Notes

General information

1 Information about the company

The consolidated financial statements were prepared by MLP SE, Wiesloch, Germany, the ultimate parent company of the MLP Group. MLP SE is listed in the Mannheim Commercial Register under the number HRB 728672 at the address Alte Heerstraße 40, 69168 Wiesloch, Germany.

Since it was founded in 1971, the MLP Group (MLP) has been operating as a broker and adviser for academics and other discerning clients in the fields of old-age provision including occupational pension provision, healthcare provision, non-life insurance, loans and mortgages, wealth management and banking services. With the acquisition of the DI Deutschland.Immobilien AG (DI Group) in the last financial year, MLP's activities now also encompass development and management of real estate.

2 Principles governing the preparation of the financial statements

The consolidated financial statements of MLP SE have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standard Board (IASB), taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as they apply in the European Union (EU). In addition, the commercial law regulations to be observed pursuant to § 315e (1) of the German Commercial Code (HGB) were also taken into account. The financial year corresponds to the calendar year.

The consolidated financial statements have been prepared on the basis of the historical cost convention with the exception that certain financial instruments are measured at fair value. MLP prepares its consolidated balance sheet based on liquidity. This form of presentation offers information that is more relevant than if it were based on the time-to-maturity factor.

The income statement is prepared in accordance with the nature of expense method.

The consolidated financial statements are drawn up in euros (€), which is the functional currency of the parent company. Unless otherwise specified, all amounts are stated in thousands of euros (€'000). Both single and cumulative figures are values with the smallest rounding difference. As a result, differences to reported total amounts may arise when adding up the individual values.

The term "branch office manager", which is used in the following report section, encompasses the branch office managers at MLP Finanzberatung SE and the sales agents at MLP Banking AG. We use the term "MLP consultants" to summarise all consultants operating in the MLP Group.

3 Amendments to the accounting policies, as well as new standards and interpretations

The accounting policies applied are the same as those used in the previous year, with the following exceptions:

In the financial year 2019, the following new or amended accounting principles from the IFRS standards are to be used for MLP for the first time:

- IFRS 16 Leases
- Amendments to IAS 19: Plan amendments, curtailments, settlements
- Amendments to IAS 28 and IFRS: Long-term investments in associates and joint ventures
- Revisions to the IFRS 2015-2017
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 "Financial Instruments" prepayment feature with negative compensation

IFRS 16

The IASB published its new IFRS 16 "Leases" standard in January 2016. IFRS 16 replaces IAS 17 and the accompanying interpretations (IFRIC 4, SIC-15, SIC-27). IFRS 16 is to be applied for financial years beginning on or after January 2019. Early adoption is also possible. The transition to IFRS 16 was performed in line with the modified retrospective approach as of January 1, 2019. Comparative figures from the respective periods of previous years were not adjusted.

For lessees, IFRS 16 introduces a uniform approach for the accounting of leases, based on which right-of-use assets and liabilities for payment obligations are to be recognised for all leases in the balance sheet.

MLP utilises the simplified application rules for short-term and low-value leases. Lease payments made within the scope of these agreements continue to be recognised on a straight line basis over the term of the lease as other operating expenses.

The option to capitalise non-lease components (service) as per IFRS 16.15 is not applied. Non-leasing components are not taken into account in the recognised right-of-use asset.

With the initial adoption of IFRS 16, the Group recorded leasing liabilities for leases previously treated as operating leases in line with IAS 17 . Among other things, the liability includes fixed payments minus any leasing incentives granted, as well as variable lease payments that are linked to an index. These liabilities are rated at the present value of the lease payments still outstanding as at January 1, 2019, discounted using the lessee's incremental borrowing rate of interest. This was 1.0% p. a. as of January 1, 2019. Since interest rates for amortising loans are not readily observable for MLP, alternatively an interest rate on the basis of the final maturity loans is assumed.

The entire Group works with interest scales, differentiated according to maturity bands across all object types (IFRS 16.C10a).

Provisions in place for onerous lease contracts at the time of initial adoption are offset against the capitalised right of use.

The following tables show the adjustments that have been recorded for every single item.

Effects on the consolidated balance sheet

All figures in €'000	Dec. 31, 2018	IFRS 16 effects	Jan. 1, 2019
Assets			
Intangible assets	155,892		155,892
Property, plant and equipment	78,270	54,418	132,688
Investments accounted for using the equity method	4,186		4,186
Deferred tax assets	5,368		5,368
Receivables from clients in the banking business	761,027		761,027
Receivables from banks in the banking business	694,210		694,210
Financial assets	165,279		165,279
Tax refund claims	12,758		12,758
Other receivables and assets	158,123		158,123
Cash and cash equivalents	385,926		385,926
Total	**2,421,038**	**54,418**	**2,475,456**
Liabilities and shareholders' equity			
Shareholders' equity	424,826		424,826
Provisions	94,485		94,485
Deferred tax liabilities	10,245		10,245
Liabilities due to clients in the banking business	1,638,892		1,638,892
Liabilities due to banks in the banking business	81,625		81,625
Tax liabilities	5,197		5,197
Other liabilities	165,768	54,418	220,186
Total	**2,421,038**	**54,418**	**2,475,456**

No effects on retained earnings in shareholders' equity occur at the time of initial adoption as a result of recognising the rights of use at the level of the corresponding leasing liabilities.

Of the rights of use from operating leases included under "property, plant and equipment" as of January 1, 2019, € 52,804 thsd are attributable to rented buildings and € 1,614 thsd to vehicle leasing.

In connection with the initial adoption of IFRS 16, the repayment portions of leasing liabilities are now contained in the cashflow from financing activities.

Measurement of leasing liabilities

All figures in €'000	
Stated obligations from operating leases as of Dec. 31, 2018	**62,312**
Discounted using the lessor's incremental borrowing rate at the time of initial adoption of IFRS 16	-2,251
Short-term leases, which are recorded as expenses on a straight-line basis	-125
Leases for low-value assets, which are recorded as expenses on a straight-line basis	-4
Other adjustments	-5,514
Leasing liability recognised in the balance sheet on Jan. 1, 2019	**54,418**

Other adjustments essentially comprise service rates and reassessments of contractual periods.

No significant effects on the consolidated financial statements of MLP SE result from the other new or revised standards.

Adoption of the following new or revised standards and interpretations was not yet compulsory for the financial year commencing on January 1, 2019. They were not adopted early.

IFRS 17	Insurance Contracts[2, 3]
Amendments to IFRS 3	Definition of a Business[1, 3]
Amendments to IAS 1 and IAS 8	Changes in Definition of Material[1]
Changes to the framework	Changes to references made to the accounting framework[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Elimination of uncertainties in the context of the IBOR reform[1]

[1] To be applied for financial years beginning on or after January 1, 2020.
[2] To be applied for financial years beginning on or after January 1, 2021.
[3] EU endorsement still pending.

MLP did not adopt any standards or interpretations ahead of time that have already been issued but have not yet come into force. The Group will apply the new/revised standards and interpretations at the latest when their adoption becomes binding following endorsement by the EU.

4 Scope of consolidation, as well as shares in associates and disclosures on non-consolidated structured entities

MLP SE and all significant subsidiaries that are controlled by MLP SE are included in the consolidated financial statements. Associates are accounted for using the equity method.

Alongside MLP SE as the parent company, 36 (previous year: 13) fully consolidated domestic subsidiaries, and as was already the case in the previous year, one fully consolidated foreign subsidiary and two (previous year: one) fully consolidated associated companies were incorporated in the consolidated financial statements as of December 31, 2019. Please see → Note 5 regarding changes to the scope of consolidation.

With the resolution dated March 1, 2019 DOMCURA AG, as a shareholder in Nordvers GmbH, approved an exemption pursuant to § 264 (3) of the German Commercial Code (HGB) from the need to draft a management report as per § 289 of the German Commercial Code (HGB) for the financial year 2019. The company is included in the 2019 consolidated financial statements of MLP SE with its registered office in Wiesloch. The consolidated financial statements are published in the Federal Gazette (Bundesanzeiger) within the legal deadlines. A single-entity relationship is in place between the company and MLP SE which obliges MLP SE to the assumption of losses as per § 302 of the German Stock Corporation Act (AktG), as well as to the assumption of liability.

Listing of shareholdings for the consolidated financial statements as per § 313 of the German Commercial Code (HGB)

As of Dec. 31, 2019	Share of capital in %	Shareholders' equity (€'000)	Net profit in €'000
Fully consolidated subsidiaries			
MLP Finanzberatung SE, Wiesloch	100.00	43,484	12,907
MLP Banking AG, Wiesloch [1]	100.00	108,998	3,752
TPC GmbH, Hamburg [1] (Wholly-owned subsidiary of MLP Finanzberatung SE)	100.00	314	518
ZSH GmbH Finanzdienstleistungen, Heidelberg [1] (Wholly-owned subsidiary of MLP Finanzberatung SE)	100.00	1,190	1,443
FERI AG, Bad Homburg v.d. Höhe [1]	100.00	19,862	18,699
FERI Trust GmbH, Bad Homburg v.d. Höhe [1] (Wholly-owned subsidiary of FERI AG)	100.00	10,386	8,646
FEREAL AG, Bad Homburg v.d. Höhe [1] (Wholly-owned subsidiary of FERI AG)	100.00	1,949	55
FERI Trust (Luxembourg) S.A., Luxemburg (Wholly-owned subsidiary of FERI AG)	100.00	26,325	15,521
DOMCURA AG, Kiel [1]	100.00	2,380	8,665
nordias GmbH Versicherungsmakler, Kiel [1]	100.00	435	1,144
Nordvers GmbH, Kiel [1] (Wholly-owned subsidiary of DOMCURA AG)	100.00	26	-396
Siebert GmbH Versicherungsmakler, Arnstadt [1] (Wholly-owned subsidiary of nordias GmbH Versicherungsmakler)	100.00	26	-122
MLPdialog GmbH, Wiesloch (Wholly-owned subsidiary of MLP Finanzberatung SE)	100.00	1,262	936
DI Deutschland.Immobilien AG, Hannover (75,1% subsidiary of MLP Finanzberatung SE)	75.10	511	-359
Vertrieb Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of DI Deutschland.Immobilien AG)	100.00	401	-429
Web Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of DI Deutschland.Immobilien AG)	100.00	89	0
IT Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of DI Deutschland.Immobilien AG)	100.00	-25	-80
Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of DI Deutschland.Immobilien AG)	100.00	-469	-781
Pflegeprojekt Haus Netzschkau GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	-15	-26
Projekte Deutschland.Immobilien Bad Münder GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	-99	-97
Pflegeprojekt Rosenberg UG, Minden (94% subsidiary of Projekte Deutschland.Immobilien GmbH)	94.00	353	15
Sechste Projekte Deutschland.Immobilien UG Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	-11	-8
31. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	-13	-37
32. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	11	-13
33. Projekte Deutschland.Immobilien GmbH, Hannover (80% subsidiary of Projekte Deutschland.Immobilien GmbH)	80.00	-144	-167
40. Projekte Deutschland.Immobilien UG, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	0	-2
41. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	24	-1
53. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	23	-2
54. Projekte Deutschland.Immobilien GmbH, Hannover (80%ige Tochter der Projekte Deutschland.Immobilien GmbH)	80.00	15	-10
60. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	9	-16
61. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	23	-2

62. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	22	-3
63. Projekte Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	23	-2
Projekte Deutschland.Immobilien Balingen GmbH & Co. KG, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	3	-23
Projekte Deutschland.Immobilien Waldmössingen GmbH & Co. KG, Hannover (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	100.00	-32	-24
Zehnte Projekte 2 Deutschland.Immobilien GmbH, Hannover (75% subsidiary of Projekte Deutschland.Immobilien GmbH)	75.00	11	-5
Projekte 2 Deutschland.Immobilien Lauben GmbH, Hannover (75% subsidiary of Projekte Deutschland.Immobilien GmbH)	75.00	10	-9
Associates consolidated at equity			
MLP Hyp GmbH, Wiesloch (49,8% stake held by MLP Finanzberatung SE)	49.80	7,438	4,438
Projekte 2 Deutschland.Immobilien GmbH (50% stake held by DI Deutschland.Immobilien AG)	50.00	1,016	317
Companies not consolidated due to immateriality			
MLP Consult GmbH, Wiesloch	100.00	2,291	-9
Uniwunder GmbH, Dresden [2] (49% stake held by MLP Finanzberatung SE)	49.00	740	582
FERI (Schweiz) AG , Zurich (Switzerland) [2] [3] (Wholly-owned subsidiary of FERI AG)	100.00	282 CHF	-249 CHF
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich [2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	231	99
FPE Private Equity Koordinations GmbH, Munich [2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	69	44
FPE Direct Coordination GmbH , Munich [2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	7	1
Feri Private Equity GmbH & Co. KG, Munich [2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	34	23
Feri Private Equity Nr. 2 GmbH & Co. KG, Munich [2] (Wholly-owned subsidiary of FERI Trust GmbH)	100.00	3	0
AIF Komplementär GmbH, Munich [2] (25% stake held by FERI AG)	25.00	38	12
AIF Register-Treuhand GmbH, Bad Homburg v.d. Höhe [2] (Wholly-owned subsidiary of FERI AG)	100.00	13	-26
DIEASS GmbH, Kiel [1] (Wholly-owned subsidiary of DOMCURA AG)	100.00	26	-14
innoAssekuranz GmbH, Kiel [1] (Wholly-owned subsidiary of DOMCURA AG)	100.00	25	-554
DIFA Research GmbH, Berlin [4] (49% stake held by MLP Finanzberatung SE)	49.00	25	-
WiD Wohnungen in Deutschland GmbH & Co. KG, Mainz (50% stake held by Projekte Deutschland.Immobilien GmbH)	50.00	235	237
Projekt Deutschland.Immobilien Tengen GmbH, Saarbrücken (50% stake held by Projekte Deutschland.Immobilien GmbH)	50.00	-199	1,533
Convivo Wohnparks Deutschland.Immobilien Wittmund GmbH & Co. KG, Hannover (50% stake held by Projekte Deutschland.Immobilien GmbH)	50.00	-729	-718
Projekte Deutschland.Immobilien Bad Goegging GmbH, Neustadt an der Donau (50% stake held by Projekte Deutschland.Immobilien GmbH)	50.00	11	-10
30. Projekte Deutschland.Immobilien GmbH, Hannover (50% stake held by Projekte Deutschland.Immobilien GmbH)	50.00	-91	-114
Achte Projekte 2 Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte 2 Deutschland.Immobilien GmbH)	50.00	218	2,003
Neunte Projekte 2 Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte 2 Deutschland.Immobilien GmbH)	50.00	10	-2
Zwölfte Projekte 2 Deutschland.Immobilien GmbH, Hannover (Wholly-owned subsidiary of Projekte 2 Deutschland.Immobilien GmbH)	50.00	8	-3
Care Beteiligungs GmbH, Gießen (50% stake held by Projekte 2 Deutschland.Immobilien GmbH)	25.00	42	9
Seniorenresidenz „Dr-Unruh-Str. Wismar“ Immobilien GmbH & Co.KG, Gießen (41% stake held by Projekte 2 Deutschland.Immobilien GmbH)	20.50	-134	-80
Seniorenresidenz Velten GmbH & Co. KG, Gießen (41% stake held by Projekte 2 Deutschland.Immobilien GmbH)	20.50	-2,245	-2,216
Convivo Wohnparks Deutschland Immobilien GmbH, Hannover (50% stake held by DI Deutschland.Immobilien AG)	50.00	15	-1
WD Wohnungsverwaltung Deutschland GmbH, Hannover (Wholly-owned subsidiary of DI Deutschland.Immobilien AG)	100.00	-59	-56

[1] A profit and loss transfer agreement is in place: Presentation of the net result for the year before profit transfer.
[2] Shareholders' equity and net profit from the annual financial statements 2018.
[3] Currency conversion rate as at the balance sheet date: € 1 = CHF 1.08743.
[4] Founded in 2019. Statement of initial capital. Financial statements are not available yet.

Disclosures on non-consolidated structured entities

Structured entities are companies for which the voting rights or comparable rights are not the dominant factor when determining control, such as when voting rights refer exclusively to administrative duties and the relevant activities are governed by contractual agreements. Examples of structured companies include securitisation companies, asset-backed finance companies and private equity companies. As is also the case with subsidiaries, the structured entities need to be consolidated whenever MLP SE controls them.

Non-consolidated structured entities of the MLP Group are **private equity companies**. Due to the fact that they engage in similar activities, disclosures on non-consolidated structured entities are bundled.

The activities of the companies focus on establishing, maintaining and managing a portfolio of passive investments (target companies), in particular by acquiring shareholdings. The investments primarily comprise shareholdings and are regularly financed by shareholders' equity. The business model prescribes utilisation of potential returns for equity suppliers through investments in shareholdings via an umbrella fund concept. The objective is to generate income for the equity suppliers on the basis of two different approaches; firstly through regular dividend payouts from profitable target companies, and secondly by selling participations for a profit towards the end of the shareholding. The companies generally do not have any business operations of their own or employ any staff.

The carrying amounts of non-consolidated structured entities in the MLP Group are € 103 thsd as of December 31, 2019 (previous year: € 171 thsd). In the financial year 2019, MLP SE recorded an income of € 2,298 thsd from non-consolidated structured entities (previous year: € 1,595 thsd).

The MLP Group's maximum risks of loss from non-consolidated structured entities correspond to the investment carrying amount.

5 Business combinations

In order to facilitate the strategic expansion of the real estate business, MLP acquired 75.1% of the shares in the DI Group on September 2, 2019 in a share deal.

The company is a marketplace for investment properties and collaborates with around 6,000 sales partners. The comprehensive online platform comprises both third-party real estate projects and, in selected areas, also real estate projects developed in-house - above all in the field of senior-citizen housing and nursing care. The company will continue to pursue and further strengthen this business model. There is also additional synergy potential in the existing business with MLP's private clients and in the MLP Group overall.

The total purchase price comprises an initial purchase price of € 13,000 thsd and a performance-linked purchase price component, to be paid in two tranches, which is linked to business performance of the DI-Group from 2019 to 2021. The amount of the performance-linked purchase price component is not limited. Taking into account the planned earnings development of the DI Group, MLP applied an amount of € 18,077 thsd for the remaining purchase price components upon first time recognition at the closing date. MLP has agreed a right of first refusal for the outstanding shares that currently remain with the management of the company.

The following section presents the method for determining goodwill on the basis of the provisional purchase price allocation:

Net assets of DI-Group acquired

All figures in €'000	Carrying amount before purchase	Adjustment	Fair value
Intangible assets	18	4,391	4,409
Property, plant and equipment	144	–	144
Investments accounted for using the equity method	518	–	518
Deferred tax assets	166	–	166
Financial assets	97	–	97
Inventories	6,341	–	6,341
Tax refund claims	419	–	419
Other receivables and assets	9,043	–	9,043
Cash and cash equivalents	1,050	–	1,050
Assets	17,798	4,391	22,189
Provisions	–481	–	–481
Liabilities	–15,516	–	–15,516
Deferred tax liabilities	–11	–1,449	–1,460
Debts	**–16,009**	**–1,449**	**–17,458**
Net assets	**1,789**	**2,942**	**4,731**
of which pro rata share of net assets MLP			3,539
of which minorities			1,192
Acquired goodwill			27,538
Purchase price			
2nd and 3rd tranche of the purchase price discounted			**18,077**
Cash outflow from the acquisition			13,000

Goodwill essentially comprises anticipated synergies from the business combination and the staff base of the DI-Group. None of the goodwill recognised is to be deductible for tax purposes.

As of December 31, 2019, the DI-Group contributed to Group net profit with its net profit of € -1,576 thsd and revenue of € 1,908 thsd. If the company acquisition had been performed at the start of the year and based on a significantly simplified assumption this would have resulted in Group net profit of € 36,464 thsd as of December 31, 2019 and revenue for 12 months of € 693,691 thsd.

6 Significant discretionary decisions, estimates and changes in estimates

On occasions, the preparation of the financial statements included in IFRS consolidated financial statements requires discretionary decisions, assumptions and estimates, which influence the level of the disclosed assets and debts, the disclosures of contingent liabilities and receivables, the income and expenses of the reporting period and the other disclosures in the consolidated financial statements.

The estimates include complex and subjective measurements, as well as assumptions, some of which are uncertain due to their very nature and can be subject to changes. The actual values may deviate from the estimates.

Information on significant discretionary decisions, assumptions and estimation uncertainties that have the greatest impact on the amounts disclosed in the consolidated financial statements when applying the accounting policies is provided in the following notes:

- → Note 4 – aggregation principles for structured entities
- → Note 7 – recognition of revenue at a point in time or over time, as well as determination of the revenue level with variable transaction prices
- → Notes 7 and → 22 – impairment test (discounted cash flow forecasts and significant assumptions applied)
- → Notes 7, → 24 to 28 and → 37 – classification and measurement of financial instruments, as well as fair value disclosures.
- → Notes 7, → 24, → 28 and → 31 – allowances for bad debts
- → Notes 7, → 31 and → 36 – provisions and corresponding refund claims as well as contingent assets and liabilities
- → Notes 7 and → 31 – measurement of defined benefit obligations
- → Notes 7 – Measurement of leasing liabilities
- → Note 20 – recognition of tax receivables/tax reserves
- → Note 29 – cash and cash equivalents – composition of cash and cash equivalents

7 Accounting policies

The application scope of IFRS 15 includes mutual contracts in which the other contracting party qualifies as a client, i.e. concludes a contract with MLP regarding receipt of services or real estate objects from ordinary business activities in return for payment. The identification of a client with regard to MLP's transactions can be performed regularly and easily.

Since there is no requirement for a mutual client contract, IFRS 15 is not applied to **dividend earnings** (IFRS 15.BC28). Revenue generated from these transactions is to be recorded in accordance with the applicable standard. **Interest income**, too, does not fall within the scope of IFRS 15. In line with the provisions of IFRS 9, this is also recorded using the effective interest method.

IFRS 15 standardises the following cumulative requirements of contracts with clients:

- The contracting parties have approved the contract and are obligated to fulfil their mutual services.
- The rights of each party and the payment conditions with regard to the goods to be delivered /services to be provided can all be identified.
- The contract has commercial substance (in the sense of anticipated effects on the company's future cash flows).
- The company is likely to receive the payment.

Pursuant to IFRS 15, recognition of revenue is tied to fulfilment of independent benefit obligations, according to which the services are transferred to the client if the client gains control of the respective assets. Accordingly, MLP only recognises revenue when the client gains the "authority of disposal".

Depending on the way in which control is transferred to the client, IFRS 15 provides recognition of revenue at a point in time or over time. MLP recognises revenue from pure brokerage services (in particular acquisition commission and dynamic commission) at a point in time. Recognition of revenue over time is, in particular, performed for sustainable services (for example portfolio management, fund management). In these cases, MLP recognises revenue at the level of the fixed and performance-linked compensation for the services performed for clients in the period.

In the fields of **old-age provision, non-life insurance and health insurance**, commission income is generated from the brokering of insurance products. Acquisition commission is recorded at the time of contract conclusion. Commission income from unit-linked old-age provision products that is paid on a pro rata basis is recognised at a specific point in time, taking into account a probable percentage of completion.
MLP receives dynamic commissions for contract adjustments that involve extended insurance coverage. Similarly to commission from the brokering of the basic policy, these are recognised when the dynamic increase takes effect.

In the old-age provision and health insurance consulting field, MLP receives commission payments pertaining to the management of contracts for ongoing support of the policyholder. The service is performed over a period of time, which leads to a situation in which respective revenue is to be recognised over time. The contractual conditions stipulate payment within around three months.

Due to the obligation to refund portions of the commission received if brokered insurance policies are terminated prematurely, the amount of commission to which brokers are entitled is tied to uncertainties. Pursuant to IFRS 15, there is a **variable transaction price**. MLP estimates the transaction price on the basis of statistical empirical values for the risk of termination and mortality. Revenue is recorded to the extent that it is highly probable that there will be no significant cancellations in a future period.

The contractual assets, as well as the liabilities to MLP consultants and branch office managers associated with these, are disclosed at the face value of the commission still to be anticipated.

Insofar as the insurers pay brokerage commission in advance but with a right to reversal, MLP establishes provisions for cancellation risks on the basis of empirical values and capitalises the associated refund claims against MLP consultants and branch office managers. The change in provisions is disclosed under revenue, while the change in the refund claim associated with this is disclosed under commission expenses.

Revenue from **wealth management** contains both revenue to be recognised at a point in time and over time. Revenue recognised at a point in time includes issue surcharges/premiums, custody fees, account management fees, mutual fund brokerage fees, as well as brokerage and trailer commissions from wealth management mandates. Other wealth management revenue recognised at a point in time result from research services. Revenue is recognised over time, in particular, for services performed in the fields of fund management and investment consulting. Alongside fixed compensation, MLP also records variable payments in these fields of business, the level of which is based on the performance achieved in the respective accounting period. The agreed term of payment is set at an average of 30 days.

Commission income from the brokering of loans (credit brokering commission) is attributed to revenue from the **loans and mortgages** business. MLP realises brokerage commissions for loan brokerage after concluding the respective loan agreement. The same applies to **real estate brokerage**: Here, revenue is realised when signing the notarised purchase contract. In the case of real estate development, revenue is recognised on the basis of construction progress and the anticipated revenue or accrued costs over time.

Other commission and fees are generated at the level to which consulting services are performed. They are paid in particular for consulting services to companies on setting up occupational pension provision schemes, for consulting services in connection with medical practice financing and business start-ups.

In addition to this, **revenue is generated from the interest rate business**. Revenue from the interest rate business also includes interest income from the investment of funds of MLP Banking AG.

Interest income is earned by MLP for the duration of the capital investment in line with the effective interest method. Commissions that are part of the effective interest return of a receivable are treated as interest income and recorded in those periods in which they are actually earned. They include commitment interest for giving loan commitments or taking over an existing liability. The company realises fees for other current handling and processing services (for example prematurity compensation) after providing these services.

Interest income from the investment of money from other Group companies is a constituent of the **finance cost** and is earned for the duration of the capital investment in line with the effective interest method, while dividends are recognised the moment an entitlement to payment arises.

Currency translation

The euro is the functional currency of all companies consolidated in MLP's consolidated financial statements. The Group operates virtually exclusively in Germany and Luxembourg.

Fair value

A range of accounting policies and Group disclosures require determination of the fair value for financial and non-financial assets and liabilities. For the determination of the fair value of an asset or liability, MLP uses data observed in the market insofar as possible. If there is no active market on the closing date, the fair value is determined using recognised valuation models. Based on the input factors used in the valuation models, the fair values are classified in various tiers within the fair value hierarchy as per IFRS 13:

(1) Fair values at hierarchy level 1 are determined using prices available in active markets for the identical financial instrument (quoted market prices).
(2) The fair values at hierarchy level 2 are either determined using prices on active markets for comparable but not identical financial instruments or using valuation techniques based primarily on data from observable markets.
(3) When using valuation techniques, which incorporate a key parameter that cannot be observed in the market, fair values are assigned to hierarchy level 3.

If the input factors used to calculate the fair value of an asset or liability can be assigned to various tiers in the fair value hierarchy, the entire measurement of fair value is assigned to the tier in the fair value hierarchy that corresponds to the lowest input factor of overriding importance for the measurement.

The Group recognises re-assignments between the various tiers in the fair value hierarchy at the end of the reporting period in which the respective amendment was implemented.

You can find further information on the assumptions made when determining fair values in → Note 37.

Intangible assets

Intangible assets are disclosed at their acquisition or manufacturing costs minus all accumulated depreciation and amortisation charges as well as accumulated impairment losses. MLP does not apply the revaluation method.

Definite-lived intangible assets need to be estimated with regard to the depreciation methods and duration. The respective useful life periods are defined on the basis of empirical values. Due to changed overall economic circumstances, the amortisation period may need to be adjusted, which can have significant effects on the level of amortisation expenses. At MLP this mainly concerns client relations and software. Definite-lived intangible assets are usually written down on a straight-line basis over their economic life.

Intangible assets generated internally are only capitalised at their cost of conversion if the conditions required pursuant to IAS 38 are fulfilled. The cost of conversion includes all costs directly attributable to the development process and appropriate portions of development-related overheads.

Goodwill and other **indefinite-lived intangible assets** are not amortised. The indefinite-lived intangible assets are subjected to an impairment test once a year or when there are indications of an impairment. These tests are either performed individually or at the level of a cash-generating unit. At MLP, this in particular affects the brands acquired within the scope of business combinations.

Business combinations require estimates of the fair value of the assets acquired, assumed debts and contingent liabilities purchased. Property, plant and equipment are usually valued by independent experts, while marketable securities are shown at their stock market price. If intangible assets are to be valued, MLP either consults an independent external expert or calculates the fair value based on a suitable valuation method, generally discounted cash flows, depending on the type of asset and the complexity involved in calculating the value. Depending on the type of asset and the availability of information, various valuation techniques are applied (market-price-oriented, capital-value-oriented and cost-oriented methods). For instance, when valuing trademarks and licences, the relief-from-royalty method may be appropriate, whereby the value of intangible assets is assessed on the basis of royalties saved for trademarks and licences held by the company itself.

Insofar as cash-generating units are restructured, a re-allocation of the goodwill assigned to these units is performed on the basis of the relative revenue values. Brands are re-allocated on the basis of sustainable revenue or relative revenue values.

MLP tests **goodwill** from business combinations for impairment at least once a year. For the purpose of the impairment test, goodwill is allocated to cash-generating units at the acquisition date. The impairment test compares the carrying amount of the cash-generating units with their recoverable amount. The recoverable amount is the higher amount of either the fair value less costs of sale or the value in use of the cash-generating unit. This requires an estimate of the value in use of the cash-generating unit, to which the goodwill is allocated. To this end, corporate management must estimate the likely future cash flow of the cash-generating units. The calculation of the present value of anticipated future cash flows is based on assumptions on the portfolio development, future sales volumes and expenses. The cash flow estimate is based on detailed planning periods with a planning horizon of four years. In addition to this, an appropriate discount rate must be selected to determine the present value of this cash flow.

Property, plant and equipment

Items of property, plant and equipment are measured at cost and, if applicable, less straight-line depreciation and impairment losses. MLP does not apply the revaluation method. For further details, please refer to → Note 16.

The profits or losses resulting from the disposal of assets are determined as the difference between the net disposal proceeds and the carrying amount and are recognised in the income statement as other revenue or other operating expenses in the period in which the item is derecognised. Maintenance and minor repairs are recognised in the income statement immediately.

Impairment test

The carrying amount of all indefinite-lived intangible assets, intangible assets that are not yet ready for use and goodwill is tested at the end of each financial year.

The significant assumptions that are used when calculating the recoverable amount in the form of the use value are the discount rates, terminal value growth rates and growth rate of earnings before tax. The discount rate is based on a risk-free basic interest rate plus a company-specific risk premium, which is derived from the systematic market risk (beta factor) and the current market risk premium. The discounted cash flow model is based on future cash flows over a period of four years. Cash flows after this time period are extrapolated using a growth rate, which is based on the management's estimate of the long-term average annual growth rate in earnings before tax. For further details, please refer to → Note 20.

Inventories

Inventories essentially comprise developed and undeveloped land that is held for resale, as well as finished goods in the form of apartments that have not yet been sold. Land held for resale is recognised in the balance sheet at the lower value of either the acquisition costs or the net sale value. Finished goods are recognised in the balance sheet at the lower value of either the acquisition/manufacturing costs or the net sale value.

Leasing

The Group rents office buildings and vehicles. The rental agreements for office buildings are typically concluded for up to 10 years, while the rental agreements for vehicles have an average term of between 3 and 4 years. To maintain operational flexibility with regard to the portfolio of agreements, MLP incorporates extension and termination options as a contractual strategy element.

For lessees, IFRS 16 introduces a uniform approach for the accounting of leases, based on which right-of-use assets and liabilities for payment obligations are to be recognised for all leases in the balance sheet. For lease objects of low value and for short-term leases (fewer than 12 months), the simplified application rules are applied. The option to capitalise non-lease components (service) as per IFRS 16.15 is not applied. In addition, the option to separate leasing and non-leasing components (service) is also applied. Non-leasing components are not taken into account in the recognised right-of-use asset.

When recognised for the first time, assets and liabilities from leases are recorded at present value. The leasing liabilities include the present value of following lease payments:

- Fixed payments, including in-substance fixed payments, minus any lease incentives
- Variable lease payments, which are linked to an index or interest rate, initially valued using the index interest (rate) for the provision period.
- Anticipated payments of the Group from the use of residual value guarantees
- The exercise price of an option to buy, whose exercising by the Group is reasonably certain.
- Penalties in the context of terminating a lease, provided the term takes into account that the Group will exercise the termination option.

When measuring leasing liabilities, lease payments for extension periods are also taken into account, provided the exercise of the extension option is deemed sufficiently certain. Lease payments are discounted at the underlying implied interest rate, provided it can be readily determined. Otherwise – and this is generally the case in the Group – discounting is performed at the Group-wide uniform lessee's incremental borrowing rate on the basis of Group-wide uniform maturity bands, i.e. the interest rate that the respective lessee would have to pay if he needed to borrow funds in order to acquire a comparable value for a comparable term with comparable security under comparable conditions. For further details, please refer to → Notes 3 and → 19.

The Group is exposed to potential future increases in variable lease payments that can result from a change to an index or an interest rate. These potential changes in leasing rates are not taken into account in the leasing liability until they come into effect. As soon as changes to an index or interest rate have an effect on the leasing rates, the leasing liability is adjusted to the right of use. Leasing rates are split into principal and interest payments.

Rights of use are measured at acquisition costs, which have the following structure:

- The initial measured value of the leasing liability
- All lease payments made on or before provision, minus all leasing incentives received
- All initial direct costs accrued by the lessee
- Estimated costs accrued by the lessee during removal and disposal of the underlying asset, during restoration of the location in which it is located or when returning the underlying asset to the condition stipulated in the leasing agreement

Rights of use are amortised on a straight-line basis over the shorter of the two time periods of the term of use and the term of the underlying leasing agreement. If exercising an option to buy is reasonably certain from the perspective of the Group, the underlying asset is amortised over its useful life.

MLP sublet a small amount of office space in the financial year. For further details, please refer to → Note 23.

Investments accounted for using the equity method

The acquisition costs are annually updated by taking into account the equity changes of the associates corresponding to MLP’s equity share. Unrealised gains and losses from transactions with associates are eliminated based on the percentage of shares held. The changes of the pro rata shareholders' equity are shown in the company’s income statement under earnings from investments accounted for using the equity method. Dividends received reduce the carrying amount. For further details, please refer to → Note 18.

Financial instruments

Under IFRS 9, financial assets are ***classified*** in three categories in accordance with a uniform model:

(1) financial assets measured at amortised cost (AC),
(2) financial assets measured at fair value through other comprehensive income (FVOCI) and
(3) financial assets measured at fair value through profit or loss (FVPL).

Financial assets whose cash flows exclusively comprise interest and principal payments are classified on the basis of the business model. The assessment as to whether a financial asset comprises solely interest and principal payments is based on the commercial substance of the cash flows and not on the contractual designations. All contractual agreements which increase the risk or volatility in the contractual cash flows are not consistent with an elementary credit agreement and therefore represent a violation of the cash flow criterion. However, those contractual conditions that either have only a very small influence on the contractual cash flows (de minimis) or are non-genuine can be disregarded for the assessment of the cash flow criterion.

MLP purchases financial assets exclusively with the objective of collecting contractual cash flows. Divestments are typically concluded prior to the end of the term and all financial assets are subsumed using the "holding" business model. Divestments performed due to deterioration of the credit quality of individual assets, divestments performed near to the end of the term, as well as rare/irregular divestments or divestments of insignificant levels would not present any risk for the assignment to the "holding" business model. As there are no assets resulting from the business model "hold to collect and sell" or "sell", there are no assets which are (2) measured at fair value through other comprehensive income or (3) measured at fair value through profit or loss as at December 31, 2019.

Financial assets whose cash flows do not exclusively comprise interest and principal payments, such as shares in investment funds and derivatives, are measured at fair value through profit or loss (FVPL). MLP therefore measures shares and investment funds at fair value through profit or loss. Two debentures are structured debt instruments that do not fulfil the cash flow criterion and are also measured at fair value through profit or loss. For equity instruments, IFRS 9 provides an option for measurement at fair value through other comprehensive income (FVOCI). MLP applies this option for measurement at fair value through other comprehensive income at the individual case level. As of December 31, 2019, the option is not being exercised for any assets. In addition, IFRS 9.4.1.5 allows the optional measurement of assets at fair value to avoid or significantly reduce an accounting mismatch. MLP does not make any use of the Fair Value Option (FVO) as of December 31, 2019.

The **impairment model** under IFRS 9 incorporates expectations regarding the future and is based on the anticipated credit losses. The impairment model under IFRS 9 provides three levels and can be applied to all financial assets (debt instruments) that are measured either at amortised costs or at fair value through other comprehensive income.

Stage 1: Contains all contracts that have not experienced a significant rise in credit risk since receipt (Low Credit Risk Exemption). Presence of an investment-grade rating is assumed here. The impairment is determined on the basis of the anticipated credit loss, which is expected from default events over the next 12 months.

Stage 2: Contains financial assets that have experienced a significant rise in credit risk, but whose creditworthiness has not yet been compromised. The impairment is determined on the basis of the anticipated credit loss throughout the entire time remaining to maturity.
MLP considers the following conditions/characteristics to represent a significant rise in credit risk:

- More than 30 days in arrears
- Deterioration of the rating by at least two grades compared to the 12-month-forward rating and transfer to non-investment grade
- Intensive support

Stage 3: Contains financial assets that display objective indications of credit impairments or have default status. The anticipated credit losses are recorded as impairments throughout the entire term of the financial assets. Objective indications that a financial asset is compromised in its value include arrears of more than 90 days, as well as further qualitative information that indicates significant financial difficulties on the part of the debtor.

MLP uses the simplified method (loss rate method) for other receivables and assets. These do not have any significant financing component pursuant to IFRS 15. Based on this, these receivables are already assigned to Stage 2 during initial recognition and no estimate is performed regarding a significant increase of the credit risk. If the assets display any objective indications of credit impairments, they are transferred to Stage 3.

MLP applies various models for measurement of the anticipated credit losses, depending on the asset in question and the availability of data:

- Determination using the credit risk parameter method:
  The Expected Credit Loss (ECL) is determined through multiplicative linking of the Exposure at Default (EaD), Probability of Default (PD) and Loss Given Default (LGD) credit risk parameters. The parameters are determined in such a way that they reflect relevant events in the past, the current situation, as well as information regarding the future. In principle this can be performed using an economic model that contains all of the information gathered or by adjusting existing parameters so that the current economic environment and forecasts with regard to its future development are taken into account. This information encompasses macroeconomic factors (primarily GDP growth, unemployment rate) and forecasts regarding future economic framework conditions.
  To secure approximate consistency between the risk measurement and the recording of credit losses in the balance sheet, the PD models currently used are applied and suitably extended. In the first step, through-the-cycle PDs are derived from the existing supervisory models. Migration matrices are used for this, as a result of which future changes in creditworthiness are anticipated at portfolio level over the term. Using rating classes, the migration matrices are based on observable loan loss

histories of the portfolios in question. In the second step, the through-the-cycle PDs are adjusted using a shift factor method in such a way that the current economic environment and the future-oriented factors required by IFRS 9 are taken into account. Here, the through-the-cycle PDs (multi-year PDs) derived from rating data are transformed into point-in-time PDs through a multiplicative factor, the shift factor.

- Loss rate method:
  Under certain conditions, IFRS 9 allows use of a loss rate method that is based on the default rates for determining anticipated losses. Here, historical credit default rates are determined for defined portfolios with the same risk characteristics. Criteria for portfolio creation are contractual terms of the same design for assets, comparable counterparty characteristics, as well as similar credit ratings of the assets in the portfolio. The anticipated losses are estimated on the basis of historical losses. In contrast to the first process described, there is no explicit subdivision into the components of probability of default (PD) and loss given default (LGD). The determination period of the anticipated losses is the entire term remaining to maturity of the respective asset. When determining the loss rates, forward-looking information is considered by weighting the historic loss rates used. For example, loss rates from a period with strong economic activity will receive lower weighting, while loss rates from a period of recession will be given stronger weighting to anticipate an expected economic slump.
- Expert-based ECL determination:
  Expert-based ECL determination is performed individually using a scenario analysis, to which the expert adds the circumstances of the respective individual case. Both general values based on past experience and the specific characteristics are therefore continually considered in the calculation.

In the event of substantial contract adjustments, the original asset is derecognised and a new asset is recognised (modification). MLP is currently only making minor non-significant modifications on a small scale. The modifications performed are contractual period extensions, as well as deferred redemption payments. In these cases, the contractual revisions will not lead to the derecognition of an asset. The difference determined between the gross carrying amount of the original contract and present value of the modified contract is recognised in the income statement.

Derecognition of a financial instrument (write-off) is performed if an appropriate estimate indicates that a financial asset cannot be fully or partially realised, for example following completion of insolvency proceedings or following judicial decisions.

Purchased or Originated Credit Impaired Financial Assets (POCI) are generally financial assets that fulfil the "credit-impaired" definition on receipt. This is the case when an allocation to a default class is performed.

Subsequent to their initial recognition, **financial liabilities** are to be recognised at their amortised costs using the effective interest method. Profits or losses are recognised in the income statement on derecognition, as well as within the scope of amortisation charges. Subsequent to their initial recognition, **financial liabilities at fair value through profit or loss** are measured at their fair value. Profits or losses from the change in fair value are recognised through profit or loss.

Pension provisions

Old-age provision in the Group is performed on the basis of the defined-benefit and defined contribution old-age provision plans.

In the **defined contribution plans**, MLP pays premiums to statutory or private pension insurance institutions based on legal or contractual provisions or on a voluntary basis. After payment of the premiums, MLP has no further benefit obligations.

Commitments to pay premiums into defined contribution schemes are recognised as expenses as soon as the related service has been rendered. Pre-paid premiums are recognised as assets insofar as a right to reimbursement or reduction of future payments arises.

In accordance with IAS 19 "Employee Benefits", the provisions for pension obligations from **defined benefit plans** are measured using the projected-unit credit method.

The benefit obligations are partly covered by reinsurance. Virtually all reinsurance policies fulfil the conditions of pension scheme assets. For this reason the claims from reinsurance policies are netted against corresponding pension provisions in the balance sheet as per IAS 19.

The Group's net obligation with regard to defined benefit plans is calculated separately for each plan by estimating future benefits that the employees have earned in the current period and in earlier periods. This amount is discounted and the fair value of any pension scheme assets subtracted from this.

For the measurement of pension obligations, MLP uses actuarial calculations to estimate future events for the calculation of the expenses, obligations and entitlements in connection with these plans. These calculations are based on assumptions with regard to the discount rate, mortality and future salary, as well as pension increases. The interest rate used to discount post-employment benefit obligations is derived from the interest rates of senior, fixed-rate corporate bonds.

Revaluations of net liabilities from defined benefit plans are recognised directly under other comprehensive income. The revaluation encompasses actuarial gains and losses, income from pension scheme assets (without interest) and the effects of any upper asset limit (without interest). The Group calculates net interest expenses (income) on net liabilities (assets) from defined benefit plans for the reporting period through application of the discount rate used for valuation of the defined benefit obligations at the start of the annual reporting period. This discount rate is applied to net liabilities (assets) from defined benefit plans at this time. Any changes to net liabilities (assets) from defined benefit plans that occur as a result of premium and benefit payments over the course of the reporting period are taken into account. Net interest expenses and other expenses for defined benefit plans are recognised as profit or loss.

Further details of pension provisions can be found in → Note 31.

Other provisions

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets" other provisions are recognised when the Group has a present obligation (legal or constructive) resulting from a past event, settlement is expected to result in an outflow of resources and the obligation’s amount can be estimated reliably. They represent uncertain obligations that are measured at the amount that represents the best possible estimate of the expenditure required to fulfil the obligations.

Insofar as the level of the provision can only be determined within a range, the most likely value is used. If the probability of occurrence is equal, the weighted average is taken.

Where the effect of the time value of money is material, provisions with a time of more than one year remaining to maturity are discounted at market interest rates that correspond to the risk and the time remaining to maturity.

Reversals of provisions are recognised under other revenue.

If the Group expects to receive a reimbursement of at least part of a practically certain provision from an identifiable third party (e.g. in case of an existing insurance policy), MLP recognises the reimbursement as a separate asset. The expenditure required to set up the provision is recognised in the income statement after deduction of the reimbursement. Accordingly, the reversal of provisions is also shown net in the income statement.

For the liability arising due to the premature loss of brokered insurance policies whereby commission that has been earned must be refunded in part, MLP sets up **provisions for cancellation risks**. MLP estimates the cancellation rate by product group and the period of the underlying policy that has already run on the basis of empirical values. The period in which MLP is obliged to refund portions of the commissions due to the premature loss of a policy is determined either by the statutory provisions of the German Insurance Act or the distribution agreements that have been concluded with the product providers.

Share-based payments

Share-based payments in line with IFRS 2 "Share-Based Payment" comprise pay systems paid for in cash and using equity instruments.

The proportion of the fair value of share-based payments settled in cash attributable to services provided up to the valuation date is recognised as personnel expenses or as commission expenses and at the same time as a provision. The fair value determined based on the Monte-Carlo simulation or another suitable valuation model is recalculated on each balance sheet date and on the payment date. The recognition of the anticipated expenditure arising from this system demands that assumptions be made about turnover and exercise rates. Any change to the fair value is to be recognised in profit or loss. At the payment date, the fair value of the liability corresponds to the amount which is to be paid to the eligible employee.

Share-based payments also include those made through equity instruments (participation programme for MLP consultants and office managers). The participation programme applies to the calendar year 2019, as well as to MLP consultants and MLP branch office managers whose contracts remained unterminated and in place on December 31, 2019. The compensation to be made in the form of MLP shares is determined on the basis of the annual commission of the MLP consultant/branch office manager, applying various performance parameters, and is recorded in the 2019 consolidated financial statements as an expense with a corresponding increase in shareholders' equity.

You can find further details on the share-based payments in → Note 35.

8 Reportable business segments

The division of MLP into business segments follows the structure in place for internal reporting. The MLP Group is subdivided into the following reportable business segments:

- Financial Consulting
- Banking
- FERI
- DOMCURA
- Holding and Others

Due to the similarity of the products and services offered, as well as reliance on the same client base and identical sales channels, MLP pooled the "financial consulting", "occupational pension provision" and "DI sales" business segments under the reportable **"Financial Consulting"** business segment in accordance with IFRS 8.12. The object of the reportable **Financial Consulting** business segment is the provision of consulting services for academics and other discerning clients, particularly with regard to insurance, investments including real estate, occupational pension provision and the brokering of contracts in connection with these financial services. The segment comprises MLP Finanzberatung SE, TPC GmbH, ZSH GmbH Finanzdienstleistungen, MLPdialog GmbH, Vertrieb Deutschland.Immobilien GmbH, Web Deutschland.Immobilien GmbH, IT Deutschland.Immobilien GmbH, as well as the associate MLP Hyp GmbH.

The task of the reportable **Banking** business segment is to advise on and operate the banking business, including the securities custody business, the commission business, investment consulting and investment brokerage as well as the brokerage of insurance policies that are related to these activities.

The business operations of the reportable **FERI** business segment cover wealth and investment consulting. This segment comprises FERI AG, FERI Trust GmbH, FERI Trust (Luxembourg) S.A. and FEREAL AG.

The business operations of the reportable **DOMCURA** business segment encompass the design, development and implementation of comprehensive coverage concepts in the field of non-life insurance as a so-called underwriting agency. The segment also engages in brokerage activities. It is made up of DOMCURA AG, Nordvers GmbH, nordias GmbH insurance brokers, Willy F.O. Köster GmbH and Siebert GmbH insurance brokers.

The **Holding and Others** business segment includes significant internal services and activities of MLP SE and DI Deutschland.Immobilien AG, as well as the real estate development business of the DI Group. This comprises Projekte Deutschland.Immobilien GmbH and its subsidiaries, as well as Projekte 2 Deutschland.Immobilien GmbH. A list of subsidiaries is provided in → Note 4.

Intrasegment supplies and services are settled in principle at normal market prices. In the case of intra-group allocations, an appropriate general overhead surcharge is levied on the direct costs actually incurred.

The management makes decisions on the allocation of resources and determines segment performance on the basis of the income statement for that segment. MLP employs the accounting policies applied in the consolidated financial statements to determine financial information on the segments.

The Financial Consulting, Banking and DOMCURA segments perform their economic activities predominantly in Germany. The same applies to the real estate development business in the Holding and Others segment. The FERI segment conducts its business activities above all in Germany and in Luxembourg.

In the financial year, revenue of € 242,925 thsd was generated with two product partners in the business segments of Financial Consulting, Banking, FERI and DOMCURA. In the previous year, revenue of € 213,353 thsd was generated with two product partners in the business segments of Financial Consulting, Banking, FERI and DOMCURA.

Information regarding reportable business segments

All figures in €'000	Financial Consulting		Banking		FERI		DOMCURA		Holding and Others		Consolidation		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	369,287	347,150	81,366	75,790	161,572	146,164	88,984	83,441	108	–	-11,757	-10,408	689,561	642,137
of which total inter-segment revenue	7,870	7,138	3,887	3,269	–	–	–	–	–	–	-11,757	-10,408	–	–
Other revenue	21,609	20,259	5,337	12,757	5,139	4,672	2,092	1,860	10,380	9,173	-25,358	-24,900	19,199	23,821
of which total inter-segment revenue	12,630	13,079	3,400	3,138	17	–	–	0	9,311	8,682	-25,358	-24,900	–	–
Total revenue	**390,896**	**367,409**	**86,703**	**88,547**	**166,711**	**150,836**	**91,077**	**85,300**	**10,487**	**9,173**	**-37,115**	**-35,307**	**708,760**	**665,958**
Inventory changes	–	–	–	–	–	–	–	–	3,940	–	–	–	3,940	–
Commission expenses	-186,474	-171,665	-33,568	-30,986	-99,052	-85,348	-57,812	-54,643	-3,980	–	10,962	10,109	-369,925	-332,533
Interest expenses	–	–	-540	-556	–	–	–	–	–	–	-75	–	-615	-556
Valuation result/loan loss provisions	-13	705	-802	259	-87	-423	15	-42	-9	–	–	–	-896	500
Personnel expenses	-69,566	-66,127	-11,877	-10,764	-32,842	-32,208	-15,974	-14,866	-5,457	-4,075	–	–	-135,717	-128,039
Depreciation and impairment	-19,719	-11,672	-281	-95	-2,371	-1,262	-2,159	-1,344	-1,840	-1,586	–	–	-26,371	-15,960
Other operating expenses	-98,626	-103,261	-34,296	-33,887	-9,082	-9,822	-8,822	-9,399	-9,737	-14,140	25,492	24,981	-135,071	-145,528
Earnings from investments accounted for using the equity method	3,011	2,547	–	–	–	–	–	–	-13	–	–	–	2,998	2,547
Segment earnings before interest and tax (EBIT)	**19,509**	**17,936**	**5,339**	**12,519**	**23,276**	**21,772**	**6,325**	**5,006**	**-6,609**	**-10,627**	**-735**	**-217**	**47,104**	**46,388**
Other interest and similar income	458	663	131	2,582	-7	7	-51	7	217	-81	19	-16	767	3,161
Other interest and similar expenses	-2,276	-864	-39	-51	-541	-341	-32	-9	-1,008	-2,706	750	282	-3,145	-3,689
Valuation result not relating to operating activities	23	-6	–	–	-3	-21	-1	-3	25	-23	–	–	43	-52
Finance cost	**-1,795**	**-207**	**92**	**2,531**	**-551**	**-356**	**-85**	**-5**	**-766**	**-2,809**	**770**	**266**	**-2,335**	**-580**
Earnings before tax (EBT)	**17,714**	**17,729**	**5,432**	**15,050**	**22,725**	**21,416**	**6,240**	**5,001**	**-7,375**	**-13,436**	**34**	**48**	**44,770**	**45,808**
Income taxes													-7,844	-11,314
Net profit													**36,925**	**34,494**
Of which attributable to														
owners of the parent company													**37,327**	**34,494**
Minority interests													**-402**	**–**
Investments accounted for using the equity method	**4,630**	**4,186**	**–**	**–**	**–**	**–**	**–**	**–**	**508**	**–**	**–**	**–**	**5,138**	**4,186**
Investments in intangible assets and property, plant and equipment	**4,630**	**8,105**	**682**	**685**	**1,459**	**15,420**	**1,281**	**1,145**	**1,247**	**1,273**	**–**	**–**	**9,300**	**26,629**
Major non-cash expenses:														
Impairments/reversal of impairments on receivables	13	-705	1,443	-976	87	423	-15	42	9	–	–	–	1,538	-1,216
Increase/decrease of provisions/accrued liabilities	48,922	44,859	3,111	3,240	495	11,187	-21	3,897	5,792	4,972	–	–	58,298	68,155