policies offered to us through agents became slightly more expensive in 2006.

Our competitors are primarily agents who do not purchase policies on their own but instead receive a commission for matching up buyers such as cash.life. As such, reputed competitors are often key accounts, and their placement volume flows into our purchase volume. This fact has been taken into consideration in determining the secondary market volume in order to avoid double-counting policies.

GREAT BRITAIN

cash.life is not active as a policy purchaser on the British market, but we do manage British policies for the »Britische Leben plus« and »Britische Leben plus II« funds of MPC Capital AG. Both funds have a term of 15 years. »Britische Leben plus« has a prospective investment volume of some EUR 62 million and EUR 107 million for its successor. We receive a fee of 0.4% on the managed surrender values.

AUSTRIA

On 1 July 2006 we also began offering the lucrative alternative to encashment for policyholders in Austria. As was the case at that time in Germany, we are now also the pioneers on the secondary endowment policy market in Austria.
In Austria we assume one-tenth of the German market potential, thus some EUR 600 million per year. Our successful television advert campaign in Germany is now underway in Austria as well. We have noticed the effects from the considerable number of inquiries by policyholders in Austria. There we have not faced any noteworthy competition thus far. Local insurance companies are interested in collaborating with us, and in the past year we have agreed upon a co-operation with an insurer in the scope of a pilot project.

Legal factors

Our business model is influenced by external factors. Those which could be relevant to our business are listed 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 in Germany has a term of 27.5 years. This results in a high degree of visibility of 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: prior to that, income from life insurance policies was tax-free after 12 years under certain conditions. Policies concluded as of 2005 have been 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 previous year. Life insurance sales increased again in 2006. We expect that the demand for life insurance and pension assurance policies will continue, underscored by the guaranteed rate of interest and preferential tax treatment. 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 on 1 January 2006. Losses from a fund can no longer be netted with other types of income and thus reduce the tax burden. This should eliminate pure tax-driven fund structures. This change had few effects on life insurance funds, as losses in these funds only occur in the early years, when the costs of the fund have not yet been offset by distributions of profit. The yield of secondary endowment policy market funds has dropped slightly due to the amendment. Compared to other asset classes however, life insurance funds have become much more 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 for life insurance in the German Insurance Contract Act (Versicherungsvertragsgesetz, VVG)
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 increased public awareness of the alternative to encashment from 25 to 85 percent.

We support the efforts of the BVZL in also implementing such a duty to inform in the German Insurance Contract Act (VVG). The VVG is currently being amended.

No legal duty of disclosure is stipulated in the government draft on the VVG, which was adopted by the German Federal Cabinet in October 2006. The draft is expected to pass parliament and be adopted by mid-2007. The reformed law will then go into effect on 1 January 2008. The BVZL is lobbying for the voluntary commitment by the insurance industry to educate the public on the secondary endowment policy market should the reference requirement not be introduced in the VVG. A requirement by way of regulation is another possible alternative.

Reform of the German Insurance Contract Act (VVG)
Consequences: none (short term), positive (medium term)

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

› The determination of a minimum surrender value for early termination ensures that in the future, life insurance policies will reach our minimum limit for surrender values of EUR 5,000 earlier. 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, as more policies will now fulfil our yield requirements.
› As insured individuals are expected to receive a greater share of the hidden reserves in the future, we expect rising terminal bonuses as well as increased visibility.
› 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.

Introduction of the settlement tax
Consequences: none (short and medium term), positive (long term)

The settlement tax is to replace the capital gains tax as of 1 January 2009. However, this only applies to policies concluded as of 2005. These life insurance policies will first be traded on the secondary endowment policy market around the year 2012, thus affecting the tax for the secondary market with a time delay.

It is believed that the settlement tax law will be adopted in 2007. We do not expect the tax to have an effect on our purchase prices. From the customer's point of view, the secondary market remains the better choice. From today's point of view, the added value after the deduction of taxes is always larger for policyholders on the secondary endowment policy market than after termination with the insurer.

The encashment volume could even increase as a result of the settlement tax, as losses arising from the termination or sale of a life insurance policy are tax-deductible according to current forecasts. The secondary endowment policy market profits from this.

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 income to their customers. The higher the income, the higher the surplus the customer receives in addition to the guaranteed rate of interest. Whereas the guaranteed rate of interest 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 – assuming that refinancing terms remain unchanged.
› Proceeds 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.
› Proceeds 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

When the overall level of interest rates increases, insurers are forced to increase their surplus allocations in order to remain competitive. This is due to the fact that they must compete with other investment products.

At the same time, a rising interest rate level leads to higher refinancing costs for us. Without taking countermeasures, the interest rate margin in our trading portfolio would decline, as 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.

In order to be prepared for this transition period, we have hedged our margin until 2010 by using derivatives. Thanks to this hedging strategy, our refinancing costs cannot exceed a certain cap level. Details on our interest rate hedging can be found on page 82.

We can never encounter a negative margin in our trading portfolio, even without hedging, as we are continuously monitoring and optimising our portfolio. Should the refinancing rates exceed the yields on the policies, we would sell or terminate the loss-making policies.

General economic conditions (economic growth, unemployment)
Consequences: minimal

General market 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. In order to obtain this, they terminate their life insurance policy under certain circumstances or sell their policy on the secondary endowment policy market. Our market survey by the Institute for Public Opinion in Allensbach from March 2006 revealed that unemployment / a social welfare scheme labeled »Hartz IV« caused 20 percent of customers surveyed 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. They are above all rooted in the long, inflexible terms of the contracts. The results of the survey can be found on page 69. The encashment volume in the past few years constantly came out to just under EUR 10 billion or more (see page 68). As such, the impact of the overall economic environment can be classified as minimal.

CORPORATE MANAGEMENT, GOALS AND STRATEGY

The Supervisory Board

We expanded our Supervisory Board in 2006 from three to six members. With this, cash.life AG accommodated the company's growth and for the first time enabled the establishment of committees within the board. You can find a compilation of the Supervisory Board members and the committees on page 17. Statements on the remaining mandates of Supervisory Board members can be found on page 156 of this annual report.

The Supervisory Board members are elected by a simple majority of the shareholders at the Annual General 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, represent cash.life AG on the Supervisory Board. They have only held a minimal number of shares in the company since February 2006. Ralf Brammer, Chief Financial Officer of AWD Holding AG, also belongs to the group of shareholders. Gerd A. Bühler is the only Supervisory Board member to have been a part of the Management Board of cash.life AG on a transitional basis in the past.

The Management Board

The Management Board of cash.life AG is comprised of three members. Additional details on the members of the Management Board and their responsibilities can be found on page 16.

Klaus Leusmann became the new Chief Financial Officer on 1 November 2006. Mr. Leusmann took over the position from Dr. Marcus Simon, a member of the cash.life Management Board until 31 May 2006. Dr. Stefan Kleine-Depenbrock managed the finance department on a provisional basis in the meantime.

Management and monitoring of cash.life AG

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

The Supervisory Board is governed by the rules of internal procedure. This internal procedure governs the Board's mode of operation. The Supervisory Board holds at least one meeting per quarter. In addition, the members remain in constant dialogue with the Management Board.

The Management Board is subject to the rules of internal procedure and a business allocation plan. The rules of internal procedure regulate the co-operation within the Management Board, whereas the business allocation plan determines the responsibilities of the members.

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

Internal company monitoring system

A clearly defined goal forms the foundation of company monitoring. For this purpose we have prepared a business plan for cash.life AG and its subsidiaries, which is updated at least quarterly.

Moreover, in the individual company segments we assess additional figures necessary for the monitoring of our operating business. This includes for example

- Monthly financial statements (income statement and balance sheet)
- An income statement since the beginning of the year
- A projection of the income statement through the end of the year
- A comparison of the current figures with the guidelines from the business plan
- Process-related figures with which we map out the partial stages of our handling processes in chronological order and which we consider over a longer period of time
- Margin analyses

Moreover, in the individual company segments we assess additional figures necessary for the monitoring of our operating business. This includes for example

- The number and value of purchased, re-sold and managed policies, which we are able to follow in real time
- The efficiency and productivity of our call centre, which we also assess in real time
- Figures for classifying 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.
- Figures for measuring the effectiveness and economic feasibility of individual marketing measures

We offer the majority of our employees performance incentives 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 by the company success of cash.life AG. Furthermore, the Management Board participates in the success of the company through shares of the company. At present, we have not implemented any stock option programmes.

Financial targets

We publish targets for

› Purchase volume
› Revenues
› Costs
› Operating profit (EBIT)
› Present value of future servicing fees

We are determining ranges for these figures, which we will state more precisely in the course of the year. Our current targets for 2007 can be found on page 98.

The core of our business is the purchase of life insurance policies. All of our sources of income are based on these policies. Purchase volume is therefore the most important component of control for us. Because practically all policies are earmarked to be re-sold, the purchased volume also determines future revenues. The other key financial figures which we consider are resultants. We are able to control these indirectly through margins and costs. Furthermore, we analyse the percentage of our personnel costs covered by revenue from policies under management. Because the servicing fees are growing faster than our personnel costs, the ratio is increasing.

Non-financial targets

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

Increasing the level of awareness of cash.life AG and the secondary endowment policy market

The level of public awareness of cash.life AG and the secondary endowment policy market determines 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 and expand this edge in the future. It is therefore our priority to increase the degree of awareness of cash.life AG and the secondary endowment policy market. For this reason we began an advertising campaign in 2006 across Germany, which we will also continue in 2007. The goal is to enhance our level of awareness in Germany to at least 20% by mid-2007. This figure in March 2006 came to only 14%. In December 2006 we commissioned the Allensbach Institute to conduct a survey for internal control purposes. It revealed that we are on the right path. We will inform the public in mid-2007 with an updated survey on the degree of awareness of the secondary market.

Expand our network of free agents

At present, cash.life AG maintains a network of over 10,000 free agents, including brokers, banks, savings banks and others, from whom it purchases policies. In order to increase our purchase volume, we hope to continuously expand our network. Co-operations with banks and insurers thereby play a significant role.

Continue increasing service quality

Winning over customers is a matter of marketing. Keeping them is a matter of service. On average, one final customer owns three policies and one agent has access to a portfolio of 1,500 contracts. Customers often test our service with a single policy before ultimately offering us additional contracts for purchasing. Customer satisfaction is therefore a pre-requisite for turning customers into »repeat offenders« and thus increasing our purchase volume.

Keeping employees satisfied

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 and continued development of our services

Our strategic target is the profitable expansion of the secondary endowment policy market with a high return on equity. Up to now, the majority of our business has been based on one service: the purchase and sale of life insurance. We generate our revenues almost exclusively with German policies. We have set the goal of further enhancing our core business in Germany and additionally expanding into new markets and products. We are convinced that we can successfully accomplish this due to the fact that we are able to build on our numerous strengths:

Potential from customer enquiries

In 2006 cash.life processed some 70,000 enquiries from customers with a need for funds and wishing to sell their policies. We were unable to satisfy more than half thereof as a result of policies falling short of our quality criteria. We hope to increasingly tap into this customer potential in the future through new products.

Potential from know-how

We know the life insurance market inside and out. We have purchase tens of thousands of policies since our founding in 1999 and have reviewed even more. This has allowed us to develop a great deal of know-how in all matters concerning life insurance. For example, we are familiar with the specifics of more than 2,000 insurance plans. This knowledge provides us not only with a major advantage over the competition for the price calculation of policies, but is also the basis for new products.

Brand potential

With our marketing activities, particularly our television advert, we are establishing »cash.life« as a brand and are increasing its level of awareness. The brand has potential in that it is not limited to the secondary endowment policy market for life insurance. Moreover, the name is easily remembered and is even recognised abroad.

Innovative ability

cash.life lives on ideas. We have initiated and successfully developed the secondary endowment policy market in Germany. We have also expanded into Austria as a pioneer and our policy loans are clearly set apart from the competition. We are not interested in copycat products. This innovative ability is a benefit to us when it comes to the development of new products.

Our expansion strategy is made up of four elements:

1. EXPANSION OF THE GERMAN SECONDARY ENDOWMENT POLICY MARKET

The market potential in Germany is great. The growth of the secondary endowment policy market rises and falls with its level of awareness. The first bid for our core business is therefore to attract attention. Our marketing efforts will therefore remain high in 2007. We will continue to broadcast our television advertisement campaign with actor Sky du Mont. Co-operations with banks and insurance companies allow for fast growth. We have already formed a good network in the banking sector. The focal point of future co-operations will therefore lie in the insurance

Management Report on the position of the Company and Group sector. Pilot projects with ten insurance companies were in the works as of the end of 2006. Our goal is to create lasting partnerships from this and to win over additional insurers for a co-operation. This gives us access to the tied representatives of companies, of which there are 130,000 full-time workers in Germany. Here we see major potential.

II. NEW PRODUCTS

We develop new products in order to better utilise our customer potential. Policy loans were a first step. We address customers with a need for funds on the one hand and those wanting to better invest their money on the other. 14% of life insurance policies alone were terminated because the policyholders wanted to switch over to lucrative investments.

III. INTERNATIONALISATION

We analyse foreign markets and we also want to grow abroad. We plan to seek out a local partner in countries where the secondary endowment policy market has yet to be established and to start this under the name »cash.life«. However, the entry into a new market is expected in 2008 at the earliest. In Great Britain or the US, where a secondary market has already been established, we have the option of pursuing shareholdings, takeovers or joint ventures. We are simply waiting for the best opportunity to arise before taking steps towards an investment.

In addition, we hope to promote our young business in Austria and to expand the management of policies in the UK.

IV. NEW PRODUCTS IN NEW MARKETS

We also hope to use our expertise in the life insurance market for products which go beyond this market and enhance our existing business. The growing demand for private pension provisions offers many opportunities. Here we are working on innovative products, the details of which will likely be announced in the second half of 2007.

CORPORATE RESPONSIBILITY

Corporate governance

The cash.life Group operates in accordance with corporate governance principles. Our shareholders are justified in expecting transparency and independence from us 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.

We are steadily reducing the instances of non-compliance. In 2006 we met additional central requirements of the Code by expanding the Supervisory Board to six members and organising the Board into committees.

declaration of compliance pursuant to section 161 of the german stock corporation law

At least once per year, the Supervisory Board and the Management Board of cash.life AG submit a compliance statement for the Code, which is published on our website. This includes a listing of, and reasons for, non-compliance with the recommendations and suggestions of the Code. Former declarations of compliance can also be found online.

The current declaration is dated 21 September 2006 and refers to the version of the Code dated 12 June 2006. This 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 annually 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, 5.4.7, 7.1.2«

non-compliance with the code

Instances of non-compliance with the recommendations of the Code are as follows:

Code number 2.3.1
Recommendation: The Management Board shall not only release the reports and documents

including the annual report for the Annual General Meeting as required by law, but shall also publish these on the company's website together with the agenda.
Reason for non-compliance: cash.life AG displays these reports and documents according to the legal regulations from the convening of the Annual General Meeting and makes these available to the shareholders upon request prior to the Annual General Meeting. The annual report of cash.life AG and the agenda are published online.

Code number 3.8
Recommendation: Should the company sign a D&O insurance contract for the Management Board and Supervisory Board, an adequate deductible should be determined.
Reason for non-compliance: The D&O insurance earmarks a deductible for legal actions in the US, but not for legal actions in Germany.

Code number 5.4.7
Recommendation: The members of the Supervisory Board shall receive a remuneration based on success in addition to a fixed remuneration.
Reason for non-compliance: The rules of internal procedure of cash.life AG currently do not earmark a success-related remuneration.

Code number 7.1.2
Recommendation: The consolidated financial statements shall be made public within 90 days after the end of the year and the interim reports within 45 days following the end of the period under review.
Reason for non-compliance: The shares of cash.life AG are listed on the Frankfurt Stock Exchange in the »Prime Standard« of the official market. cash.life AG accordingly meets the follow-up duties related to the admission of the Prime Standard. These transparency standards of the Deutsche Börse are among the strictest in Europe. The exchange regulations of the Frankfurt Stock Exchange also particularly define deadlines for the publication of annual financial statements as well as quarterly reports and interim financial statements. These deadlines are adhered to. In the near future cash.life AG intends to meet the deadlines recommended by the Code.

ACTIVITIES OF THE SUPERVISORY BOARD

The Supervisory Board counsels 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 12 of the annual report contains further information on the frequency and content of the Supervisory Board meetings. Aside from the meetings, the Supervisory Board and the Management Board 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 General 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 complied with a catalogue of transactions requiring authorisation, which is part of the rules of internal procedure for the Management Board.

The chairman shall co-ordinate 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 jointly deals with all matters of common interest. Moreover, there is a personnel committee and an audit committee which facilitate the Supervisory Board in exercising its controlling function (information on the composition of the committees can be found on page 17).

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. Information on the responsibilities can be found on pages 16 and 37.

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 approval of the Supervisory Board.

The Supervisory and Management Boards have been informed of the legal requirements of the directors' dealings. We publish the corresponding reports immediately.

We published the majority of directors' dealings reports from 2006 in February due to our increase in the free float. All reports can be found on page 26.

REMUNERATION OF THE SUPERVISORY BOARD

The company's rules of internal procedure specify that the remuneration of members of our Supervisory Board shall be determined at the Annual General Meeting. This consists of a fixed sum. The remuneration currently amounts to EUR 20,000 per year. The chairperson receives double this amount, the vice-chairperson 1.5 times the amount. As such, the remuneration of our Supervisory Board members in the 2006 financial year is as follows:

Supervisory Board member	**Remuneration**
Gerd A. Bühler (Chairman)	*EUR 40,000*
Klaus Mutschler (Vice-Chairman)	*EUR 30,000*
Ralf Brammer	*EUR 20,000*
Hans-Gerd Füchtenkort	*EUR 10,000 **
Dr. Michael Kemmer	*EUR 10,000 **
Prof. Dr. Frank A. Schäfer	*EUR 10,000 **

** Half the annual rate due to appointment at the Annual General Meeting on 23 June 2006.*

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 success in the relevant year as well as the individual performance of the respective Management Board member. 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 management's stake in the company amounted to 2.0 percent. At the moment we have not issued any stock options.

The total pay of the Management Board in 2006 amounted to EUR 915,416.65. The details of the remuneration of our Management Board members are as follows:

Member	Fixum	Bonus	Total remuneration
Dr. Stefan Kleine-Depenbrock (Chairman)	*EUR 300,000.00*	*EUR 100,000.00*	*EUR 400,000.00*
Ulrich T. Grabowski	*EUR 150,000.00*	*EUR 230,000.00*	*EUR 380,000.00*
Klaus Leusmann (since November 2006)	*EUR 29,166.67*	*EUR 12,500.00*	*EUR 41,666.67*
Dr. Marcus Simon (until May 2006)	*EUR 72,916.65*	*EUR 20,833.33*	*EUR 93,749.98*

ACCOUNTING METHODS AND AUDIT OF ANNUAL ACCOUNTS

cash.life AG has concluded an agreement with its auditors, wherein 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 his/her 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 of 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.

SPECIFICATIONS OF THE TAKEOVER GUIDELINE IMPLEMENTATION ACT

This act from 8 July 2006 stipulates the following specifications. These pertain to the capital structure, shareholder rights, the distribution of ownership and the bodies of the company.

1. Our subscribed capital only comprises a stock category (ordinary shares). All shares have the same rights.
2. The Management Board is not aware of any terms or agreements which concern the voting rights or the transfer of cash.life shares.
3. As of 31 December 2006, one single shareholder of Schroders plc, London/UK, held more than 10% our shares. Details regarding our shareholder structure can be found on page 23.
4. There are no cash.life shares which grant privileges.
5. Our employees are not involved in the capital of cash.life AG through a stock or stock option programme.
6. In accordance with our rules of internal procedure, the Management Board of cash.life AG

comprises one or more people. The Supervisory Board determines the number of members. In the case of a Management Board made up of more than one person, the Board issues rules of internal procedure, the assembly and revision of which require approval by the Supervisory Board. The company is legally represented by two members of the Management Board or by one member of the Management Board together with an authorised representative. In the case of a Management Board made up of only one person, he/she represents the company alone.

7. Resolutions of the Annual Shareholders' Meeting including resolutions which alter the rules of internal procedure require the simple majority of votes cast where the law does not stipulate otherwise. In cases where the law requires a majority of the capital represented in the resolution, the simple majority of the share capital represented suffices, provided that a greater majority is not required by law. This also applies for any resolutions which may alter the rules of internal procedure. Abstentions from voting are not counted. In the case of a tie vote, a proposal is rejected. The Supervisory Board is authorised to resolve upon changes to the rules of internal procedure which only affect its version and particularly the changes to the statements on the share capital corresponding to the respective extent of the capital increases from contingent and authorised capital.

8. The Management Board is authorised, with Supervisory Board approval, to increase the share capital of the company one or more times in the period until 15 June 2009 by up to a total of EUR 3,120,100 through the issue of new no-par shares in the name of the holder. Ordinary shares should be issued for cash and/or capital subscribed in kind. With the respective approval by the Supervisory Board, the Management Board is authorised to decide on the exemption of the shareholders' subscription rights. However, an exemption of subscription rights is only permitted in the following cases:

› To offset residual amounts
› To acquire companies or parts of companies and of shareholdings in other companies for the granting of treasury shares
› If a capital increase for capital contributions does not exceed 10% of the share capital and the issue price of shares does not significantly fall short of the market price
› If a third party, which is not a bank, subscribes to new shares and ensures that the shareholders are granted an indirect subscription right

9. There are no significant agreements arising on the condition of a change in management as a result of a takeover offer.

10. There are no compensation agreements in the case of a takeover offer with members of the Management Board or with employees.

Values

Material incentives cannot create team spirit, a feeling of togetherness or trust. For this, an active corporate culture with values is needed – internally for the employees as well as with regard to the remaining stakeholders of the company.

We therefore want to establish a values code and act according to this. As such, we are forming a work group consisting of employees from all departments. The work group is to address the following questions: What kind of culture do we already have at cash.life and what values are necessary beyond this? How can we orientate ourselves and promote the corporate community as a whole? How will we communicate the code to the point that everyone is able to understand it and relate to it?

Once the work group has conducted an appraisal of the culture, this is to be discussed, revised, summarised or supplemented in the individual departments and management levels.

At the end of the procedure, company guidelines should be developed towards which the Management Board, middle management and employees can turn, and on which they can base their actions.

We will present the code in the coming annual report.

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 especially true given that our dynamic growth places high demands on the performance and the flexibility of our employees. A company's quality cannot only be determined by its results, but also by the way it treats its employees: fairness and promotion are the preconditions of sustainability.

NUMBER OF STAFF WITHIN THE CASH.LIFE GROUP INCREASES CONSIDERABLY

Our strong growth in the purchase volume and the policy portfolio under management requires additional personnel. For this reason, we have increased the number of employees considerably during the financial year under review: to 93 full and part-time workers after 73 in the previous year (+ 27%).

EMPLOYEES AS OF 31.12. 2006

Company	CEO/managing director	Employees (full/part time)	Temporary employment Temporary staff
cash.life AG	*3*	*52*	*37*
cash.life Vertriebsgesellschaft mbH	*1*	*28*	*13*
cash.life international Vertriebs GmbH	*1*	*3*	*0*
Barwert GmbH	*1*	*7*	*1*
cash.life Vorsorge GmbH & Co. KG	*1*	*3*	*1*
Total	*7*	*93*	*52*

EMPLOYEES AS OF 31.12. 2005

Company	CEO/managing director	Employees (full/part time)	Temporary employment Temporary staff
cash.life AG	*3*	*45*	*13*
cash.life Vertriebsgesellschaft mbH	*1*	*17*	*3*
cash.life international Vertriebs GmbH	*1*	*4*	*0*
Barwert GmbH	*1*	*7*	*1*
cash.life Vorsorge GmbH & Co. KG	*1*	*0*	*0*
Total	*7*	*73*	*17*

PERFORMANCE-BASED REMUNERATION

In addition to a fixed salary, we have specified a variable remuneration component for the majority of our employees. This is calculated according to two criteria, which are of equal weight:

› Individual performance based on goal-setting
› Company success

The variable share of remuneration increases in conjunction with higher levels of employee responsibility. There are currently no stock programmes for either Management Board members or employees. We are not ruling out the introduction of such a programme in the future.

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. We support our employees in expanding their capabilities through continuing education and training programmes. Semi-annual performance reviews enable managers and employees to analyse their strengths and weaknesses.

In the financial year under review we offered the following courses:

› Management training for team leaders of our sales company
› Presentation training for our field staff
› Telephone training for our customer support
› Course in insurance English for our employees in fund administration

In addition to general training, we also provide support for individual training. In 2006, several of our employees participated in seminars or took part in long-distance or evening learning programmes.

THANK YOU!

Credit for our solid financial results in 2006 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

The cash.life Group focuses its activities in Germany. We have also been present in Austria since July 2006.

According to the Federal Ministry for Economics and Technology, the economic climate in Germany improved considerably in the period under review. Gross domestic product grew by 2.5%, which represents a strong plus after 0.9% in 2005. The growth was also positively reflected in the labour market: the working population rose by 0.7%, while this figure had declined slightly in 2005. The unemployment rate dropped 0.9 percentage points to 10.8%. The positive trend was supported by both exports and domestic demand. Consumer and company confidence was seen in the spending behaviour. Consumer expenditures rose on a price-adjusted basis by 0.6% (2005: 0.1%) and gross capital investments by 5.3% (2005: 0.8%).

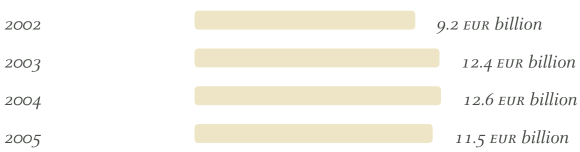
Gross domestic product in Austria grew by 3.1% according to the Federal Ministry of Economics and Labour (2005: 2.0%). Similar to the case in Germany, private consumption rose slightly (by

1.9% after 1.7% in 2005), while company investments showed significantly stronger increases. Gross capital investments increased 5.0% after 0.3% in the previous year. The unemployment rate dropped marginally from 5.2% in 2005 to 5.0% in 2006.

Industry-specific conditions

The market potential for the secondary endowment policy market is high. According to the Association of German Insurers (GDV), there were some 94 million life insurance contracts in Germany at the end of 2006. More than every second policy is terminated prior to maturity. In 2005, German life insurance companies paid some EUR 11.5 billion in surrender values for early terminations, as reported by the GDV in mid-2006. This equals a slight decline from 2004, when payments for terminated policies amounted to EUR 12.6 billion. However, it should be considered that the secondary market in 2005 came to a volume of some EUR 500 million and that these policies had also been terminated anyway. The GDV is expected to release the market data for 2006 in mid-2007.

ENCASHMENT VOLUME IN GERMANY 2002–2005



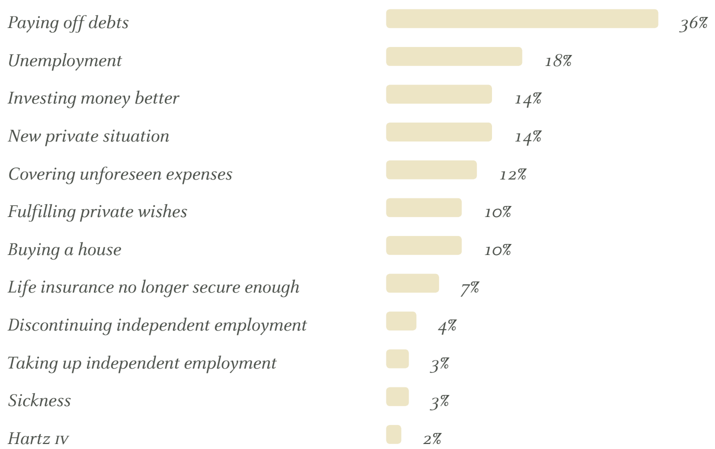
More than every second life insurance policy is terminated prematurely. In 2005, German insurance companies paid EUR 11.5 billion in surrender values for terminated policies.

Source: cash.life AG

We estimate that some half of the annual encashment volume is in line with our purchase criteria. As such, we see ourselves as having a market potential of EUR 6 to 7 billion.

There are numerous reasons for terminating a policy. Life situations change and no-one is able to plan his or her life over the decade-long term of a life insurance policy. The Allensbach Institute for Public Opinion examined the reasons for encashment for our market study from March 2006. The desire to pay off debts is thus the main reason for the early termination of contracts. Financial straits, however, only represent a part of the termination. The motivation to invest money better, make larger purchases, or buy a house also plays a significant role.

REASONS FOR ENCASHMENT



Some customers are not able to continue their policies, while others no longer want to. Debt and unemployment are reasons for termination, as is the desire for a better investment of one's money or major purchases.

Source: Allensbach Institut, 3.06
Multiple answers apply

We are poised to see considerable growth due to the fact that only a small part of the market potential has been tapped. Policies valued at some EUR 1.1 billion were traded on the German secondary endowment policy market in 2006. This is only 16 to 18% of the market potential. The growth rates are correspondingly high. The trading volume of the secondary market has doubled since 2005 from some EUR 500 million at that time.

The strong rise is attributable to a higher level of awareness. According to the Allensbach Institute, this amounted to 14% in March 2006, after which we began our television advertising campaign. This has increased the awareness for cash.life and for the possibility of selling policies. We will measure the level of awareness of the secondary market again in mid-2007.

In Austria, payments for terminations amounted to some one-tenth of the German value. There, we anticipate a market potential of EUR 400 to 600 million.

The legal general conditions for the secondary endowment policy market did not change in the financial year under review. There will likely be changes beginning in 2008, though we do not expect any significant effects from this (further details on page 50).

Material events affecting the course of business

In 2006, 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.

The central reason for the strong rise in our purchased volume in 2006 was our television advertising campaign in the months of May/June and September to November. We broadcast nearly 4,000 adverts on German television in this time frame. We regard the costs associated therewith as worthwhile investments in light of the campaign's success. Together with the costs of winning and maintaining partners as well as PR, trade fairs and other activities, these expenditures came to some EUR 4 million in 2006.

In addition, we have taken some measures, though these will first have a noteworthy impact on our purchase volume as of 2007. We have sought out direct communication with more than 20 insurers and thereby agreed upon pilot projects with 10 companies. We wrote directly to the some 10,000 tied representatives of Allianz Lebensversicherung across Germany, which has enabled us to win over numerous agents for a co-operation. In June 2006 we initiated the secondary endowment policy market in Austria. Start-up costs in 2006 amounted to approximately EUR 1 million.

We began offering policy loans in November 2006. As a result, this new business field has yet to contribute to our earnings. Investments in this new product amounted to some EUR 1 million in 2006. The secondary endowment policy market has been established. This has also been accompanied by greater competition, particularly for large-volume, attractive policies offered to us through agents. This has led to higher purchase prices.

Summary of overall business development

Overall, we are pleased with the business development in the financial year under review. We particularly deem the strong increase in the purchase volume by 51.0% a success. With this, we have nearly tripled our purchase volume within two years. With a plus of 77.9% we have achieved a new record in the re-sale of policies and thus secured stable servicing fees for the next few years. The present value of future proceeds from policy management overall amounted to EUR 38.3 million. Margins have shown a slightly declining trend in an established competitive environment. With the expansion into Austria and the start of policy loans as a new product, we have furthermore laid the foundation for diversification and further growth.

Comparison of actual and forecast business development

We presented our annual forecast at our annual press conference on 20 April 2006. Here we announced a purchase volume of EUR 500 to 550 million as well as EBIT of EUR 17 to 19 million and a net income of EUR 6.5 to 7.5 million. The trading portfolio should lie within a target window of EUR 150 to 250 million.

We increased our forecast with the presentation of our half-year figures on 3 August 2006, after which we expected our purchase volume at EUR 550 to 600 million, EBIT at EUR 17.5 to 20.0 million, and net income at EUR 7.5 to 9.0 million. The trading portfolio should lie in a range between EUR 200 and 300 million.

We gave a more specific forecast on 18 December. This forecast serves as a basis for the comparison with the actual course of business:

QUANTITATIVE TARGETS

Figure	Target value	Actual reached	Remarks
Purchased volume	*EUR 600 to 630 million*	*EUR 636 million*	*Target exceeded*
EBIT	*EUR 15.0 to 17.0 million*	*EUR 13.3 million*	*Target not reached*
Surplus	*EUR 7.0 to 9.0 million*	*EUR 6.9 million**	*Target not reached*
Trading portfolio	*EUR 200 to 300 million*	*EUR 286.3 million*	*Target reached*

** Including the effects from derivatives and the revaluation of our trading portfolio*

STRATEGIC TARGETS

Target	Target reached	Remarks
Market entry in Austria	*We have purchased policies in Austria as well since July 2006.*	*Target reached*
Expansion of the product portfolio	*We have offered policy loans since November 2006. With this we also offer funds for our customers whose policies we are not able to purchase, thus tapping into another source of income.*	*Target reached*

Our purchase volume is our earnings potential for the future. For this reason, our main focus lies on the size of this volume. The fact that we exceeded our target for 2006, which had twice been lifted, shows us that we are successfully opening up our market potential.

FINANCIAL, NET ASSET AND EARNINGS SITUATION

Earnings situation

PURCHASE VOLUME

In 2006 we generated a group-wide purchase volume of EUR 636.0 million. This amount consists of the following:

› Purchase of policies: EUR 583.3 million referred to purchase prices of cash.life AG.
› Policy referrals: our subsidiary Barwert GmbH referred policies to a total value of EUR 115.6 million, EUR 62.9 million of which to cash.life AG. These policies are included in the purchase volume of cash.life AG. Barwert referred policies worth EUR 52.7 million to third parties. Together with the policy sales of cash.life AG, these policies make up the Group's purchase volume.

Compared to 2005, the Group's purchase volume rose by 51.0% (2005: EUR 421.3 million). In addition to the marketing activities, the restructuring of our distribution activities and co-operations with banks and insurance companies contributed to the sound results.

PURCHASED VOLUME WITHIN THE CASH.LIFE GROUP

Our purchased volume grew by 51% in 2006. Our television ad campaign and the reorganisation of our distribution activities are the primary reasons for this success.
Source: cash.life AG

DEVELOPMENT OF REVENUE

The cash.life Group

In 2006, the cash.life Group generated revenue of EUR 532.7 million. This implies growth of 78.1% over the previous year (2005: EUR 299.1 million). The increase is primarily due to heavily enhanced policy sales.

Revenue comprises the following:

Position	2005 revenue (EUR thousand)	2006 revenue (EUR thousand)
Revenue from policy sales	*294,797*	*524,353*
Revenue from policy management	*3,694*	*6,247*
Other operating income	*203*	*1,179*
Commission revenue	*373*	*894*
Total	*299,067*	*532,673*

REVENUES OF THE CASH.LIFE GROUP

Our revenues in 2006 rose by 78.0%. The growth above all lies in the strong rise in policies sold. The demand for policies on the secondary endowment policy market remains high.

Source: cash.life AG

cash.life AG

In 2006, revenues of cash.life AG amounted to EUR 531.8 million, which implied growth of 78.0% compared to 2005 revenues of EUR 298.7 million.

DEVELOPMENT OF P&L ITEMS

Value appreciation of insurance contracts

»Value appreciation of insurance contracts« comprises the increase in value of the policies of our trading portfolio. This item remained largely constant. In 2006 the value increase within the cash.life Group and cash.life AG amounted to EUR 20.4 million (2005: EUR 20.6 million). This value appreciation is a result of the surplus allocations of insurance companies. Our trading portfolio through 31 December 2006 was generally higher than one year prior. The interest on the policies declined slightly. The item profited from a revaluation of our trading portfolio (see details on page 88).

Disposal of sold insurance contracts

This item comprises the balance sheet values omitted through the sale of policies. The life insurance policies we sold in 2006 had a balance sheet value of EUR 504.3 million. This implies an increase of 78.6% of policies sold year-on-year (2005: EUR 282.4 million). This item is also affected by the revaluation of our trading portfolio (page 88).

Insurance premiums

We continue to make the premium payments for the policies included in our trading portfolio. These 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«. In 2006, the amount of premiums amounted to EUR 11.6 million (2005: EUR 10.0 million). This increase can be explained by the fact that our average value of the trading portfolio in 2006 exceeded the level of 2005.

PERSONNEL EXPENSES

The cash.life Group

The 51.0% rise in our purchase volume and the 77.9% rise in our re-sale (revenue from policy sales) required further personnel. As of 31 December 2006 we employed 93 full and part-time workers, an increase of 27.4% year-on-year. We employ considerably more temporary staff and contract workers in order to absorb peak times at constant fixed costs. After a total of 17 in 2005, this number increased to 52, thus representing a rise of 205.9%. The additional personnel also resulted in higher personnel expenses. Moreover, 2006 was the first year in which we had consolidated the cash.life sales company with the related revenues and expenses included in our profit and loss account. In the past the company was financed by commissions, which were included in other operating expenses. Overall personnel expenses in 2006 amounted to EUR 6.1 million (2005: EUR 3.5 million).

cash.life AG

Personnel expenses of cash.life AG amounted to EUR 4.2 million (2005: EUR 3.3 million).

OTHER OPERATING EXPENSES

The cash.life Group

In total, other operating expenses amounted to EUR 17.1 million (2005: EUR 8.6 million). This significant increase is due to the following:

› Other operating expenses include the commission we pay to intermediaries when purchasing policies. The sharp increase in our purchase volume therefore triggered a rise in this item.
› In 2006 we expanded our marketing expenses to around EUR 4 million after less than EUR 1 million in 2005.
› We are investing approximately EUR 1 million in our expansion into Austria.
› The development and introduction of the policy loan as a new product also had an impact of around EUR 1 million.

cash.life AG
Other operating expenses of cash.life AG rose to EUR 15.2 million in 2006 after EUR 8.5 million in the previous year.

FINANCIAL INCOME

The cash.life Group
Our financial income increased considerably in 2006 from EUR 2.1 million (2005) to EUR 16.8 million. This was due to two major reasons:

› In 2006 we carried out security loan transactions, from which we received dividend income (more details on page 78). Interest income (including that from security loans) amounted to EUR 14.0 million in 2006.
› We have hedged against rising interest rates with derivatives, which gained in value in 2006 due to higher capital market interest. We recognise the value appreciation of derivatives in financial income. This figure amounted to EUR 2.9 million.

cash.life AG
Other interest and similar income of cash.life AG increased from EUR 0.9 million in 2005 to EUR 14.1 million in 2006.

FINANCIAL EXPENSES

The cash.life Group
Financial expenses rose to EUR 23.6 million (2005: EUR 7.6 million). Security loan transactions were the major reason for the higher value, as we are required to pay a compensation payment to the lender during the term of the transaction. Moreover, this item contains expenditures related to the refinancing of our trading portfolio. Total interest and similar income in the past year totalled EUR 23.3 million. Expenses for our interest hedging derivatives amounted to EUR 1.2 million.

cash.life AG
Interest and similar expenses of cash.life AG rose from EUR 7.8 million in 2005 to EUR 24.0 million in 2006.

INCOME TAXES

The cash.life Group
In 2006, we received a tax income of EUR 0.4 million. In 2005, we had tax expenses of EUR 3.4

million. This change is predominantly attributable to one-off effects from the security loan transactions, as we received the dividends largely free of tax.

cash.life AG
cash.life AG's tax expense was reduced from EUR 1.2 million in 2005 to EUR 0.2 million in 2006.

EARNINGS DEVELOPMENT
The cash.life Group
In 2006 we generated a net income of EUR 6.9 million, which equals a rise of 19.0% (2005: EUR 5.8 million). Earnings growth fell short of revenue growth due to the fact that

› we invested in new employees in order to manage the high purchase volume and the strong rise in policy sales;
› our operating expenses increased. As a result of the higher purchase volume, we paid out higher commissions. Moreover, we invested in marketing, the expansion into Austria and the new product of policy loans.
› our purchase prices increased due to fiercer competition, thus reducing our re-sale margin.

Net income only shows a part of the value added that we generate from the policies. We receive the rest through the servicing fee during the policy's remaining term (see page 77).

Net income is positively influenced by the value appreciation of the derivative and by the revaluation of our trading portfolio.

CASH.LIFE GROUP NET INCOME

Our net income rose by 31.0% in 2006 despite the investments in advertisements, new products and the expansion into Austria. The net income benefited from the value appreciation of our derivatives and the revaluation of the trading portfolio.

Source: cash.life AG

cash.life AG

In 2006 cash.life AG generated a net income of EUR 2.1 million compared to EUR 6.3 million in the previous year.

DEVELOPMENT OF ORDERS

Demand for policies from closed-end funds remains high. As of 31 December 2006, we supplied policies to a total of 10 funds of MPC Capital AG, König & Cie. and Hannover Leasing, and managed 17 funds. These funds have a planned total investment volume of around EUR 1.7 billion.

We particularly accommodated the high demand for secondary market policies through re-sales in the fourth quarter. We nonetheless had EUR 385.0 million worth of life insurance policies to supply to funds as of 31 December 2006. Furthermore, we are already talking to institutional investors about new funds and policy sales.

PRESENT VALUE OF SERVICING FEES

We also document future income which we will receive over the next few years in order to represent the entire value added that was generated in 2006. We receive annual servicing fees for policy management during the entire remaining term. These fees are contractually fixed and thus have a high degree of visibility. As of 31 December 2006, the present value of these future cash inflows amounted to EUR 38.3 million, an increase of 63.7% compared to the value at the end of the previous year (EUR 23.4 million). A discount rate of 5.0% underlies the calculation.

The policies we re-sold in 2006 contributed EUR 16.2 million to the entire present value. The present value of the policies sold in 2005 amounts to EUR 10.3 million, which implies growth of 57.3% in 2006.

CASH VALUE OF SERVICING FEES

We will accrue income from the management of policies over the coming years. These had a cash value of EUR 38.3 million as of the end of 2006. EUR 16.2 million thereof came from the policies we re-sold in 2006.

Source: cash.life AG

SECURITY LOANS

In 2006, we carried out several security loan transactions. In the scope of these transactions, shares of German issuers were transferred to cash.life AG for a certain amount of time. During this period we received mostly tax-exempt dividend income, which we display in the item »financial income«.

We were required to deposit cash as collateral for the loans. The dividend income was recognised as financial income, which resulted in a strong increase of this item year-on-year. The interest on the loans was recognised as financial expenses, which in turn increased the value of this item.

EARNINGS RATIOS OF THE CASH.LIFE GROUP

Ratios	2004	2005	2006
Policy purchase and management			
Purchase volume	EUR 225.7 million	EUR 421.3 million	EUR 636.0 million
Volume of policies under management	EUR 757.8 million	EUR 1,125.7 million	EUR 1,674.1 million
Thereof trading portfolio	EUR 188.5 million	EUR 267.7 million	EUR 286.3 million
Thereof managed for third parties	EUR 569.3 million	EUR 858.1 million	EUR 1,387.8 million
Income statement			
Revenue	EUR 300.1 million	EUR 299.1 million	EUR 532.7 million
Thereof from policy sales	EUR 296.9 million	EUR 294.8 million	EUR 524.4 million
Thereof servicing	EUR 2.4 million	EUR 3.7 million	EUR 6.2 million
Thereof other	EUR 0.9 million	EUR 0.6 million	EUR 2.1 million
Value appreciation of insurance contracts	EUR 21.4 million	EUR 20.6 million	EUR 20.4 million
Gross profit	EUR 29.7 million	EUR 27.2 million	EUR 37.2 million
Personnel expenses	EUR 2.3 million	EUR 3.5 million	EUR 6.1 million (1)
Other operating expenses	EUR 5.3 million	EUR 8.6 million	EUR 17.1 million
EBIT (operating profit)	EUR 21.7 million	EUR 14.6 million	EUR 13.3 million
Financial income	EUR 13.5 million	EUR 2.1 million	EUR 16.8 million

Financial expenses	*EUR 11.6 million*	*EUR 7.6 million*	*EUR 23.6 million*
EBT	*EUR 23.7 million*	*EUR 9.2 million*	*EUR 6.5 million*
Income taxes	*EUR 4.1 million*	*EUR 3.4 million*	*Tax credit EUR 0.4 million*
Net income	*EUR 19.5 million*	*EUR 5.8 million*	*EUR 6.9 million*
Earnings per share and dividend			
Earnings per share	*EUR 2.51*	*EUR 0.74*	*EUR 0.82*
Dividend total	*EUR 7.8 million*	*EUR 0*	*EUR 4.3 million (2)*
Dividend per share	*EUR 1.00*	*EUR 0*	*EUR 0.50 (2)*
Profitability and other ratios			
Return on equity	*159.0%*	*45.9%*	*15.6%*
Return on capital employed	*86.3%*	*44.6%*	*14.2%*
Personnel cost ratio	*11.8%*	*17.3%*	*12.8%*
Interest expense ratio	*59.4%*	*37.5%*	*49.9%*

(1) Including the initial consolidation of our sales company in 2006

(2) Conditional upon the approval of the Annual Shareholders' Meeting

Financial position

BASIC PRINCIPLES AND GOALS OF FINANCIAL MANAGEMENT

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

› Securing liquidity
› Monitoring profitability for policies in the trading portfolio and those owned by third parties
› Hedging against interest rate risk through risk management
› Diversifying refinancing options

Liabilities are only denominated in euros. We therefore do not use hedging instruments to control exchange rate volatility. However, we do use derivatives to hedge against interest rate changes in order to lock in the interest rate margin in our trading portfolio. Please refer to page 82 for details about our hedging strategy.

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 around EUR 450.0 million in approved credit lines. As the value of the trading portfolio, which amounted to EUR 286.3 million, was significantly lower as of 31 December 2006, 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 except for a promissory note loan. Liabilities are denominated in euros.

We do not expect any limitations which could affect the availability of funds. We believe that our credit lines could be expanded to up to EUR 1 billion if needed, thanks to our equity base. There are no material provisions of importance to the capital structure or the capital stock of the cash.life Group or cash.life AG.

In 2006, we diversified our refinancing base with the placement of a promissory note loan. The loan has a volume of EUR 40 million and was arranged by IKB-Bank with a term through 26 April 2010. This liquidity assures long-term debt for the purchase of life insurance policies.

IMPORTANCE OF OFF-BALANCE SHEET FINANCIAL INSTRUMENTS FOR THE FINANCIAL POSITION

Off-balance sheet financial instruments such as the sale of receivable or sale-and-leaseback transactions were not utilised in 2006. Guarantees for external liabilities exist in the form of a letter of comfort to Vorsorge Luxemburg Lebensversicherung S.A., Munsbach/Luxembourg for payment obligations of cash.life Vertriebsgesellschaft mbH, Pullach, and cash.life international Vertriebsgesellschaft mbH, Vienna/Austria. As of 31 December 2006, neither company had liabilities to Vorsorge Luxemburg.

INVESTMENT ANALYSIS

In the year under review we invested primarily in financial assets and property, plant, and equipment. Investments in financial assets amounted to EUR 1.3 million. We mainly invested in our secondary market fund with the legal form of a SICAV according to Luxembourg law, which addresses institutional investors. Due to the high demand by closed-end funds for policies, we have not yet actively marketed SICAV. We have paid in the mandatory minimum capital in order to receive approval for the fund.

Investments in property, plant, and equipment amounted to EUR 1.1 million. The investments primarily refer to office equipment and furnishings. A major part of this refers to the furnishing of workstations for new employees. Investments in intangible assets of EUR 0.9 million refer to the constant further development of our rating system, software licences and investments of EUR 0.5 million in the development of a pension product. There were no significant investment obligations beyond the balance sheet date.

LIQUIDITY ANALYSIS

In the period under review the cash.life Group and cash.life AG were at all times able to meet their current financial obligations and make the necessary investments. The payments for investments were made with the cash flow from operating activities. The amount of cash and cash equivalents compared to the previous year increased by EUR 0.2 million.

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 amounted to EUR 3.8 million. It mostly consists of the following items:

- Depreciation of fixed assets of EUR 0.8 million. This primarily refers to office equipment and furnishings.
- Increase in value of derivatives amounting to EUR 2.9 million. In 2006 the value of our derivatives increased as a result of rising market interest rates.
- Increase in other provisions by EUR 0.5 million. This primarily refers to personnel provisions (for holidays and bonuses) as well as provisions for accounts receivable.
- Deferred tax income of EUR 0.5 million, of which EUR 0.3 million refers to loss carryforwards after deduction of deferred tax liabilities. An amount of EUR 0.2 million is attributable to the revaluation of the trading portfolio.
- Other non-cash-effective income of EUR 1.2 million, which equals the profit-effective amount of the value appreciation of the trading portfolio in 2006 as a result of the revaluation.
- Increase in trade payables by EUR 1.6 million. This primarily refers to prices for policies which we had already purchased at the end of the year but had not yet paid. The rise is to be seen in connection with our considerably increased purchase volume.

Cash flow from investment activities
In 2006 the cash flow from investment activities amounted to EUR -3.6 million. Details are provided in the chapter »investment analysis« on page 80.

Cash flow from financing activities
Cash flow from financing activities is impacted by the cash inflow from our capital increase and the utilisation of these funds for the repayment of liabilities to banks.

COST OF CAPITAL

The interest rate underlying our liabilities on average lies at 60 to 65 basis points above the one-month or three-month Euribor. We thus managed to slightly improve our refinancing conditions compared to 2005, where the bank margin still amounted to 60 to 70 basis points on average. We expect unchanged credit conditions for the 2007 financial year. Our return on equity should reach at least 10.0% after taxes. We verify whether this hurdle rate can be achieved before we make investments.

INTEREST HEDGES

Our trading portfolio is almost exclusively refinanced via debt. The remaining term of the policies is up to 15 years. Nevertheless, we use short-term refinancing to remain flexible when it comes to re-selling policies to investors. We subsequently repay the associated loans.

However, short-term financing also exposes our trading portfolio to interest risk. In times of rising market interest rates, insurers also lift their interest, though this is likely to happen with a time delay. We estimate this at 12 to 36 months.

During this period, demand for secondary market policies would be considerably lower than today or could even come to a complete standstill. Despite the high level of security, investors still expect the yield of life insurances to exceed the market yield. In the event of much lower demand, we would be forced to enlarge our trading portfolio. Only in this case can we continue to purchase in such a situation and still be present in the market.

In the case outlined above, our strategy would be comprised of two elements:

› We purchase selectively. Policies that generate a higher yield than the increased refinancing costs are still eligible for purchase.
› We carry out hedges against rising credit rates via derivatives. The hedges not only apply

to our current trading portfolio, but also for an annual basis purchase volume. Thanks to the derivative – the so-called caps – our refinancing rate cannot exceed a fixed maximum amount. This also allows us to purchase policies with which the yield is below the current market rate but above our capped refinancing rates.

We hedge our margin through derivatives. We concluded the interest hedges in July 2005 and these run until 2010. We will prolong our hedges in due time. Please refer to pages 140 and 147 for details on derivatives.

FINANCIAL RATIOS OF THE CASH.LIFE GROUP

Ratios	2004	2005	2006
Cash and cash equivalents at the end of the period	*EUR 0.7 million*	*EUR 1.1 million*	*EUR 1.2 million*
Cash flow from operating activities	*EUR -7.1 million*	*EUR 13.0 million*	*EUR 3.8 million*
Cash flow from investing activities	*EUR 31.2 million*	*EUR -4.8 million*	*EUR -3.6 million*
Cash flow from financing activities	*EUR -30.0 million*	*EUR -7.8 million*	*EUR 0*
Working capital (1)	*EUR 15.5 million*	*EUR 8.0 million*	*EUR 70.6 million*
Effective debt (2)	*EUR -14.9 million*	*EUR -5.3 million*	*EUR -28.0 million*

(1) short-term assets minus short-term capital

(2) borrowed capital minus short-term assets

Net assets

ANALYSIS OF THE BALANCE SHEET

The cash.life Group

The cash.life Group maintains a »Net Cash« position: Our current assets exceed our current and non-current liabilities by EUR 28.0 million (effective debt). We were able to increase our net cash in 2006 more than five-fold over 2005.

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 286.3 million as of 31 December 2006, the trading portfolio of the cash.life Group was EUR 18.0 million higher than in the previous year (2005: EUR 268.3 million). Because numerous policies were not purchased until the fourth quarter 2006, their re-sale did not occur in the period under review.

Other assets developed as follows:

The cash.life Group's intangible assets amounted to EUR 5.4 million (2005: EUR 3.0 million) as of the balance sheet date.

The Group's property, plant and equipment amounted to EUR 2.9 million (2005: EUR 2.3 million). This marginal increase is primarily a result of investments in equipment and office furnishings for new employees. These assets are subject to straight-line depreciation over the common economically useful life of three to ten years. Low-value fixed assets are fully depreciated in the year of acquisition. We moved to our premises in Pullach in December 2005. As of the end of the year, the financial assets of the cash.life Group amounted to EUR 1.3 million (2005: EUR 0.1 million). This item is made up of the holdings shown on page 38.

At the end of 2006 the asset value of our derivatives amounted to EUR 5.6 million. We consistently value our derivatives at market value, which is subject to general interest rate development.

Deferred tax assets as of 31 December 2006 amounted to EUR 5.3 million (2005: EUR 3.0 million). Deferred taxes arise from the difference between book values of assets and liabilities in the commercial and tax balance sheet, which offset one another in later periods. Deferred taxes arise when asset values in our IFRS balance sheet are lower than in the tax balance sheet, or when debt in our IFRS balance sheet has a higher value than in the tax balance sheet. Deferred tax assets at the cash.life Group are accrued for two reasons:

› Due to derivative financial instruments recognised in our IFRS balance sheet in non-current liabilities which do not exist in the tax balance sheet.
› For tax-loss carryforwards.

Non-current receivables comprise non interest-bearing receivables for commission with a remaining term of more than one year. As of the balance sheet date we have discounted the receivables at a rate of 4.5%. Trade receivables as of the end of 2006 amounted to EUR 16.4 million (2005: EUR 35.3 million). This item pertains mainly to policies which have been sold to investment funds, but where the flow of funds has not yet occurred.
Tax refund claims result mainly from withheld capital gains tax connected to the maturity/cancellation of life insurance contracts. The tax refund claims totalled EUR 11.6 million at the end of 2006 (2005: EUR 7.2 million).

As of 31 December 2006, other receivables and other assets amounted to EUR 3.2 million (2005: EUR 3.8 million). These comprise the following items:

› Accruals (prepaid life and social security premiums): EUR 2.3 million
› Other assets: EUR 0.9 million

Cash-in-hand and bank balances in 2006 increased to EUR 1.3 million (2005: EUR 1.1 million).

cash.life AG

The assets of cash.life AG pertain to the following items:

Item	2004	2005	2006
Non-current assets			
Intangible assets	*EUR 0.3 million*	*EUR 0.4 million*	*EUR 0.6 million*
Property, plant and equipment	*EUR 0.6 million*	*EUR 2.2 million*	*EUR 2.8 million*
Financial assets	*EUR 0*	*EUR 2.9 million*	*EUR 4.5 million*
Non-current receivable	*EUR 0*	*EUR 1.8 million*	*EUR 1.5 million*
Current assets			
Receivables from insurance contracts	*EUR 188.5 million*	*EUR 267.7 million*	*EUR 286.3 million*
Trade receivables	*EUR 27.8 million*	*EUR 35.3 million*	*EUR 15.7 million*
Receivables from associated companies	*EUR 13.7 million*	*EUR 1.3 million*	*EUR 4.8 million*
Other assets	*EUR 4.5 million*	*EUR 9.2 million*	*EUR 13.9 million*
Cash in hand, bank balances	*EUR 0.7 million*	*EUR 0.8 million*	*EUR 0.3 million*
Accruals	*EUR 1.6 million*	*EUR 2.3 million*	*EUR 2.3 million*

We have explained the individual items in the chapter titled »The cash.life Group«.

OFF-BALANCE SHEET ASSETS

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

Our human capital and the so-called »Customer Capital«, which is the value of our customer relationships, are also not accounted for in 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 2006.

NOTES ON COMPANY ACQUISITIONS

cash.life AG purchased 100% of the share of cash.life Vertriebsgesellschaft mbH, Pullach, at the end of April 2006 at a price of EUR 0.3 million. The company renders services relating to the referral of life insurance contracts and agent support. The assets and liabilities as well as the net income are included in our consolidated financial statements as of 1 May 2006. The company generated a net income of EUR 0.9 million in the consolidation period.

At the beginning of June 2006 we purchased 100% of the shares of cash.life international Vertriebsgesellschaft mbH, Vienna/Austria, at a price of EUR 35 thousand. The company is active as an insurance agent in Austria. The assets and liabilities as well as the net income have been consolidated in the consolidated financial statements of cash.life AG since 1 June 2006. The company generated a net income of EUR 22 thousand in the consolidation period.

We also founded cash.life Vorsorge GmbH & Co. KG in June. The company has been included in the consolidated financial statements since 1 July 2006. The company generated a loss of EUR 0.5 million through to the end of the year.

Zeitwertkonten Verwaltungs GmbH, Pullach was consolidated in July 2006 in our consolidated financial statements for the first time. The company generated net income of EUR 7 thousand in the consolidation period.

We purchased the two companies cash.life FINANCIAL SERVICES GmbH and cash.life Treuhand Zeitwertkonten- und Pensionssicherung GmbH in December. Both companies will begin operations in 2007 and are therefore not included in the 2006 consolidated financial statements.

BALANCE SHEET RATIOS OF THE CASH.LIFE GROUP

Ratios	2004	2005	2006
Balance sheet			
Non-current assets	*EUR 5.3 million*	*EUR 12.8 million*	*EUR 23.0 million*
thereof intangible assets	*EUR 0.4 million*	*EUR 3.0 million*	*EUR 5.4 million*
thereof property, plant and equipment	*EUR 0.6 million*	*EUR 2.3 million*	*EUR 2.9 million*
thereof financial assets	*EUR 0*	*EUR 0.1 million*	*EUR 1.3 million*
thereof asset value of derivatives	*EUR 0*	*EUR 2.6 million*	*EUR 5.6 million*
thereof deferred tax assets	*EUR 4.3 million*	*EUR 3.0 million*	*EUR 5.3 million*
thereof non-current receivables	*EUR 0*	*EUR 1.8 million*	*EUR 2.4 million*
Current receivables	*EUR 236.8 million*	*EUR 315.7 million*	*EUR 318.7 million*
thereof receivables from insurance contracts	*EUR 188.5 million*	*EUR 268.3 million*	*EUR 286.3 million*
thereof trade receivables	*EUR 27.8 million*	*EUR 35.3 million*	*EUR 16.4 million*
thereof tax refund claims	*EUR 4.1 million*	*EUR 7.2 million*	*EUR 11.6 million*
thereof other receivables and other assets	*EUR 15.7 million*	*EUR 3.8 million*	*EUR 3.2 million*
thereof cash-in-hand, bank balances	*EUR 0.7 million*	*EUR 1.1 million*	*EUR 1.3 million*
Balance sheet analysis			
Intensity of investments (1)	*2.2%*	*3.9%*	*6.7%*
Intensity of working capital (2)	*97.8%*	*96.1%*	*93.3%*
Trading portfolio turnover rate	*1.31*	*1.29*	*1.89*
Time of turnover of trading portfolio	*275.7 days*	*278.5 days*	*190.2 days*

(1) long-term assets/total assets

(2) short-term assets/total assets

Statement on the economic situation

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 28.0 million and equity of around EUR 51.0 million at year-end 2006 made a contribution in this regard. Equity rose substantially due to the capital increase from March 2006 and the fact that we did not pay a dividend for the 2005 financial year. Our receivables from insurance contracts of EUR 286.3 million can be liquidated quickly and within a short period of time. We finance the purchase and premium payments for our trading portfolio through debt. We can also expand our trading portfolio significantly if needed due to our credit lines of around EUR 450 million as of 31 December 2006, which we have only partially utilised. Furthermore, we could increase our credit lines further thanks to our strengthened equity base. Overall we characterise the economic situation of the cash.life Group and cash.life AG as very solid.

IMPACT OF THE ACCOUNTING POLICY ON THE ECONOMIC SITUATION

We changed the accounting method for our trading portfolio in the 2006 financial year. There were no further changes in valuation methods, margins of discretion or accounting options from the previous year.

In the past, the policies of our trading portfolio were valued at surrender values, meaning that we wrote off the purchase price premium in the following monthly balance. The write-down had been accounted for in the position »value appreciation of insurance contracts« in our income statement. The position »disposal of insurance contracts sold« referred to the surrender values of the policies sold.

As a result of an investigation by the German Accounting Agency (Deutsche Prüfstelle für Rechnungslegung e.V./DPR), we value the policies of our trading portfolio differently. The issue was the question of the purchase price we would be willing to pay for policies in the trading portfolio as of the reporting date if we were to purchase them again. The valuation of the policies is a function of changes in our refinancing rates, the remaining term of the contracts, the surplus allocations of insurance companies, or our rating. Here we have considered that the purchase price premium declines over time and that the fair value at a policy's maturity is equal to the surrender value.

As of 31 December 2006, the value of the trading portfolio increased by EUR 1.8 million compared to the former accounting at surrender values following change in the valuation method.

The altered valuation method must be applied retroactively. The delta for the period through to 31 December 2005 is equal to EUR 0.6 million before taxes (EUR 0.4 million after taxes). For 2005, an amount of EUR 0.2 million is shown in net income and EUR 0.2 million in equity (value change prior to 2005) without impacting the income statement. The amount referring to 2006 of EUR 1.2 million before taxes (EUR 0.8 million after taxes) was recognised in the income statement.
As a result of the revaluation, the systematic of our income statement changes in two ways:

› The value appreciations of insurance contracts now include virtually no write-downs of

purchase price premiums. This leads to an increase in this position.
- The item »disposal of insurance contracts sold« now shows the balance sheet value of the policies sold, determined by way of the new method. This position is also increased.

The DPR has been in existence since July 2005 and routinely audits the financial statements of German enterprises. The frequency of the audits depends on the index membership. Every SDAX member including our company is audited every five years, as the DPR audits ten of the 50 companies from this index per year.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A general agreement on the sale and transfer of endowment insurance as well as a service and administrative agreement were concluded with MPC Rendite-Fonds Leben plus VII mbH, Quickborn on March 5, 2007.

cash.life AG concluded three interest rate hedges in February:

Date	Type	Bank	Reference amount	Term
5 Feb. 2007	*Interest rate cap*	*Commerzbank AG*	*EUR 150 million*	*1 Jul. 2010–31 Dec. 2014*
5 Feb. 2007	*Interest rate cap*	*Commerzbank AG*	*EUR 150 million*	*1 Jul. 2009–31 Dec. 2014*
7 Feb. 2007	*Interest rate cap*	*Bay. Hypo- und Vereinsbank AG*	*EUR 100 million*	*1 Dec. 2008–1 Dec. 2014*

On 13 March 2007 the Management Board of cash.life AG agreed to propose a payout of the full amount of the company's balance sheet profit of EUR 4,389,950.00 shown for the 2006 financial year at the Annual Shareholders' Meeting, subject to the approval of the Supervisory Board. This equals a dividend of EUR 0.50 per share.

RISK REPORT

Risk and opportunity management system

Risks are negative deviations from the planned result. For cash.life, this means for example that earnings are not able to be realised to the extent planned. Parallel to the planning process, we systematically and regularly identify and measure possible risks for cash.life. This risk evaluation is undertaken by risk managers in the individual departments of cash.life AG and in the subsidiaries. The central risk manager of the finance department co-ordinates this risk evaluation, which is then discussed and evaluated will all parties on the risk committee.

We quantify the maximum risk and multiply it by an assumed probability of occurrence. On the basis of this valuation, possibilities of limiting risks and the expenditures required in doing so are discussed. The risk assessment is contrasted with the planning for the next financial year as well as the mid-term planning for a total of three years and discussed by the Management Board. We consider expected risks in the form of an earnings discount in the forecast.

Contrary to risks, opportunities represent positive deviations from planned earnings. In order to manage opportunities we systematically improve internal processes and routinely analyse our market environment. This allows us to identify opportunities for improvements in existing or new business fields.

In 2006 the Management Board controlled the opportunities and risks within the framework of analyses and discussions of quarterly comparisons of planned and actual data. Considerable growth in the core business, new business fields and services and potential further capital expenditures present new requirements for our risk and opportunity management. We therefore aim to improve the identification and calculation of expected risks in the future in order to determine the company's capacity to deal with risks. As such, we will initially define the target rating of the company. We will subsequently measure the unexpected risk with a corresponding confidence level and pit the determined »worst case« against the risk coverage potential. The risk capacity determined becomes a compelling constraint should we choose to strategically advance our business fields.

The efficiency and effectiveness of the risk management system is reviewed in the annual audit. We will consider the resulting findings in the continuous further development of our risk management system.

Individual risks

MARKET ENVIRONMENT AND INDUSTRY RISKS

Based on the legal and economic factors influencing our business, the following market environment and industry risks exist:

Decline in new sales of life and social security insurance policies
Risk: minimal

A change in new policy sales will not affect our business for another ten to fifteen years, as we purchase insurance policies in the second phase of the policy term. A lasting decline of new policy sales would reduce our market potential in the long term. Life insurance is a popular provisional product, as Germans have invested 27% of their private savings in life insurance (source: AWD). Because private pensions are becoming ever more important, we expect the demand for life insurance policies to remain high.

Decline in demand for closed-end funds by policy
Risk: medium

Strong demand for policies by closed-end investment funds continues unabated. In the year under review we won over another consumer for our life insurance with Hannover Leasing. We also cannot rule out supplying additional customers in 2007. Moreover, we are planning a securitisation of life insurance in the form of »asset-backed securities« for 2007. Against this background, we are putting the sale of our open-end funds in accordance with Luxemburg law (SICAV) on hold. Despite the increased demand of closed-end funds as well as the additional sales opportunities through an ABS transaction, there is the risk that our consumers' yields will deteriorate should their debt financing costs rise faster in the short term than the yield of their life insurance policies. This risk is limited in the framework of strategic monitoring through the following structural measures (see page 93):

› Product diversification
› Optimisation of the revenue structure
› Flexible cost structure

Lower surplus allocations of life insurance companies
Risk: minimal

Lower surplus allocations theoretically lead to lower interest income in our trading portfolio as well as lower investor demand for policies. Lower surplus allocations are primarily caused by lower interest rates, as life insurance companies predominantly invest the assets of their customers in fixed-income securities and pass on lower yields to their customers with a time delay.

However, as refinancing would also be lower in such an environment, our interest rate margin would remain constant. We have followed this development 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.

Demand for policies has also remained at a high level, as investors compare the yields on a secondary endowment policy and government bonds, and secondary endowment policies generate a higher yield.

Increase in the overall level of interest rates
Risk: medium

Increasing interest rates on 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. Experience shows that surplus allocations occur with an estimated time delay of between 12 and 36 months. Without hedging measures, interest income from our trading portfolio would decline during the transition period, as the difference between our policy yield and refinancing rates is lower. Moreover, this effect leads to higher refinancing costs of funds and accordingly to a decline in sales opportunities (see Decline in demand for closed-end funds by policy). As a matter of principle, we can 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 derivatives to hedge against interest rate increases. The derivatives, which we held as of the balance sheet date, hedge us until 2010.

Increase in surrender values for life insurance policies in the event of late terminations
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 within the first phase of the policy (early termination) this hardly has an impact on us, as we do not purchase policies until the second phase of the policy's term (late termination). If insurance companies increase their surrender values in the event of late termination, this increases our purchasing prices for policies in relation to the maturity, which has 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 event of late termination (see page 50).

STRATEGIC RISKS

We regard the fact that cash.life AG was still largely active as a one-product company on the secondary endowment policy market for life insurance in 2006 as a strategic risk. A deterioration of the market environment yields the risk of this having a significant and sustainable effect on the company's earnings, as there are hardly any compensation possibilities from other business fields. The Management Board limits this structural risk with the following measures:

Product diversification
We introduced a new service on 1 November 2006 with the lending of policies. This allows us to better utilise the customer potential from the purchase of policies offered. It also gives us the opportunity to compensate for deteriorated general conditions for the purchase and sale of policies. According to current planning and initial sales experience with policy loans, we assume that this business segment will make a lastingly positive contribution to our earnings beginning in 2008. Moreover, we are examining additional products which could sensibly extend our core business.

Optimisation of the revenue structure
Our goal is to secure sustainable income sources early on. In our core business we are expanding the policy volume managed for the funds. We are profiting from this heavily increasing volume in the form of an administration fee. Parallel to this, policy loans also yield annually recurring revenue for our company. These are contractually agreed upon and are independent of the capital market.

Flexible cost structure
We limit our fixed-cost risk in that we predominantly close time-limited work contracts in the operating segments and handle peak loads with temporary staff.

ECONOMIC PERFORMANCE RISKS

Financial risks from the further development of our services
Risk: minimal

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 development of new products 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 thoroughly balance the opportunities and risks before the start of a project.

Dependence on suppliers
Risk: minimal

As of the end of 2006, there were some 94 million life insurance policies in Germany divided amongst more than 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 10,000 agents. The purchasing side of the market is highly fragmented. No partner contributes more than 2% of our purchase volume. There is therefore no dependence on customers, agents or broker organisations.

Dependence on investors
Risk: medium

We manage funds of MPC Capital AG, König & Cie. and Hannover Leasing. Some 85% of the reported overall investment volume of some EUR 1.7 billion pertains to the MPC Capital AG fund.

For risk diversification purposes we are developing additional sales channels. In this regard, we are focusing first and foremost on institutional investors who do not compete 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 and the additional sales channels of Barwert GmbH, we already have alternatives. Furthermore, we work on the securitization of life insurance policies.

PERSONNEL RISKS

Fluctuation or lack of representation of employees in key positions
Risk: medium

All operating units are organised and trained so that the temporary absence of an employee does not present any 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 usually 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 constantly 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. We expect to be able to cover our need for qualified employees.

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 also analyse strengths and weaknesses in semi-annual performance reviews and recruit external service providers for support when needed.

TECHNICAL SUPPORT RISKS

Data loss
Risk: minimal

Data processing plays an important role for our services. Calculating policy yields, settling sales and purchasing processes, managing our policy portfolio and the realisation of administrative tasks: with these tasks we rely on the fast availability of data. We therefore take extreme care when electronically and physically backing up our database. 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 volume. There are no IT-related capacity limits.

FINANCIAL AND ECONOMIC RISKS

Change in margins
Risk: medium

The demand for policies exceeds the supply. Our re-sale prices remain largely unchanged and exceed the surrender value of policies sold by up to 4.8%. However, our purchase prices have risen due to the stronger competition, thus resulting in a reduction in our margin from trade with secondary market policies.

Our income has risen in the segment of policy management. Our administrative fee is fixed with 0.4 to 0.5% for the existing funds over the entire term. However, this is oriented towards the surrender value of the portfolio managed, and this is on the rise due to the fact that policies are gaining value through annual surpluses and premium payments. In contrast, our costs for the management of policies are climbing considerably more slowly.

Our margin risk in the trading portfolio is limited. In order to maintain this in the case of increasing interest rates, we have used derivatives for hedging purposes.

Default risks
Risk: minimal

Before we issue the purchase contract, we have the insurance company confirm all data which is important for the calculation (such as the current surrender value). We only sell policies to investors once the insurer has confirmed that the policies have effectively been assigned to us and that we own all rights from the policy.

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 are investments with high credit ratings. In particular, these measures include:

- Bankruptcy-protected premium reserve stock, in which the claims of the insurance company are secured
- Management of the premium reserve stock by an independent trustee
- Strict legal regulations regarding the insurance company's investment policies
- Federal monitoring by the Federal Financial Supervisory Authority (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 guarantee funds (»protectors«) as a security solution

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

Liquidity risks and risks from cash flow volatility
Risk: minimal

Because the exact cash flows from insurance policies are predictable, at least for the twelve-month period over which an insurance company declares its surplus allocation, we rate liquidity risks and the risk from cash flow volatility as extremely low.

The purchase and the premium payments of life insurance policies are secured, as both are financed exclusively with credit. Our credit limit at the end of the year amounted to some EUR 450 million, which we did not come close to fully utilising in light of our trading portfolio of EUR 286.3 million as of 31 December 2006.

OTHER RISKS

Risks from the development of new products
Risk: minimal

The development of new products is fundamentally associated with the risk of the targeted economic success not being reached. We therefore review the market potential ahead of time within the scope of feasibility studies and customer surveys. We generally introduce new products gradually and initially in test markets.

Legal and tax risks
Risk: minimal

As of the balance sheet date, there were no legal actions or ongoing proceedings against cash.life AG or its associated companies. No tax back duties are expected in our discretion.

Environmental risks
Risk: minimal

As a pure service company, we do not believe ourselves to be exposed to any environmental risks.

Summary of the Group's risk situation

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

The rating agency Scope has confirmed the high quality of our processes; cash.life AG was awarded the best rating, AAA, for the third time in a row in 2006 and is the only secondary endowment policy company to have received this designation. cash.life AG has not been rated by any credit rating agencies.

OUTLOOK

Group focus in the next two financial years

ANTICIPATED CHANGES IN COMPANY POLICY

Conquering the EUR 6 to 7 billion market potential per year in Germany is our main priority. Our efforts are aimed at making cash.life AG and the sale of policies as a lucrative alternative to encashment better known. Our business policy is not likely to change in regard to our core business. With our policy loans we are also able to provide those customers with funds whose policies fail to meet our purchasing criteria. The goal is to establish a loan portfolio and from this generate annually recurring revenue. In addition, we would like to successfully develop the secondary endowment policy market in Austria. There the path is also paved through an increase in the level of awareness. We hope to diversify more in terms of sales of our policies. We are developing new products and reviewing acquisitions or shareholdings in other companies, provided that these sensibly complement our business model.

FUTURE POLICY PURCHASING

We purchase policies both directly from final customers and from intermediaries. We expect 20 to 40% of our purchase volume in the future to refer to direct customers and the rest to intermediaries. Intermediaries are primarily independent insurance agents, banks, savings banks and liquidators. However, we believe that an increasing volume also refers to insurers and their sales. We have already established pilot projects for co-operation with 10 insurance companies. We hope to carry these over into lasting collaborations. We purchase life insurance policies in Germany and Austria. A market entry in existing secondary markets is possible in 2007, provided that interesting opportunities for acquisitions or shareholdings arise. We are looking into a market entry in other countries. However, in this regard we are in the initial stage of considerations. An expansion into these countries therefore cannot be expected prior to 2008.

FUTURE SALES MARKETS

We supplied three initiators of closed-end with policies in 2006: the Hamburg issuing houses MPC Capital and König & Cie. and Hannover Leasing, located in Pullach. We also expect strong demand by these fund initiators for German and Austrian policies in 2007. As such, we will primarily place our policies with closed-end funds. Should we expand into new markets, we also anticipate demand by the closed-end funds for these assets. We are planning to more heavily diversify our unit sales. In doing so, we are not ruling out the possibility of working together with additional fund houses. In addition, we will also sell policies to institutional investors in the future. Our current customers, the closed-end funds, almost exclusively address private investors. Demand by closed-end funds remains strong.

FUTURE PRODUCTS AND SERVICES

More information on the expansion of our product portfolio can be found in the chapter titled »continued development of our services« on page 56.

FUTURE UTILISATION OF NEW PROCEDURES

No details are provided on this topic, as cash.life AG is a pure service company. We do not plan to change our procurement, handling or selling processes.

Macroeconomic conditions in the next two financial years

FUTURE OVERALL MACROECONOMICAL SITUATION

The Federal Ministry of Economics and Technology anticipates economic growth of 1.7% for Germany in 2007. The Ministry expects some 480,000 fewer unemployed and 300,000 more gainfully employed people. According to these estimates, the available income for private households will rise. We anticipate a moderate increase in prime rates. As a result of the cyclical trend, it is conceivable that fewer policies will be terminated as a result of financial bottlenecks. However, the reasons for the premature termination of life insurance policies vary and largely depend on cyclical trends (see page 68). The average term of a life insurance contract amounts to ca. 27.5 years. Today it is more difficult than ever to predict personal life situations for such a long period. For this reason, more than 50 percent of all life insurance policies will not be carried out to the end. We expect that future state payments for pensions will become increasingly limited, which will increase the need for private pensions. The reforms by the German government in the last few years confirm this trend. 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 plan for German consumers.

FUTURE INDUSTRY SITUATION

In our view, the German secondary endowment policy market will continue to register double-digit growth in 2007 and 2008. Primarily all as a result of our advertising campaign, we anticipate that the level of awareness of cash.life AG and the sale of policies as a better alternative to encashment will increase heavily. There is still a great deal of room for growth in light of the market potential of EUR 6 to 7 billion, of which only 16 to 18% has been tapped. We deem a secondary market volume of some EUR 3 to 4 billion in the next five years to be realistic.

Our market share in the year 2005 came to 84%. Such a dominant market position cannot be defended in a growing market. However, this is not our goal. For us, the fact that the secondary endowment policy market is growing overall is more important than defending the market share. This was the case in 2006, as the traded volume doubled. Although our market share dropped to around 60%, we managed to increase our policy purchasing by some 50%. We expect to maintain a market share of more than 50% over the next five years.

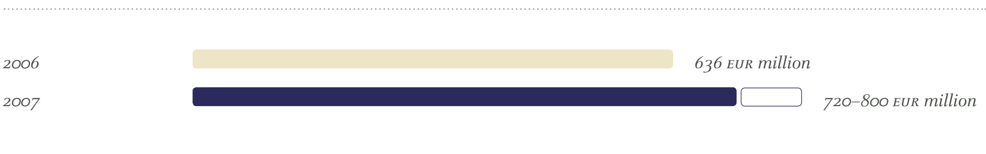
Legal or economic changes could result from the amendment to the German Insurance Contract Act as well as the settlement tax. According to today's information, these law proposals carry no significance for the secondary market. Details can be found on page 50.

Anticipated earnings situation

ANTICIPATED PURCHASE VOLUME

For 2007, we anticipate a purchase volume of EUR 700 to 770 million in Germany and EUR 20 to 30 million in Austria. This equals a 13 to 26% increase over 2006. For 2008, we likewise expect double-digit growth rates.

FORECAST FOR THE 2007 PURCHASE VOLUME



For 2007 we expect a purchase volume of EUR 700 to 770 million in Germany and EUR 20 to 30 million in Austria.

Source: cash.life AG

The reason for the expected increase in the purchase volume is our television advertising campaign, which we hope to continue in 2007. As in the previous year, we therefore estimate a budget of around EUR 4 million. Because the budget is spread out over a larger purchase volume, the relative advertising costs will drop. The level of awareness of the secondary endowment policy market came to 14% in March 2006. Our goal is to increase this figure to 20% by mid-2007.

ANTICIPATED VOLUME OF POLICY LOANS

For 2007, we have set the goal of placing more than EUR 100 million worth of policy loans. We expect a growth rate well into double digits for the subsequent year.

ANTICIPATED DEVELOPMENT OF SIGNIFICANT P&L ITEMS

Revenue: increasing

We expect a revenue volume of at least EUR 700 million for 2007, as well as growth of at least 32%. For 2008 we likewise expect double-digit growth rates.

FORECAST FOR 2007 REVENUE

Revenue will amount to at least EUR 700 million in 2008 – a rise of more than 32%.

Source: cash.life AG

Revenue from the sale of policies continues to take in a dominating share of the revenue volume. The revenue share in 2006 amounted to some 98.6%.

This number will drop in 2007, as revenue from policy management, or so-called servicing fees, is increasing over-proportionately. From policy sales in 2007 we expect present-value servicing fees to the tune of at least EUR 21 million, which the company will earn over the next 15 years. This amounts to an increase of at least 30% over 2006. These figures are based on a discount rate of 5%.

Value appreciation of insurance contracts: increasing

The value appreciation of the trading portfolio depends on the following factors:

› Size of the trading portfolio
› Return of policies in the trading portfolio
› Premium payments for the policies in the trading portfolio
› Market prices of policies

The trading portfolio is likely to increase marginally. We currently expect a trading portfolio in 2007 in the range of EUR 200 to 300 million. However, this also depends on the purchase volume (explanations of the correlation can be found on page 45). For this reason we are not ruling out an increase in the target range during the current year if the purchase volume continues to show heavy growth. In either case we expect to lift the target range for 2008. We expect the return of policies to largely remain constant. The premiums to be paid are growing proportionately to the volume of the trading portfolio. In total we therefore anticipate marginally rising value appreciation.

Disposal of sold insurance contracts: increasing

This position refers to the acquisition prices of policies sold. The item rises parallel to proceeds from the sale of policies.

Insurance premiums: increasing
Due to the fact that we anticipate a slight rise in the trading portfolio, the insurance premiums to be paid also show a proportionate increase.

Overall costs: increasing
For 2007 we anticipate overall costs of EUR 29 to 31 million. These include personnel costs, amortisation and other operating expenses.

For 2007 and 2008 we believe that our personnel expenses in the areas of sales, pricing and contract processing will largely develop proportionate to revenue. This will increase over-proportionately in fund management and the administrative areas.

Other operating expenses will also rise in these two years. Provisions which we pay our agents represent the most significant position. These rise proportionate to the purchase volume. We expect marketing expenses in 2007 to amount to EUR 4 million, as was the case in 2006. With the rising purchase volume come sinking relative advertising costs.

Earnings before interest and taxes (EBIT)
We expect EBIT of EUR 18 to 22 million for 2007. This equals a 35 to 65% increase. For 2008 we likewise anticipate a growth rate well into double digits.

FORECAST FOR 2007 EARNINGS BEFORE INTEREST AND TAXES (EBIT)

Our EBIT will likely amount to EUR 18 to 22 million in 2007. This equals a rise of 35 to 65%.

Source: cash.life AG

We expect constant re-sale prices. However, due to the increasingly established competitive environment, we are not ruling out a rise in purchase prices, which could reduce our margin from the sale of policies. Our EBIT forecast for 2007 therefore already includes a deduction to account for risk, which we will use to accommodate this development.

Financial result: not specified

Our trading portfolio is likely to grow in 2007 and 2008. We therefore expect a higher interest expense although our refinancing interest rates will remain constant. This is due to the fact that we have used derivatives to hedge against rising interest rates. We are required to account for derivatives at market value. As such, the value fluctuates with the general interest level. A rising interest level increases the value, while sinking interest reduces it. We are posting the value change under »financial income«. Because we are unable to predict the future development of interest rates, we cannot issue a forecast for the financial result.

Income before taxes: increasing

Because our income before taxes depends on the financial result but is primarily determined by the development of interest rates, we cannot issue a forecast for this P&L position. However, without quantifying this, we anticipate rising income before taxes for 2007 and 2008.

Tax expense: rising

For 2007 we anticipate a corporate tax rate between 15 and 20% (2006: 3%). The tax expense will rise due to the higher income before taxes expected.

For 2008 we currently expect a tax rate between 20 and 25%. As far as we know at the moment, the planned corporate tax reform does not have a significant impact on our tax rate.

Net income: increasing

As a result of the rising income before taxes with a largely constant tax rate, net income for the years 2007 and 2008 is likely to increase. However, we are abstaining from quantification due to the limited interest sensitivity of the financial result.

ANTICIPATED DEVELOPMENT OF THE DIVIDEND

The Supervisory and Management Boards of cash.life AG will propose to the Annual General Meeting that a dividend of EUR 0.50 per share be paid out for the 2006 financial year. We see ourselves as sufficiently capitalised. As such, we consider this value to be a base dividend for the coming years.

PLANNED DIVIDEND FOR THE 2006 FINANCIAL YEAR

The Management and Supervisory Boards will propose a dividend of EUR 0.50 per share for the 2006 financial year to the Annual Shareholders' Meeting.

Source: cash.life AG

Anticipated financial situation

PLANNED INVESTMENT AND FINANCING MEASURES

We are planning the following investments for 2007:

› Marketing in order to increase our level of awareness and thus our purchase volume: approximately EUR 4 million
› Product development: approximately EUR 2 to 3 million
› Office furniture and fixtures: approximately EUR 0.2 million. These investments are due to our rising purchase volume and additional employees.

Noteworthy changes to the liabilities side of the balance sheet are not expected as a result of these measures. We will finance these investments entirely from our cash flow. Risks from the investments only exist insofar as planned new products will not be implemented or will not generate the extent of success desired.

Should acquisitions or shareholdings be carried out, we expect to finance these with a mix of equity and borrowed capital. The type and extent of the financing however depends on the concrete acquisition target. As such, we are unable to issue a forecast for this.

Anticipated development of liquidity: increasing

Should our growth expectations be fulfilled, we anticipate a rise in our free cash flow and thus our liquidity. Our credit lines at the end of 2006 came to some EUR 450 million. We assume that these will remain practically constant in 2007. We are able to increase our credit lines to up to EUR 1 billion based on current equity should the need arise. We primarily use these credit lines to refinance our trading portfolio. We acquire liquidity through the re-sale of policies and through policy management. We use this liquidity to pay back bank loans with which the re-sold policies have been refinanced. Therefore, as long as we continue to re-sell policies, our liquidity situation will not change. The demand for policies remains high.

Opportunities

OPPORTUNITIES FROM THE DEVELOPMENT OF GENERAL CONDITIONS

The secondary endowment policy market remains a growth market. Of a market potential of between EUR 6 and 7 billion per year, only some EUR 1.1 billion was realised in 2006. We therefore expect significant, double-digit growth rates for our company.

STRATEGIC COMPANY OPPORTUNITIES

We expect start-up investments of some EUR 0.5 million from policy loans in 2007. We anticipate a noticeable earnings contribution beginning in 2008.

The market potential of the secondary endowment policy market in Austria amounts to around EUR 400 to 600 million. 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 diversification of 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 a significant increase in revenue.

New products and the entry into markets in which a secondary endowment policy market has not yet been established will first make a noticeable contribution to earnings in the medium term and are associated with start-up investments.

ECONOMIC PERFORMANCE OPPORTUNITIES

Economic performance opportunities result particularly from the expansion of our purchasing activities in Germany and Austria as well as the expansion into new products and markets. We expect these activities to lead to an increase in our revenue.

OTHER OPPORTUNITIES

We are constantly searching for opportunities to make our work processes even more efficient while maintaining our high quality standards. We therefore hope to further reduce accruing costs. As such, we expect advancements through further development of our IT systems and the further automation of our processes.

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 tap into the enormous market potential. The further development of our services for new products and markets has also contributed to our positive outlook.

One precondition is that the significant factors influencing the development of the company do not change to a noticeable degree. These are:

› Encashment volume
› Competitive situation
› Purchase price supplements, i.e. the amount we pay our customers above the surrender value
› With new funds: re-sale margin and servicing fees for the management of policies (the conditions are fixed for existing funds)
› Legal regulations on the transfer of life insurance policies and on the taxation of the sale

The following table is a summary of our expectations for the next two years:

Target size	2007	2008
Development of the secondary endowment policy market		
Encashment volume	*> EUR 10 billion*	*> EUR 10 billion*
Encashment rate	*More than 50% of all policies are terminated prematurely*	*More than 50% of all policies are terminated prematurely*
Market potential for the secondary endowment policy market	*EUR 6 to 7 billion*	*EUR 6 to 7 billion*
Market share of cash.life AG in the secondary endowment policy market	*> 50%*	*> 50%*
Level of awareness of the secondary endowment policy market	*> 20%*	*n.s.*
Strategic goals		
Expansion into new products	*Pension provision product*	*n.s.*
Expansion into other markets	*Possibly UK and/or US through acquisitions*	*Possibly new European markets under the »cash.life« brand*

Diversification of our sales channels	*Supply to new issuing houses, policy sales to institutional investors*	*Supply to new issuing houses, policy sales to institutional investors*
Quantitative goals		
Purchase volume in Germany	*EUR 700 to 770 million*	*Double-digit growth rate*
Purchase volume in Austria	*EUR 20 to 30 million*	*Double-digit growth rate*
Purchase volume of direct customers	*20 to 40%*	*20 to 40%*
Volume of policy loans placed	*> EUR 100 million*	*Double-digit growth rate*
Trading portfolio	*At least EUR 200 to 300 million*	*> EUR 300 million*
Revenue	*> EUR 700 million*	*Double-digit growth rate*
Present value of revenue from policy management for newly sold policies	*> EUR 21 million*	*Double-digit growth rate*
Overall costs	*EUR 29 to 31 million*	*n.s.*
Marketing budget (included in overall costs)	*Approximately EUR 4 million*	*Approximately EUR 4 million*
Investments in office furniture and fixtures	*EUR 0.2 million*	*n.s.*
Legal and other consultation expenses for new products	*EUR 2 to 3 million*	*n.s.*
EBIT	*EUR 18 to 22 million*	*Double-digit growth rate*
Tax rate	*15 to 20%*	*20 to 25%*
Dividend	*At least EUR 0.50 per share*	*At least EUR 0.50 per share*

We are convinced that cash.life is on a successful path. As the clear market leader in the secondary endowment policy market in Germany, we are in a prime position to tap into the market potential. We are also opening up additional opportunities with our expansion into new products and markets. Our customers profit from this, as do you, our shareholders. We hope you will support us on the road ahead.

Pullach, 16 March 2007

Dr. Stefan Kleine-Depenbrock
Ulrich T. Grabowski
Klaus Leusmann

Consolidated Financial Statements for the 2006 financial year

according to International Financial Reporting Standards (IFRS)

CONSOLIDATED BALANCE SHEET ACCORDING TO IFRS AS OF 31 DECEMBER 2006

Assets	**31.12.2006** EUR THOUSAND	**31.12.2005** EUR THOUSAND	Notes
A. Non-current assets			
1. Intangible assets	5,433	3,029	29
2. Property, plant and equipment	2,885	2,255	29
3. Financial assets	1,334	57	29
4. Asset value derivatives	5,583	2,588	30
5. Deferred tax assets	5,320	3,013	31
6. Long-term receivables	2,419	1,815	32
Total non-current assets	*22,974*	*12,757*	
B. Current assets			
1. Receivables from insurance contracts	286,276	268,313	33
2. Trade receivables	16,378	35,321	34
3. Tax receivables	11,620	7,180	35
4. Other receivables and other assets	3,182	3.844	36
5. Cash-in-hand, bank balances	1,284	1,058	
Total current assets	*318,740*	*315,716*	
	341,714	**328,473**	

Liabilities and Equity	31.12.2006 EUR THOUSAND	31.12.2005 EUR THOUSAND	Notes
A. Equity			
1. Share capital	8,580	7,800	37
2. Capital reserve	24,908	0	38
3. Revenue reserves including profit carried forward	10,629	4,834	39
4. Net income	6,900	5,795	
Total equity	*51,017*	*18,429*	
B. Non-current liabilities			
1. Deferred tax liabilities	1,899	1,144	40
2. Liabilities to banks	40,000	0	41
3. Other non-current liabilities	682	1,153	42
Total non-current liabilities	*42,581*	*2,297*	
C. Current liabilities			
1. Liabilities to banks	174,377	253,811	43
2. Liabilities from the purchase of insurance contracts	65,858	48,648	44
3. Trade payables	1,157	753	45
4. Other current liabilities	4,417	2,954	46
5. Current provisions	2,307	1,581	47
Total current liabilities	*248,116*	*307,747*	
	341,714	**328,473**	

CONSOLIDATED INCOME STATEMENT ACCORDING TO IFRS FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2006

	2006 EUR THOUSAND	**2005** EUR THOUSAND	Notes
1. Revenues	532,673	299,068	
2. Value appreciation of insurance contracts	20,380	20,616	
3. Disposal of sold insurance contracts	-504,312	-282,410	
4. Insurance premiums	-11,564	-10,045	
Gross profits	37,177	27,229	50
5. Personnel expenses	-6,060	-3,482	51
6. Amortisation of intangible assets, depreciation of property, plant and equipment	-792	-492	52
7. Other operating expenses	-17,074	-8,639	53
Operating profit	13,251	14,616	
8. Financial income	16,849	2,144	
9. Financial expenses	-23,553	-7,569	
Financial result	-6,704	-5,425	54
Income before taxes	6,547	9,192	
10. Income taxes	353	-3,397	55
11. Net income	**6,900**	**5,795**	
Earnings per share in EUR (basic)	0.82	0.74	56
Earnings per share in EUR (diluted)	0.82	0.74	56
Average number of shares outstanding (basic)	8,404,208	7,800,000	
Average number of shares outstanding (diluted)	8,404,208	7,800,000	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ACCORDING TO IFRS FOR THE 2006 FINANCIAL YEAR

	Share capital	Capital reserves	Revenue reserves	Profit car. forward	Net income	
	EUR THOUSAND[1]	EUR THOUSAND[1]	EUR THOUSAND[2]	EUR THOUSAND[2]	EUR THOUSAND[2]	EUR THOUSAND[3]
As of 01.01.2005 before change in method	7,800	0	780	11,629	0	20,209
Effect of change in method through 31.12.2004				225		225
As of 01.01.2005 after change in method	7,800	–	780	11,854	–	20,434
Net income before change in method					5,668	5,668
Effect of change in method					127	127
Dividends				-7,800		-7,800
As of 31.12.2005 after change in method	7,800	–	780	4,054	5,795	18,429
Reclassification of profit carried forward in revenue reserves			9,849	-4,054	-5,795	
As of 01.01.2006	7,800	–	10,629	–	–	18,429
Capital increase for cash	780	25,347				26,127
Transaction costs for capital increase		-673				-673
Deferred taxes dor transaction costs		234				234
Net income						6,900
As of 31.12.2006	**8,580**	**24,908**	**10,629**	**0**	**6,900**	**51,017**

[1] Paid-in capital : [2] Generated capital : [3] Equity

Consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT 2006 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	1-12.2006 EUR THOUSAND	1-12.2005 EUR THOUSAND
1		Net income	6,900	5,795
2	+/-	Amortisation / Depreciation / Write-ups of fixed assets	792	492
3	+/-	Decrease / increase in asset value of financial derivatives	-2,860	-2,517
4	+/-	Increase / decrease in other provisions	496	293
5	+/-	Increase / decrease in tax provisions	42	562
6	+/-	Deferred tax expenses / income	-545	2,215
7	+/-	Other cash-neutral expenses / income	-1,240	-213
8	-/+	Gain / loss from the disposal of fixed assets	0	23
9	-/+	Increase / decrease in trade receivables and other assets not allocated to investment or financing activities	-1,415	-79,786
10	+/-	Increase / decrease in trade payables and other liabilities not allocated to investment or financing activities	1,619	86,090
11	=	Cash flow from operating activities	3,789	12,954
12	+	Proceeds from disposals of fixed assets	0	0
13	-	Payments for capital expenditures	-1,064	-1,906
14	+	Proceeds from disposals of intangible assets	0	0
15	-	Payments for investments in intangible assets	-929	-318
16	+	Proceeds from disposals of financial assets	0	0
17	-	Payments for investments in financial assets	-1,304	-57
18	-	Payments for the expansion of the scope of consolidation	-131	-2,553
19	-	Payments for the acquisition of financial derivatives	-135	0
20	+	Proceeds from investments in financial assets in connection with current financial disposition	0	0

Line		Item	1-12.2006 EUR THOUSAND	1-12.2005 EUR THOUSAND
21	-	Payments for investments in financial assets in connection with current financial disposition	0	0
22	=	Cash flow from investment activities	-3,563	-4,834
23	+	Proceeds from additions to equity	25,454	0
24	-	Dividend	0	-7,800
25	+	Proceeds from the issuance of debenture loans and taking out of financial loans	0	0
26	-	Payments to repay debenture loans and financial loans	-25,454	0
27	=	Cash flow from financing activities	0	-7,800
28	=	Net increase / decrease in cash and cash equivalents (Total cash flow from the three types of activity)	226	320
29	+/-	Changes in cash and cash equivalents due to currency exchange rates and valuation	0	0
30	+	Cash and cash equivalents at the beginning of the period	1,058	738
31	=	Cash and cash equivalents at the end of the period	1,284	1,058
		Additional disclosures		
		Interest paid	11,733	6,167
		Interest received	1,911	818
		Taxes paid	4,692	3,671

Notes to the 2006 consolidated financial statements

according to International Financial Reporting Standards (IFRS)

Consolidated financial statements

Notes to the consolidated financial statements according to IFRS for the 2006 financial year

LEGAL STRUCTURE OF THE GROUP

1. PARENT COMPANY CASH.LIFE AG

Legal conditions as of 31 December 2006

Year of company formation
1984

Company, headquarters
cash.life AG, Pullach

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 companies 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 23 June 2006 (entry in Commercial Register on 27 July 2006).

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

Capital structure
Subscribed capital (share capital) amounts to EUR 8,579,900.00 and is divided into 8,579,900 individual ordinary shares, Furthermore, the company disposes of an authorized capital of EUR 3,120,100.00 until 15 June 2009.

2. Shares in associated companies

As of 31 December 2006, cash.life AG held an equity stake in the following companies:

Company	Equity stake	Inclusion in scope of consolidation
Barwert GmbH	*100%*	*yes*
cash.life Premium Policies SICAV	*75%*	*no*
cash.life Vertriebsgesellschaft mbH	*100%*	*yes*
cash.life international Vertriebsgesellschaft mbH.	*100%*	*yes*
cash.life Vorsorge GmbH & Co. KG	*100%*	*yes*
Zeitwertkonten Verwaltungs GmbH	*100%*	*yes*
cash.life FINANCIAL SERVICES GmbH	*100%*	*no*
cash.life Treuhand Zeitwertkonten- und Pensionssicherung GmbH	*100%*	*no*

3. Scope of consolidation

All significant subsidiaries under the legal or factual control of 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: cash.life Premium Policies SICAV, Luxemburg, cash.life FINANCIAL SERVICES GmbH, Pullach, and cash.life Treuhand Zeitwertkonten- und Pensionssicherung GmbH, Pullach. Non-consolidated subsidiaries account for less than 0.1% of Group revenues, and their percentage of Group equity amounts to less than 2.5%. These companies have been classified in the Group consolidated financial statements as financial assets at amortised cost.

4. Consolidated companies

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. Juli 2005

Acquired voting rights
100%. The transaction was accounted for in accordance with the purchase method.

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 .

CASH.LIFE VERTRIEBSGESELLSCHAFT MBH
Name, headquarters
cash.life Vertriebsgesellschaft mbH, Pullach

Date of company formation
9 January 2002

Company purpose
Appropriation of services for insurance companies, sales organisations and/or private individuals in the field of sales support as well as the provision of consulting services in this field and activities as an insurance agent pertaining to section 93 of HGB. This does not include activities subject to a task proviso. The company was granted the permit according to section 34c subsection 1a of the GewO for the placement of loans.

Commercial register
Munich Local Court, section B, No. 145452

Capital structure
Share capital EUR 25,000

Date of acquisition
1 May 2006

Acquired voting rights
100%. The transaction was accounted for in accordance with the purchase method.

Acquired net assets	**Fair value** (EUR thousand)
Fixed assets	*108*
Deferred tax assets	*532*
Receivables	*538*
Bank balances, cash on hand	*90*
Liabilities	*- 2,026*
Acquired net assets	*- 758*

The fair values are equal to the book values determined prior to the merger.

Purchase price
EUR 250 thousand; paid in cash

Goodwill
EUR 1,008 thousand resulting from the position as an established service provider for insurance companies and sales organisations in Germany.

Group cash outflow at acquisition
EUR -160 thousand

Profit in financial year
If the company would have been part of the cash.life-group since January 2006, the group revenue would have been EUR 103 thousand higher and the group net income would have been EUR 632 thousand lower. The profit in the financial year since the date of purchase amounted to EUR 913 thousand.

CASH.LIFE INTERNATIONAL VERTRIEBSGESELLSCHAFT MBH.

Name, headquarters
cash.life international Vertriebsgesellschaft mbH., Vienna/Austria

Date of company formation
3 September 2003

Company purpose
Appropriation of services for insurance companies, sales organisations, agents and brokers as well as the provision of consulting services in this area. Activities which underlie a task proviso are excluded.

Commercial register
Vienna Local Court/Austria; commercial register FN 239175 d

Capital structure
Share capital EUR 35,000

Date of acquisition
1 June 2006

Acquired voting rights
100%. The transaction was accounted for in accordance with the purchase method.

Acquired net assets	**Fair value** (EUR thousand)
Fixed assets	*23*
Deferred tax assets	*234*
Receivables	*661*
Cash on hand, bank balances	*39*

Liabilities	*- 1,615*
Acquired net assets	*- 658*

The fair values are equal to the book values determined prior to the merger.

Purchase price
EUR 35 thousand; paid in cash

Goodwill
EUR 693 thousand; resulting from the position as an established broker of life insurance products in the Austrian market and as a platform for establishing the business model of cash.life AG in Austria

Group cash outflow/inflow at acquisition
EUR 4 thousand

Profit in financial year
If the company would have been part of the cash.life-group since January 2006, the group revenue would have been EUR 458 thousand lower and the group net income would have been EUR 20 thousand lower. The profit in the financial year since the date of purchase amounted to EUR 22 thousand.

4.4. CASH.LIFE VORSORGE GMBH & CO. KG
Name, headquarters
cash.life Vorsorge GmbH & Co. KG, Pullach

Date of company formation
8 June 2006

Company purpose
Provision of placement, consulting and other services related to operating pension assurance models, the marketing of such models and the administration of time accounts and the portfolio management of capitalisation and other insurance products. Activities subject to a task proviso are excluded, with the exception of those referring to section 34c of GewO.

Commercial register
Munich Local Court, section A, No. 88153

Capital structure
Limited partnership deposit EUR 50,000

Date of acquisition
8 June 2006

Acquired voting rights
100%

Acquired net assets	**Fair value** (EUR thousand)
Bank balances	*50*
Acquired net assets	*50*

The fair values are equal to the book values determined prior to the merger.

Purchase price
EUR 50 thousand

Group cash outflow at acquisition
No cash outflow at acquisition

Profit in financial year
EUR -451 thousand since the date of inception that was also the purchase date.

4.5. ZEITWERTKONTEN VERWALTUNGS GMBH

Name, headquarters
Zeitwertkonten Verwaltungs GmbH, Pullach

Date of company formation
24 February 2000

Company purpose

Provision of placement, consulting and other services relating to operating pension schemes, the marketing of such models and the management of time accounts and portfolio management of capitalisation and other insurance products and the involvement as a shareholder in corporations and limited companies, particularly the involvement as a personally limited partner in limited partnerships, whose purpose is the provision of these services. The company has been granted approval in accordance with section 34c subsection 1b of GewO.

Commercial register

Munich Local Court, section B, No. 161544

Capital structure

Share capital EUR 25,000

Date of acquisition

6 December 2005; first-time consolidation in the consolidated financial statements as of 1 July 2006, simultaneously with the first-time inclusion of the limited company, for which Zeitwertkonten Verwaltungs GmbH is the personally limited partner (see point 4.4).

Acquired voting rights

100%. The transaction was accounted for in accordance with the purchase method.

Acquired net assets	**Fair value** (EUR thousand)
Deferred tax assets	*7*
Receivables	*12*
Bank balances, cash on hand	*26*
Liabilities	*- 30*
Net assets	*15*

The fair values are equal to the book values determined prior to the merger.

Purchase price

EUR 27 thousand; paid in cash in 2005. The difference between net assets and purchase price has been booked as expenditure.

Consolidated financial statements

Group cash inflow at acquisition in 2006
EUR 26 thousand

Profit in financial year
If the company would have been part of the cash.life-group since January 2006, the group revenue would have been unchanged and the group net income would have been EUR 24 thousand lower. The profit in the financial year since the date of purchase amounted to EUR 7 thousand.

5. CHANGE VERSUS THE PREVIOUS YEAR

Compared to the last balance sheet date of 31 December 2005, four additional companies have been newly incorporated into the consolidated financial statements. This brings the total number of companies within the scope of consolidation to six including cash.life AG. Three companies are accounted for as financial assets as of the balance sheet date.

BASIS AND METHODS

6. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statement was prepared in accordance with the International Financial Reporting Standards – IFRS – of the International Accounting Standards Board (IASB); interpretations by the International Financial Reporting Interpretations Committee (IFRC) and by the Standing Interpretations Committee (SIC) were taken into account. Additionally, the supplementary guidelines laid out in section 315a subsection 1 HGB were applied. New standards passed by the IASB will be applied starting from the date of their validity. 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.

7. METHODS OF CONSOLIDATION

The first-time consolidation of the subsidiaries included within the scope of consolidation is the date of acquisition. Zeitwertkonten Verwaltungs GmbH was acquired in December 2005, but first consolidated as of 1 July 2006 at the same time as cash.life Vorsorge GmbH & Co. KG, whose general partner is the company. At that time, cash.life AG's amortised costs recorded for consolidation were offset with each of the shareholders' equity of the consolidated companies. The resulting positive difference amounts from the consolidation were classified as goodwill under intangible assets. The difference amount in the consolidation of Zeitwertkonten Verwaltungs GmbH of EUR 12 thousand was accounted for as an expense in the financial year.

The effects of intra-group 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 intra-group profits and losses have been eliminated. Any intra-group 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 thousands of euros (EUR thousand).

Segment information is not laid out in the consolidated report 2006 for reasons of materiality. Reportable business segments or geographical segments that exceed the thresholds of 10% or more defined in IAS 14.35 with regard to segment revenues, segment income or segment assets do not exist.

SIGNIFICANT ACCOUNTING AND VALUATION METHODS

8. 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 each of the subsidiaries' identifiable net assets was reported as goodwill.

Earnings generated by the subsidiaries 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 subsidiaries have been adjusted as necessary in order to adapt the accounting and valuation methods to those of the parent company. All principle intra-group transactions, balances and intermediate results between Group companies have been eliminated in the context of the consolidation.

9. 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.

10. 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.

11. 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.

12. 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.

13. BORROWING COSTS

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

14. OPERATING PROFIT

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

15. 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 assets 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. The calculation of deferred taxes is based on valid tax rates applicable for the expected period in which an asset is to be sold or a liability is to be repaid.

Tax-loss carryforwards are reflected in deferred taxes on the assets side as with a certain likelihood, future taxable income will be generated that will be offset by the tax-loss carryforwards.

A tax rate of 35% has been applied in these annual accounts.

16. 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. Self-created intangible assets are capitalised within the development phase provided that

› the technical feasibility of the project is available in terms of the economic realisation
› the project is intended to be finished
› the ability to use its own or sell its intangible assets exists
› the future economic advantage is demonstrated
› the availability of the required technical, financial and other resources is stated and demonstrated through to achievement
› the reliable identification of the costs accounted for in intangible assets during the development phase is possible.

17. 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.

18. IMPAIRMENT OF FIXED, FINANCIAL 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 2005 and 2006.

19. FINANCIAL ASSETS

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

20. 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 sections 30, 49, 54.1.

21. 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.

22. SHORT-TERM RECEIVABLES FROM INSURANCE CONTRACTS – CHANGE IN METHOD OF THE SUBSEQUENT VALUATION

Short-term receivables from insurance contracts and other assets held for trading purposes are valued at fair value. The resulting profit or loss is included with effect on the income statement.

With the results of the audit (sampling inspection) of the consolidated financial statements together with the related management report as of 31.12.2005 by the Deutsche Prüfstelle für Rechnungslegung (DPR), cash.life AG has changed its method of measuring the capitalised receivables from insurance contracts. While updated surrender values served as fair value according to IAS 39 in the past, the value of the assets on the secondary market are taken into account following IAS 39AG 76A. Therefore, the valuation is based upon the original purchase price, corrected by effects from changes in market data, particularly interest rates, as well as the intragroup rating of the insurance companies, the term of insurance contracts and the development of surrender values. As such, the value approaches the surrender value overall over the time period.

This method change has been retrospectively accounted for in accordance with IAS 8. The previous year's figures of 2005 have been adjusted as if such a valuation had always been carried out. As a result, the profit carried forward was increased by EUR 225 thousand after taxes as of 1.1.2005 for the purpose of portraying the revaluation in the previous periods.

The following table offers a detailed overview of the effects of the method change:

Effect on profit	**Before taxes** (EUR thousand)	**Taxes** (EUR thousand)	**After taxes** (EUR thousand)	**Effect on earnings per share EUR**
before 2005	*380*	*- 155*	*225*	*0.03*
2005	*214*	*- 87*	*127*	*0.02*
2006	*1,240*	*- 398*	*842*	*0.10*
Total	*1,834*	*- 640*	*1,194*	*0.15*

The following overview shows the effects of the method change on the income statement items:

	2006 (adjusted) (EUR thousand)	**2006 (previous)** (EUR thousand)	**2005 (adjusted)** (EUR thousand)	**2005 (previous)** (EUR thousand)
Revenues	*532,673*	*532,673*	*299,067*	*299,067*
Value appreciation of insurance contracts	*20,380*	*18,665*	*20,616*	*20,022*
Disposal of sold insurance contracts	*- 504,312*	*- 503,837*	*- 282,410*	*- 282,029*
Earnings before tax	*6,547*	*5,307*	*9,192*	*8,978*
Taxes	*353*	*751*	*-3,397*	*- 3,310*
Balance sheet profit	*6,900*	*6,058*	*5,795*	*5,668*

23. SHORT-TERM RECEIVABLES AND OTHER ASSETS

Short-term receivables and other assets are valued at fair value at the time of first inclusion. 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 the refund claims against the responsible tax authority. Other receivables and other assets are recognised at their notional amount.

24. 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%.

24. 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.

25. TAX PROVISIONS

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

26. OTHER PROVISIONS

Other provisions include all other recognisable 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.

27. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The cash.life 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. They are booked at fair value. The rules for hedge accounting do not apply. The use of derivative financial instruments must be approved by the Management Board in each individual case. Derivatives are recognised at fair value and reported on the basis of the valuation of the contract banks and on the expected interest development. 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.

28. 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 2006:

29. Fixed 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 initial consolidation of subsidiaries have been capitalised at fair value and recorded as net additions in accordance with the purchasing method.

29.1 Intangible assets

Balance sheet figure: EUR 5,433 thousand (Previous year: EUR 3,029 thousand). Intangible assets include goodwill from the initial consolidation of subsidiaries in the financial year as well as computer software.

	As of 1.1.2006 (EUR thousand)	**Change in consolidation** (EUR thousand)	**Additions** (EUR thousand)	**Depreciation** (EUR thousand)	**As of 31.12.2006** (EUR thousand)
Goodwill	*2,623*	*1,701*	*0*	*0*	*4,324*
Software	*406*	*65*	*442*	*291*	*622*
Development costs	*0*	*0*	*487*	*0*	*487*
Total	*3,029*	*1,766*	*929*	*291*	*5,433*

Additions to software primarily pertain to the acquisition of additional expansion levels of the Calipso, Calihopa, Calimero and Castagena computer programmes.

Computer software is depreciated pro rata temporis on a linear basis over a common useful life of three years.

The capitalised development costs pertain to the usable components of the sales package developed for the business field of »time accounts within the scope of operating pension schemes« including all agreements for employers, employees, product suppliers and technical service providers. The capitalised development costs are to be depreciated on a linear basis over three years beginning in 2007.

At the time of each initial consolidation of Barwert-Europäische Versicherungsvermittlungs GmbH, cash.life Vertriebsgesellschaft mbH and cash.life international Vertriebsgesellschaft m.b.H., the goodwill acquired was capitalised (see point 4.1-4.3). The capitalised goodwill underwent an impairment test in the 2006 financial year.
The acquired companies are companies active as brokers of secondary endowment insurance policies. The business purpose of cash.life AG is to acquire such policies and to re-sell these to third parties associated with the management of the external policy portfolio for an administrative fee. The acquisition of the companies serves to gain policy volume needed for the purchase of policies. The policies procured by the acquired companies on behalf of cash.life AG are identified as a cash-generating unit (CGU).

The book values of the goodwill referring to CGU amount to: Barwert-Europäische Versicherungsvermittlungsgesellschaft mbH EUR 2,623 thousand, cash.life Vertriebsgesellschaft mbH EUR 1,008 thousand and cash.life international Vertriebsgesellschaft mbH EUR 693.

The recoverable amount pursuant to IAS 36.18 equals the value of use at cash.life. In order to assess the recoverability, each of the values of use were determined and compared with the capitalised goodwill. This did not result in the need for a write-down.

The determination of the value of use of CGU is based on current three-year financial plans through to the year 2009. Cash flows from policy purchases and their sale to funds as well as cash flows from the management of policies associated with the sale through to their maturity serve as a basis. The annual growth rate of policy sales on a value basis and thus their management as well has been determined at some 20%. The achievable cash flows from the administrative fee increase with the performance of the policies through to their maturity and the cash flows can be forecast very easily. The change in value of managed policies is based on the known average return on the change in value of policies in the 2006 financial year. The cash flows have been discounted at a rate of 9.8% p. a.

29.2 PROPERTY, PLANT AND EQUIPMENT

Balance sheet figure: EUR 2,885 thousand (Previous year: EUR 2,255 thousand). Property, plant and equipment composed as follows:

	As of 1.1.2006 (EUR thousand)	Change in consolidation (EUR thousand)	Additions (EUR thousand)	Depreciation (EUR thousand)	As of 31.12.2006 (EUR thousand)
Operating and office equipment	*1,598*	*67*	*795*	*416*	*2,044*
Renter improvements	*645*	*0*	*28*	*67*	*606*
Low-value assets	*0*	*0*	*18*	*18*	*0*
Advance payments	*12*	*0*	*223*	*0*	*235*
Total	*2,255*	*67*	*1,064*	*501*	*2,885*

Additions from the changes in the scope of consolidation to the amount of EUR 67 thousand pertain to the consolidation of property, plant and equipment belonging to cash.life Vertriebsgesellschaft mbH and cash.life international Vertriebsgesellschaft mbH.

Additions to property, plant and equipment of EUR 1,064 thousand (previous year: EUR 1,906 thousand) are due primarily to investments in connection with personal growth and building expansion at the Pullach location.

29.3 FINANCIAL ASSETS

Balance sheet figure: EUR 1,334 thousand (Previous year: EUR 57 thousand). The carrying amount includes the amortised participations in cash.life Premium Policies SICAV amounting to EUR 1,280 thousand as well as cash.life FINANCIAL SERVICES GmbH to the amount of EUR 27 thousand and cash.life Treuhand Zeitwertkonten- und Pensionssicherung GmbH of EUR 27 thousand. None of these companies is included in the scope of Group consolidation (see the notes to the legal structure of the Group, point 3: Scope of consolidation). The valuation at purchase values is applied in accordance with IAS 39.46c as the time value cannot be reliably determined due to the inactive or minor business activities of the companies.

Name	**Headquarters**	**Share %**	**Equity** (EUR thousand)	**2006 net profit** (EUR thousand)
cash.life FINANCIAL SERVICES GmbH	*Pullach*	*100*	*23*	*-2*
cash.life Treuhand GmbH	*Pullach*	*100*	*23*	*-2*
cash.life Premium Policies SICAV	*Luxemburg*	*75*	*1,152*	*-138*

Consolidated financial statements

30. DERIVATIVES

Balance sheet figure: EUR 5,583 thousand (Previous year: EUR 2,588 thousand). The cash.life Group entered into an additional interest rate hedge in order to protect itself from interest rate risk in the financial year. The interest rate derivatives are recognised at fair value. They have been classified as non-current financial assets because their maturities exceed 12 months. Details on the individual financial derivatives are provided in point 49 of the Notes to the Group balance sheet. Financial derivatives were included in intangible assets in the previous year. The previous year's figures have been adequately adjusted to the disclosure in the financial year. Changes in the fair value of the derivatives are recorded under financial income (see point 54.1 of the Notes to the income statement).

31. DEFERRED TAX ASSETS

Balance sheet figure: EUR 5,320 thousand (Previous year: EUR3,013 thousand). Deferred tax assets are composed as follows:

	Tax-loss carryforwards (EUR thousand)	**Interest rate derivates** (EUR thousand)	**Total** (EUR thousand)
As of 1.1.2006	*2,484*	*529*	*3,013*
Change in scope of consolidation	*773*	*0*	*773*
Not affecting net income	*234*	*0*	*234*
Amount affecting the income statement in the financial year	*1,465*	*- 166*	*1,299*
As of 31.12.2006	*4,956*	*364*	*5,320*

As of the balance sheet date, the cash.life Group maintained unused trade tax-loss carryforwards amounting to EUR 5,396 thousand (previous year: EUR 6,704 thousand) as well as corporate tax-loss carryforwards amounting to EUR 17,758 thousand (previous year: EUR 7,334 thousand). The losses can be carried forward for an indefinite period of time. Deferred tax assets have been accrued for all losses, as the company anticipates future profits. The deferred tax assets of EUR 234 thousand comprise the tax effect from the tax deductible transaction costs for the capital increase which were booked against capital reserves following IAS 32.37.

32. LONG-TERM RECEIVABLES

Balance sheet figure: EUR 2,419 thousand (Previous year: EUR 1,815 thousand). 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.

33. RECEIVABLES FROM INSURANCE CONTRACTS

Balance sheet figure: EUR 286,276 thousand (Previous year: EUR 268,313 thousand). The receivables from insurance contracts pertain to life insurance policies in the proprietary trading portfolio (»held for trading«). The insurance policies mature at different dates. The vast majority of policies are being sold on to funds shortly after purchase. These receivables are accounted for at the fair value. The trading portfolio has increased by EUR 17,963 thousand over the previous year. cash.life AG has altered the method for evaluating receivables from insurance contracts for both 2006 and retrospectively for the previous year (see point 22). The valuation of receivables from insurance contracts follows a valuation method that is not based on published market prices. The portfolio increase as a result of the method change amounts to EUR 1,834 thousand as of 31 December 2006 and EUR 594 as of 31 December 2005. The receivables from insurance contracts of EUR 172,575 thousand act as collateral for liabilities to banks.

34. TRADE RECEIVABLES

Balance sheet figure: EUR 16,378 thousand (Previous year: EUR 35,321 thousand).

Composition	**31.12.2006** (EUR thousand)	**31.12.2005** (EUR thousand)
MPC	*12,658*	*11,281*
König & Cie.	*450*	*24,003*
Premium accruals from insurance policies	*1,750*	*0*
Other	*731*	*37*
Maturity payments from insurance policies	*789*	*0*
Total	*16,378*	*35,321*

The reported figure primarily pertains to receivables from the sale of policies to closed-end funds. As of the end of February 2007, 21% of the receivables had been received.

35. TAX REFUND CLAIMS

Balance sheet figure: EUR 11,620 thousand (Previous year: EUR 7,180 thousand). Tax refund claims resulted from allowable capital gains taxes including the solidarity surcharge at cash.life AG, relating primarily to tax withholdings of insurance income.

36. OTHER RECEIVABLES AND OTHER ASSETS

Balance sheet figure: EUR 3,182 thousand (Previous year: EUR 3,844 thousand).

Composition	**31.12.2006** (EUR thousand)	**31.12.2005** (EUR thousand)
Accrual of pre-paid life and social security insurance premiums	*2,307*	*2,303*
Receivables from associated companies	*0*	*1,259*
Other assets	*875*	*282*
Total	*3,182*	*3,844*

The other assets to the amount of EUR 875 thousand predominantly pertain to loan receivables and a dividend receivable of EUR 408 thousand.

37. SUBSCRIBED CAPITAL

Balance sheet figure: EUR 8,580 thousand (Previous year: EUR 7,800 thousand). The company's share capital amounts to EUR 8,579,900.00 and is divided into 8,579,900 individual ordinary bearer shares. Based on the authorisation of the shareholder meeting from 15 June 2004 and as stipulated in § 5 of the articles of association, the Management Board concluded to increase the company's share capital of EUR 7,800,000.00, divided into 7,800,000 ordinary bearer shares by an amount of EUR 779,900.00 to EUR 8,579,900.00 against cash contributions on 13 March 2006. The capital increase involved the issue of 779,900 no-par bearer shares as of 1 January 2005 at the lowest possible issue price of EUR 1.00 per share. The subscription right of shareholders was exempted. The premium of EUR 25,346,750.00 of the aforementioned capital increase was allocated to the capital reserve.

38. CAPITAL RESERVES

Balance sheet figure: EUR 24,908 thousand (Previous year: EUR 0 thousand). The figure pertains to the agio paid within the scope of the capital increase concluded by the Management Board on 13 March 2006 (see point 37). The payment was made in March 2006. The costs of the capital increase (EUR 673 thousand) were accounted for directly to capital reserves upon deduction of their tax advantage (EUR 234 thousand; net costs EUR 439 thousand).

39. REVENUE RESERVES

Balance sheet figure: EUR 10,629 thousand (Previous year: EUR 4,834 thousand). The balance sheet figure includes the legal accrual of EUR 780 thousand as well as the 2005 Group net income allocated to the reserves of EUR 5,668 thousand, the profit carried forward of EUR 3,829 thousand reduced by the dividend payout of EUR 7,800 thousand in 2005 and earnings from the retrospective application through 31 December 2005 of EUR 352 thousand included in equity as of 1 January 2006 in the valuation of receivables from insurance contracts as a result of the method change. See page 117 for a detailed description of the development of overall equity. The Management Board of cash.life AG on 13 March 2007 agreed to propose a payout of the full amount of net profit of EUR 4,289,950.00 accounted for in cash.life AG's 2006 financial statements to the Annual Shareholder's Meeting. This equals a dividend of EUR 0.50 per individual ordinary share.

40. Deferred tax liabilities

Balance sheet figure: EUR 1,899 thousand (Previous year: EUR 1,144 thousand). 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 5,583 thousand (see Notes to the Balance sheet, point 49 Derivatives). The previous year's value has been adjusted and increased by EUR 241 thousand due to the retrospective consideration of the effects of the change in the valuation method of receivables from insurance contracts necessary in the IFRS consolidated financial statements. These are deferred taxes from temporary differences to the valuation in the tax statement (see point 22).

41. Long-term liabilities to banks

Balance sheet figure: EUR 40,000 thousand (Previous year: EUR 0 thousand). The figure pertains to liabilities to banks with a remaining term presumably exceeding one year to the amount of EUR 40,000 thousand (previous year: EUR 0 thousand). We have a right of cancellation guaranteed by law as laid out in section 489 subsection 2 and 4, clause 1 BGB. Credit liabilities primarily serve to finance the trading portfolio (in regard to collateral see point 43). The liabilities to banks have a remaining term of four years and yield at 6-months-EURIBOR. Interest is calculated every 6 months. The next interest payment is due in April 2007.

42. Other long-term liabilities

Balance sheet figure: EUR 682 thousand (Previous year: EUR 1,153 thousand). This refers to interest rate hedges for an amount of EUR 391 thousand (previous year: EUR 809 thousand) as well as commission liabilities to brokers of EUR 291 thousand (previous year: EUR 344 thousand). Non-interest-bearing commission liabilities are discounted on a yearly basis at 5.5% as of the balance sheet date.

43. SHORT-TERM LIABILITIES TO BANKS

Balance sheet figure: EUR 174,377 thousand (Previous year: EUR 253,811 thousand). Short-term liabilities to banks of EUR 174,377 thousand (previous year: EUR 253,811 thousand) primarily serve to finance the trading portfolio and all have a remaining term of less than one year. Early payback is possible at any point in time. The interest calculation is based on 1-month-EURIBOR plus bank margin. The interest is usually calculated on a weekly basis. Short-term liabilities to banks can be paid back early at any time. The cash-in- and outflows depend on the volume of purchased and sold insurance policies. The cash-flows are planned in advance. The company has entered into six CAPS and one SWAP until the balance sheet date. Further hedges will be closed depending on future requirements (see point 49). Guarantees to banks 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 thousand (previous year: EUR 51 thousand). The total amount of liabilities to banks covered by liens and similar rights amounted to EUR 172,575 thousand (previous year: EUR 209,257 thousand).

44. LIABILITIES FROM THE PURCHASE OF INSURANCE CONTRACTS

Balance sheet figure: EUR 65.858 thousand (Previous year: EUR 48,648 thousand). The figure pertains to purchase price liabilities to the sellers of life insurance or pension assurance policies.

45. TRADE PAYABLES

Balance sheet figure: EUR 1.157 thousand (Previous year: EUR 753 thousand). The figure pertains to liabilities from ongoing activities excluding the purchase of insurance policies. As of the end of February 2007, 99% of the liabilities had been settled.

46. OTHER SHORT-TERM LIABILITIES

Balance sheet figure: EUR 4,417 thousand (Previous year: EUR 2,954 thousand). Other short-term liabilities as of 31 December 2006 mostly pertain to interest accruals to banks.

47. SHORT-TERM PROVISIONS

Balance sheet figure: EUR 2,307 thousand (Previous year: EUR 1,581 thousand). Short-term provisions pertain to tax provisions and other provisions.

47.1. PROVISIONS FOR TAXES ON INCOME

	As of 1.1.2006 (EUR thousand)	**Use** (EUR thousand)	**Change in consolidation** (EUR thousand)	**Additions** (EUR thousand)	**As of 31.12.2006** (EUR thousand)
cash.life AG					
Trade tax on earnings	*562*	*0*	*0*	*87*	*649*
cash.life international					
Corporate taxes	*0*	*0*	*0*	*2*	*2*
Barwert GmbH					
Corporate and trade taxes	*56*	*56*	*0*	*9*	*9*
Total	*618*	*56*	*0*	*98*	*660*

47.2. OTHER SHORT-TERM PROVISIONS

	As of 1.1.2006 (EUR thousand)	**R (1)** (EUR thousand)	**Change in consolidation** (EUR thousand)	**Additions** (EUR thousand)	**As of 31.12.2006** (EUR thousand)
Personnel	*345*	*345*	*73*	*649*	*722*
Legal and consulting costs	*366*	*366*	*0*	*686*	*686*
Outstanding invoices		*45 (R)*			
	252	*207*	*114*	*125*	*239*
Total		*45 (R)*			
	963	*918*	*187*	*1,460*	*1,647*

(R) Release. (1) Release or use, respectively.

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

48. CONTINGENT LIABILITIES AND LIABILITY GUARANTEES

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

	2006 (EUR thousand)	**2005** (EUR thousand)
Minimum leasing instalments from operating leases	*959*	*368*

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

	31.12.2006 (EUR thousand)	**31.12.2005** (EUR thousand)
Within one year	*1,115*	*808*
In two to five years	*3,720*	*2,710*
After five years	*0*	*0*
Total	*4,835*	*3,518*

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 part of the rented office space will be sub-leased from 2007 on for a term of three years. We expect a rental income of EUR 78 thousand within one year and of EUR 156 thousand in two to five years.

CONTINGENCIES FOR EXTERNAL LIABILITIES

There are direct insurance premiums which are paid by the cash.life Group on behalf of its employees. The contract obligates only the insurance company but provides an option to the employee. Contributions to these direct insurance policies are recognised under personnel expenses. There is a final 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.

49. 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 present 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 4,769 thousand as of 31 December 2006. They comprise the asset value of the derivatives (EUR 5,583 thousand) minus the liability value of the derivatives (EUR 814 thousand). The total reference amount of the derivatives is EUR 695,000 thousand. The period through mid-2010 is covered.

CONSOLIDATED ANALYSIS OF FIXED ASSETS ACCORDING TO IFRS AS OF 31 DECEMBER 2006

	PURCHASE AND MANUFACTURING COSTS				
	1.1.2006[1]	**CSC[2]**	**ADDITIONS**	**DISPOSALS**	**31.12.2006[1]**
	EUR THOUSAND	EUR THOUSAND	EUR THOUSAND	EUR THOUSAND	EUR THOUSAND
Intangible assets					
1. Goodwill	2,623	1,701	0	0	4,324
2. Computer Software	1,710	65	442	0	2,217
3. Activated development costs	0	0	487	0	487
	4,333	*1,766*	*929*	*0*	*7,028*
Property, plant and equipment					
1. Other equipment, operating and office equipment	3,007	67	841	30	3,885
2. Advance payments	12	0	223	0	235
	3,019	*67*	*1,064*	*30*	*4,120*
Financial assets					
Shares in affiliated companies	57	-27	1,304	0	1,334
Total	**7,409**	**1,806**	**3,297**	**30**	**12,482**

[1] As of
[2] Change in scope of consolidation
[3] Amortisation/depreciation of the financial year

Accumulated amortisation/depreciation					Carrying amount	
1.1.2006[1]	**Additions[3]**	**Disposals**	**31.12.2006[1]**		**31.12. 2006[1]**	**31.12.2005[1]**
EUR thousand	EUR thousand	EUR thousand	EUR thousand		EUR thousand	EUR thousand
0	0	0	0		4,324	2,623
1,304	291	0	1,595		622	406
0	0	0	0		487	0
1,304	*291*	*0*	*1,595*		*5,433*	*3,029*
764	501	30	1,235		2,650	2,243
0	0	0	0		235	12
764	*501*	*30*	*1,235*		*2,885*	*2,255*
0	0	0	0		1,334	57
2,068	**792**	**30**	**2,830**		**9,652**	**5,341**

Consolidated financial statements

NOTES TO THE INCOME STATEMENT

The following notes refer to the Group income statement for the 2006 financial year:

50. GROSS PROFIT

EUR 37,177 thousand Previous year: EUR 27,228 thousand). Gross profit comprises primarily the items mentioned in the following. The method change in the valuation of receivables from insurance contracts increases the gross profit by EUR 1,240 in the financial year. The retrospective consideration of the method change in the valuation of receivables from insurance contracts increases the previous year's gross profit by EUR 214 thousand.

50.1. REVENUES FROM POLICY MANAGEMENT

EUR 6,247 thousand (Previous year: EUR 3,694 thousand). Revenues from policy management pertain to the servicing of policies sold to closed-end funds.

50.2. REVENUES FROM THE SALE OF INSURANCE POLICIES

EUR 524,353 thousand (Previous year: EUR 294,797 thousand).

	2006 (EUR thousand)	**2005** (EUR thousand)
Revenues MPC	*440,045*	*250,045*
Revenues König & Cie.	*64,541*	*44,752*
Revenues Hannover Leasing	*19,766*	*0*
Total	*524,352*	*294,797*

50.3. DISPOSAL OF SOLD INSURANCE CONTRACTS

EUR 504,312 thousand (Previous year: EUR 282,410 thousand). Income from the sale of insurance policies to closed-end funds (see section 50.2) is offset, as in the previous year, by expenditures for the disposal of sold insurance contracts. The method change in the valuation of receivables from insurance contracts increases the disposal of sold insurance contracts in the financial year by EUR 475 thousand. The previous year's value has been adjusted due to the retrospective application of the method change in the valuation of receivables from insurance contracts. In the previous year, the disposal of sold insurance contracts increased by EUR 381 thousand.

50.4. COMMISSION REVENUES

EUR 894 thousand (Previous year: EUR 373 thousand). This figure pertains to revenues from commissions for referrals of secondary market policies to third parties through Barwert GmbH as well as revenues from the referral of other life insurance companies through cash.life Vertriebsgesellschaft mbH and cash.life international Vertriebsgesellschaft mbH first consolidated in the financial year.

50.5. VALUE APPRECIATION OF INSURANCE CONTRACTS

EUR 20,380 thousand (Previous year EUR 20,616 thousand). The value appreciation of insurance policy contracts result primarily from the yield on the portfolio. The method change in the valuation of the portfolio of receivables from insurance contracts increases the appreciation of insurance contracts in the financial year by EUR 1,715 thousand. The previous year's value has been adjusted due to the retrospective application of the method change in the valuation of receivables from insurance contracts. The appreciation of insurance contracts in the previous year rose by EUR 594 thousand.

50.6. INSURANCE PREMIUMS

EUR 11,564 thousand (Previous year EUR 10,045 thousand). The figure refers to premium payments for policies held in the company's own trading portfolio.

50.7. OTHER INCOME

EUR 1,179 thousand (Previous year EUR 203 thousand). The figure refers to rental income including incidental costs and cost transfers.

51. PERSONNEL EXPENSES

	2006 (EUR thousand)	**2005** (EUR thousand)
Wages and salaries	*5,278*	*3,063*
Social security	*782*	*419*
Total	*6,060*	*3,482*

The increase in personnel expenses of EUR 2,578 thousand to EUR 6,060 thousand compared to the previous year's period was due primarily to the higher number of employees of cash.life AG as well as the inclusion of cash.life Vertriebsgesellschaft mbH, cash.life international Vertriebsgesellschaft mbH and cash.life Vorsorge GmbH & Co. KG with a total of 36 employees into the consolidated statement. Social security expenses include expenditures for direct insurance policies to the amount of EUR 57 thousand.

Average	2006 Number	2005 Number	Change
Employees	*90*	*54*	*36*
Apprentices	*0*	*1*	*- 1*
Total	*90*	*55*	*35*

52. AMORTISATION OF INTANGIBLE ASSETS AND DEPRECIATION OF FIXED ASSETS

EUR 792 thousand (Previous year: EUR 492 thousand). See points 29.1, 29.2 of the Notes to the Group balance sheet.

53. OTHER OPERATING EXPENSES

EUR 17,074 thousand (Previous year: EUR 8,638 thousand). Other operating expenses primarily include expenses for advertising and public relations, legal and consulting costs, rents for office space and travel expenses. The increase is predominantly due to the first-time consolidation of our subsidiaries cash.life Vertriebsgesellschaft mbH (EUR 2,000 thousand), cash.life international Vertriebsgesellschaft mbH. (EUR 436 thousand) and cash.life Vorsorge GmbH & Co. KG (EUR 188 thousand) as well as the intensification of advertising and public relations (EUR 3,155 thousand), employee benefit costs from the use of temporary workers (EUR 540 thousand), rents for office space (EUR 435 thousand) and legal and consulting costs (EUR 250 thousand).

54. FINANCIAL RESULT

54.1. FINANCIAL RESULT

EUR 16,849 thousand (Previous year: EUR 2,144 thousand). Financial income pertains to interest and similar income to the amount of EUR 1,949 thousand (previous year: EUR 889 thousand) as well as dividend income from multiple security loan transactions with EUR 11,995 thousand and the higher value of financial derivatives of EUR 2,860 thousand (previous year: EUR 1,256 thousand).

54.2. FINANCIAL EXPENDITURES

EUR 23,553 thousand (Previous year: EUR 7,569 thousand). The increase in financial expenditures compared to the previous year resulted primarily from the compensation payments accrued within the scope of security loans as well as increased refinancing costs due to the higher average number of receivables from insurance contracts and higher interest rates by EUR 3,989 thousand.

55. Taxes on income

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

55.1. current taxes on income

EUR 192 thousand (Previous year: EUR 1,181 thousand). The current expenses for taxes on income for the 2006 financial year amount to EUR 192 thousand (previous year: EUR 1,181 thousand).

55.2. deferred taxes on income

EUR -545 thousand (Previous year: EUR 2,216 thousand). The deferred tax expense of EUR 1,466 thousand in the financial year resulted from the increase in tax-loss carryforwards as well as the release of deferred tax liabilities from the method change of the previous year of EUR 242 thousand. The increase in deferred tax liabilities has the effect of increasing taxes by EUR 997 thousand due to the rise in the asset values for interest rate hedges and reducing deferred tax asset values from the decrease in deferred tax liabilities for an amount of EUR 166 thousand. The theoretically expected tax rate (trade tax, corporate tax, solidarity surcharge) for the financial year is around 35% (previous year: around 35%).

The difference between the expected and reported tax expense can be seen in the following tax reconciliation statement. The 2005 reconciliation statement was adjusted accordingly as a result of the retrospective application of the altered valuation method for receivables from insurance contracts.

TAX RECONCILIATION STATEMENT

	2006 (EUR thousand)	**2005** (EUR thousand)
Income before taxes	*6,547*	*9,191*
Expected tax expense	*2,282*	*3,709*
Reduction in tax expense of previous year	*0*	*- 7*
Corporate tax-free income	*- 2,676*	*0*
Non tax-deductible corporate expenses	*25*	*8*
Non tax-deductible withholding tax	*90*	*0*
Effect of change in tax rate due to move	*0*	*- 313*
Other	*- 74*	*0*
Tax expense acc. to income statement	*- 353*	*3,397*

Consolidated financial statements

The German government is planning to reform the laws on company taxation. The legislation process should be concluded in the year 2007 and the new regulations relevant to companies are to apply as of 2008. Overall, it is anticipated that the tax rate will drop by some 10% in the future. Balanced capitalised tax assets from tax-loss carryforwards would have to be reduced by some EUR 1,000 thousand following the completion of the legislation process and will lead to a deferred tax expense to this amount.

56. 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 increased in the financial year by 779,900 to 8,579,900 due to a capital increase. The weighted number as of 31 December 2006 (basic and diluted) amounted to 8,404,208 shares.

Net earnings per share (diluted/basic) for the 2006 financial year amounted to EUR 0.82 (previous year: EUR 0.74). The increase in earnings per share over the previous year is primarily due to the low tax rate for the Group.

57. EXTERNAL TRANSACTIONS WITH AFFILIATED COMPANIES AND PERSONS

External transactions between cash.life AG and its subsidiaries Barwert GmbH, cash.life Vertriebsgesellschaft mbH, cash.life international Vertriebsgesellschaft mbH., cash.life Vorsorge GmbH & Co. KG and Zeitwertkonten Verwaltungs GmbH have been eliminated in the context of the consolidation.

The following is a summary of business relationships with affiliated persons:

	2006 (EUR thousand)	**2005** (EUR thousand)
Service transactions in EUR thousand	*160*	*- 277*
Receivables outstanding in EUR thousand	*0*	*1,259*
Furnished guarantees in EUR thousand	*0*	*200*

The business relationships in 2006 primarily pertain to the following closely affiliated company through to the consolidation in the consolidated financial statements:

- › cash.life Vertriebsgesellschaft mbH

Business relationships in the previous year were:

- › ALTAM Holding AG
- › cash.life Vertriebsgesellschaft mbH
- › cash.life international Vertriebsgesellschaft mbH
- › ZH Holding GmbH & Co. KG
- › ZH Partner-Fonds Nr. 8 GmbH & Co. KG

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 2005 through 31 December 2006.

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:

58. 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, decreased by EUR 9,165 thousand compared to the previous year to EUR 3,789 thousand.

The cash flow for investing activities was covered with the cash flow from operating activities.

The effect of the method change for the valuation of the trading portfolio is accounted for in the cash flow from operating activities (net income EUR 842 thousand, deferred tax expenses EUR 398 thousand and other cash-neutral income EUR -1,240 thousand). Accordingly, the cash flow statement of the previous year has also been retrospectively adjusted in the cash flow from operating activities (net income EUR 127 thousand, deferred tax expense EUR 86 thousand and other cash-neutral income EUR -213 thousand).

59. CASH FLOW FROM INVESTING ACTIVITIES

Investments decreased compared to the previous year by EUR 1,271 thousand to EUR -3,563 thousand. Cash outflows in the financial year mainly concern investments in computer software and property, plant and equipment to the amount of EUR 1,993 thousand and payments for the acquisition of the first-time consolidated subsidiaries of EUR 131 thousand. The payments for investments in financial assets pertain to the investments in cash.life Premium Policies SICAV of EUR 1,250 thousand as well as EUR 54 thousand for the acquisition of cash.life Treuhand Zeitwertkonten- und Pensionssicherung GmbH and cash.life FINANCIAL SERVICES GmbH.

60. CASH FLOW FROM FINANCING ACTIVITIES

The cash flow from financing activities is characterised by the cash inflow associated with the capital increase and the application of these funds for the repatriation of liabilities to banks.

61. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

Payments for investments in fixed assets, the acquisition of subsidiaries consolidated in the financial year, and the acquisition of a CAP were financed from the cash flow from operating activities. Cash and cash equivalents at the end of the period increased by EUR 226 thousand to EUR 1,284 thousand. Cash and cash equivalents consists of cash at hand and demand deposits than can be withdrawn from banks at guaranteed values. There are no components of the cash and cash equivalents to which the companies within the cash.life Group do not have free access.

OTHER DISCLOSURES

EXECUTIVE BODIES OF THE COMPANY

Management Board

Dr. Stefan Kleine-Depenbrock (Chairman)
IR/PR, Personnel, Legal Matters, Auditing, Corporate Development / Strategy
Other mandates: Non-Executive Director Merrill Lynch Derivative Partner Holding Inc.

Ulrich T. Grabowski
IT, Marketing, Product Development, Affiliated Companies, Sales
Other mandates: Member of the supervisory board of TA Triumph-Adler AG

Klaus Leusmann (from 1 November 2006)
General Administration, Budget Planning, Controlling, Annual and Interim Reports,
Taxes, Treasury

Dr. Marcus Simon (until 31 May 2006)
Planning, Finance, Taxes, Fund Administration, IT, Operations

The total pay of the Management Board in the 2006 financial year amounts to EUR 915 thousand. These payments are entirely due on a short-term basis.
In detail, the members of the Management Board received the following compensation:

Board of Management	**Fixed salary** (EUR thousand)	**Bonus** (EUR thousand)	**Total** (EUR thousand)
Dr. Stefan Kleine-Depenbrock (Chairman)	*300*	*100*	*400*
Ulrich T. Grabowski	*150*	*230*	*380*
Klaus Leusmann	*29*	*13*	*42*
Dr. Marcus Simon	*73*	*21*	*94*

Supervisory Board
Gerd A. Bühler (Chairman)
Lawyer, tax accountant
Member of the Supervisory Board of IREKS GmbH, Kulmbach

Klaus Mutschler (Vice-Chairman)
Graduate in Business Management

Ralf Brammer
Member of the Management Board of AWD Holding AG, Hannover
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

Hans-Gerd Füchtenkort (from 23 June 2006)
Member of the Management Board of Grohe AG, Rottach-Egern

Dr. Michael Kemmer (from 23 June 2006)
Member of the Management Board of BayernLB, Munich
Member of the Administrative Board of Thiel Logistik AG

Prof. Dr. Frank A. Schäfer, LLM (from 23 June 2006) Lawyer, Dusseldorf
Chairman of the Supervisory Board of VM Holding AG, Dusseldorf
Chairman of the Supervisory Board of envimedical AG, Dusseldorf
Chairman of the Supervisory Board of Weserbank AG, Frankfurt
Member of the Supervisory Board of Freese AG, Bremen.

The total pay of the Supervisory Board in the current year amounted to EUR 120 thousand (previous year: EUR 90 thousand). Remunerations are fixed and due on a short-term basis. In detail, the members of the Supervisory Board received the following compensation:

Supervisory Board member	**Remuneration** (EUR thousand)
Gerd A. Bühler (Chairman)	*40*
Klaus Mutschler (Vice-Chairman)	*30*
Ralf Brammer	*20*
Hans-Gerd Fürchtenkort	*10*
Dr. Michael Kemmer	*10*
Prof. Dr. Frank A. Schäfer	*10*

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):

Stichting Pensioenfonds ABP, Oude Lindestraat 70, NL-6411 EJ Heerlen gave notice on 7 March 2006 in accordance with section 21 subsection 1 of the Securities Trading Act (WpHG) that its voting share in cash.life AG surpassed the threshold of 5% on 22 February and now amounts to 8.013%.

Schroder Investment Management Limited, 31 Gresham Street, London EC2V 7QA gave notice on 28 February 2006 in accordance with section 21 subsection 1 of the Securities Trading Act (WpHG) that its voting share in cash.life AG surpassed the threshold of 10% on 21 February 2006 now amounts to 10.67%. Of that, 10.67% of the voting rights are accounted for in accordance with section 22 subsection 1 clause 1 No. 6 of the Securities Trading Act (WpHG).

Schroder Administration Limited, 31 Gresham Street, London EC2V 7QA gave notice on 28 February 2006 in accordance with section 21 subsection 1 of the Securities Trading Act (WpHG) that its voting share in cash.life AG surpassed the 10% threshold on 21 February 2006 and now amounts to 10.67%. Of that, 10.67% of the voting rights are accounted for in accordance with section 22 subsection 1 clause 1 No. 6 and clauses 2 and 3 of the Securities Trading Act (WpHG).

Schroders plc, 31 Gresham Street, London EC2V 7QA gave notice on 28 February 2006 in accordance with section 21 subsection 1 of the Securities Trading Act (WpHG) that its voting share in cash.life AG surpassed the 10% threshold on 21 February 2006 and now amounts to 10.67%. Of that, 10.67% of the voting rights are accounted for in accordance with section 22 subsection 1 clause 1 No. 6 and clauses 2 and 3 of the Securities Trading Act (WpHG).

cash.life AG was notified of the existence of the following shareholdings after the balance sheet date:

M&G Investment Funds (1) London, UK, gave us notice on 5 January 2007 in accordance with section 21 subsection 1 of the Securities Trading Act (WpHG) that

› M&G Investment Funds (1), London, UK dropped below the 5% threshold of voting rights in cash.life AG on 3 January 2007 and now holds 3.42%.
› M&G Investment Management Limited, London, UK dropped below the 5% threshold of voting rights in cash.life AG on 3 January 2007 and now holds 3.42%. 3.42% of these voting rights are accounted for in accordance with section 22 subsection 1 clause 1 No. 6 of the Securities Trading Act (WpHG).
› M&G Limited, London, UK dropped below the 5% threshold of voting rights in cash.life AG on 3 January 2007 and now holds 3.42%. 3.42% of these voting rights are accounted for 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).
› M&G Group Limited, London, UK dropped below the 5% threshold of voting rights in cash.life AG on 3 January 2007 and now holds 3.42%. 3.42% of these voting rights are accounted for 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).
› Prudential plc., London, UK dropped below the 5% threshold of voting rights in cash.life AG on 3 January 2007 and now holds 3.42%. 3.42% of these voting rights are accounted for 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).

Schroders plc., London, UK is the parent company of Schroder Administration Limited, which in turn is the parent company of Schroder Investment Management Limited, which on its part is the investment manager of Schroder International Selection Fund Euro Dynamic Growth and of Vanguard International Explorer International Equities. The address of all companies is 31 Gresham Street, London, UK, EC2V 7QA. Schroders plc. gave notice on 15 February 2007 in accordance with section 41 subsection 4a of the Securities Trading Act (WpHG) that

› › Schroder Investment Management Limited, London, UK held 20.46% (equal to 1,755,262 shares of a total 8,579,900) of the voting rights in cash.life AG on 20 January 2007. 20.46% of these voting rights are accounted for in accordance with section 22 subsection 1 clause 1 No. 6 of the Securities Trading Act (WpHG).

› Schroder Administration Limited, London, UK held 20.46% (equal to 1,755,262 shares of a total 8,579,900) of the voting rights in cash.life AG on 20 January 2007. 20.46% of these voting rights are accounted for in accordance with section 22 subsection 1 clause 1 No. 6 in connection with section 22 subsection 1 clauses 2 and 3 of the Securities Trading Act (WpHG).

› Schroders plc., London, UK held 20.46% (equal to 1,755,262 shares of a total 8,579,900) of the voting rights in cash.life AG on 20 January 2007. 20.46% of these voting rights are accounted for in accordance with section 22 subsection 1 clause 1 No. 6 in connection with section 22 subsection 1 clauses 2 and 3 of the Securities Trading Act (WpHG).

Standard Capital Partners N.V., Willemstad, Curacao, Netherlands Antilles notified cash.life AG on 15 February 2007 in accordance with section 21 subsection 1 of the Securities Trading Act (WpHG) that Standard Capital Partners N.V., Willemstad, Curacao, Netherlands Antilles surpassed the 10% threshold of voting rights of cash.life AG on 17 January 2007 and on this day held 11.02% (equal to 945,505 shares). 11.02% of the voting rights are accounted for in accordance with section 22 subsection 1 clause 1 No. 6 of the Securities Trading Act (WpHG). The voting rights are accounted for by Standard Capital Partners N.V. as an investment manager of the Rhine Alpha Fund and other funds.

Luma Holdings Corporate Ltd., Tortola, British Virgin Islands, notified cash.life AG on 15 February 2007 in accordance with section 21 subsection 1 of the Securities Trading Act (WpHG) that Luma Holdings Corporate Ltd. surpassed the 10% threshold of voting rights in cash.life AG on 17 January 2007 and on this day held 11.02% (equal to 945,505 shares). 11.02% of these voting rights are accounted for in accordance with section 22 subsection 1 clause 1 No. 6 and clause 2 of the Securities Trading Act (WpHG). The voting rights are accounted for by Luma Holdings Corporate Ltd. through its subsidiary Standard Capital Partners N.V., which in turn acts as the investment manager of the Rhine Alpha Fund and other funds. Luma Holdings Corporate Ltd. itself has no majority shareholder.

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:

	EUR thousand
Audit of financial statements	*113*
Tax consultancy services	*81*
Total	*194*

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A general agreement on the sale and transfer of endowment insurance as well as a service and administrative agreement were concluded with MPC Rendite-Fonds Leben plus VII mbH, Quickborn on 5 March 2007.

cash.life AG concluded three interest rate hedges in February:

Date	Type	Bank	Reference amount	Term
5 Feb. 2007	*Interest rate cap*	*Commerzbank AG*	*EUR 150 million*	*1 Jul. 2010–31 Dec. 2014*
5 Feb. 2007	*Interest rate cap*	*Commerzbank AG*	*EUR 150 million*	*1 Jul. 2009–31 Dec. 2014*
7 Feb. 2007	*Interest rate cap*	*Bay. Hypo- und Vereinsbank AG*	*EUR 100 million*	*1 Dec. 2008–1 Dec. 2014*

On 13 March 2007 the Management Board of cash.life AG agreed to propose a payout of the full amount of the company's balance sheet profit of EUR 4,289,950.00 shown for the 2006 financial year at the Annual Shareholders' Meeting, subject to the approval of the Supervisory Board. This equals a dividend of EUR 0.50 per share.

Consolidated financial statements

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.

LIST OF ABBREVIATIONS

Name of the company	Abbreviation
Barwert-Europäische Versicherungsvermittlungs GmbH, Großhansdorf	*Barwert GmbH*
cash.life Vertriebsgesellschaft mbH, Pullach	*cash.life Vertriebsgesellschaft*
cash.life international Vertriebsgesellschaft mbH, Wien	*cash.life international*
cash.life Vorsorge GmbH & Co. KG Pullach	*cash.life Vorsorge*
Zeitwertkonten Verwaltungs GmbH, Pullach	*Zeitwertkonten GmbH*
cash.life Premium Policies SICAV, Luxemburg	*cash.life SICAV*
cash.life FINANCIAL SERVICES GmbH, Pullach	*cash.life FINANCIAL SERVICES*
cash.life Treuhand Zeitwertkonten- und Pensionssicherung GmbH, Pullach	*cash.life Treuhand*

Pullach, 16 March 2007

Dr. Stefan Kleine-Depenbrock
Ulrich T. Grabowski
Klaus Leusmann

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 2006 to 31 December 2006. 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, 29 March 2007

O&R Oppenhoff & Rädler AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Heidemann, Auditor
Schön, Auditor

Other

Glossary

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 person 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. A high level of 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. The new version is likely to come into effect on 1 January 2008. According to the most recent status, the legislator will determine minimum surrender values and require the insurance company to let policyholders participate in the hidden reserves. cash.life will possibly profit from the revision, as the terminal bonus share is likely to grow and the surrender values in the case of late termination will sink.

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 2.25 percent.

HIDDEN RESERVES

Hidden reserves generally indicate that the balance sheet value of assets is lower than the market value.

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.

OVERALL RETURN

The overall return of an insurance policy is the return the insured person receives on his paid-in savings funds. This consists of two parts: the 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 parts: one part is credited to the insured person 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 the terminal bonus. cash.life AG involves its customers in the terminal bonus through the purchase price and is therefore able to offer more money than 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 a contract duration of at least 12 years. The sale of life insurance policies is normally tax-free for the policyholder.

Imprint

PUBLISHER AND RESPONSIBLE PARTY FOR THE CONTENT
cash.life AG
Zugspitzstrasse 3
82049 Pullach, Germany
Telephone +49 . 180 . 200 0393
Facsimile +49 . 89 . 286 953-299
office@cashlife.de : www.cashlife.de

EDITORIAL OFFICE
Susanne Jobst and Thorsten Wittmeier, all employees of cash.life AG, Pullach

GRAPHIC DESIGN, TYPOGRAPHY AND PRODUCTION
Studio Wolfgang Beinert, Berlin and Munich
www.beinert.net

PHOTOGRAPHY
Michael Nischke, Munich

LECTORATE
Schmellenkamp Communications GmbH, Koblenz

PRINTING AND BINDING OF BOOKS
Mediahaus Biering GmbH, Munich

NOTE ON THE HEADLINE
The year 2006 is the eight (VIII.) financial year of cash.life AG
as a company of the secondary endowment market.

INVESTOR RELATIONS
Thorsten Wittmeier
Telephone +49.89.286 953-213
Facsimile +49.89.286 953-219
IR@cashlife.de : www.cashlife.de/IR

cash.life

cash.life AG
Zugspitzstraße 3
82049 Pullach
Germany

Phone +49.180.2 000 393
Fax +49.89.286 953-299
office@cashlife.de
www.cashlife.de