Results of operations

Development of total revenue

Total revenue increased

Despite the tough market conditions already described, the MLP Group was able to increase total revenue in the financial year 2019 by 6.4% to € 708.8 million (€ 666.0 million). Total revenue therefore once again reached a new high since the sale of our own insurers. MLP benefited from the significant diversification of its revenue basis over the course of the last few years and recorded gains in all consulting fields. This growth was primarily driven by the increase in commission income by 7.7% to € 672.9 million (€ 624.8 million). As a result of the ongoing low interest rate environment, revenue from the interest rate business remained below the previous year's figure at € 16.6 million (€ 17.3 million).

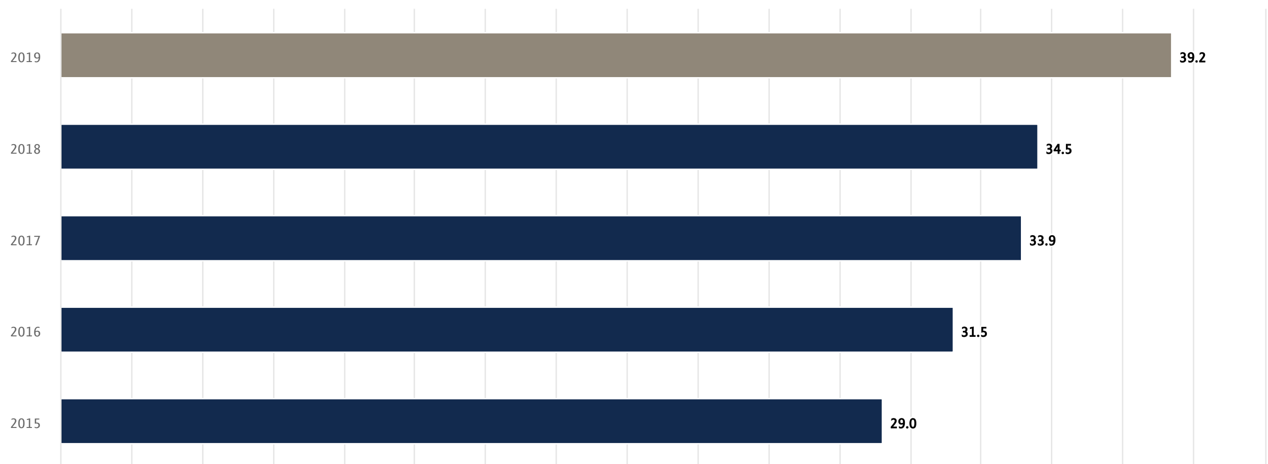
Revenue growth once again recorded in old-age provision

We were able to further increase revenue from old-age provision in the last financial year, which rose by 6.4% to € 225.8 million (€ 212.3 million). This increase can be attributed to growing new business, whose premium sum rose by 7.3% from € 3,614.1 million to € 3,881.2 Million (taking into account the change in the calculation basis announced in the previous year, the increase is 7.1% from € 3,904.2 million to € 4,183.2 Million). The share of occupational pension provision enjoyed positive development, representing 16.5% of the premium sum at the end of the year (15.4%)(20.9% and 19.3% according to new calculation basis). New business itself improved by 15.0% to € 639.5 million here (€ 556.1 million) (taking into account the change in the calculation basis announced in the previous year, the increase is 15.9% from € 754.9 million to € 875.2 Million) . MLP is continuing to play a pioneering role in the transition to new guarantees. Pension insurance policies with classic guaranteed interest rates now represent just 3.0% (4.0%) of newly brokered contracts at MLP. The proportion of new guarantees was 74.0% (76.0%), while purely unit-linked contracts represented 23.0% (20.0%).

Wealth management sets new record again

The MLP Group was once again able to record gains in the wealth management consulting field, with revenue rising by 10.6% to € 223.5 million (€ 202.0 million). Assets under management rose to a new record level of € 39.2 billion (€ 34.5 billion). This reflects gains recorded at the subsidiary FERI and, in particular, in MLP's private client business. The assets under management at MLP Banking AG rose by 21.7% to € 6.3 billion (€ 5.2 billion).

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



Revenue in the non-life insurance consulting field increased again in the last financial year. It rose by 5.2% to € 126.6 million (€ 120.3 million). The stock of non-life insurance policies also enjoyed positive development. The premium volume received through the MLP Group rose to € 405.5 million (€ 385.6 million).

Non-life insurance enjoys continued growth

At € 48.3 million (€ 47.7 million), revenue in the health insurance consulting field was also slightly up on the previous year. MLP therefore enjoyed positive development, despite the reservations displayed by many citizens in terms of signing up for fully comprehensive private health insurance policies.

Health insurance above previous year

We were also able to record significant growth in the real estate brokerage business, which we have been expanding since 2014. Revenue increased by 17.9% to € 23.7 million (€ 20.1 million) in this consulting field. Since the closing of the transaction to acquire a majority stake in DEUTSCHLAND.Immobilien on September 2, 2019, revenue from real estate project planning has also been disclosed alongside the revenue from real estate brokerage. In the reporting period, this revenue was € 0.1 million (€ 0.0 million). An extremely dynamic fourth quarter made a particular contribution to the positive development recorded for the year. The real estate volume brokered by MLP was € 294.0 million (€ 256.0 million).

Real estate brokerage displaying significant growth

We also reached a new record level in the brokerage of loans and mortgages. Revenue here improved to € 20.8 million (€ 17.8 million). At € 1,958.5 million, the brokered financing volume reached a new record level (€ 1,806.0 million).

Brokered financing volume sets new record

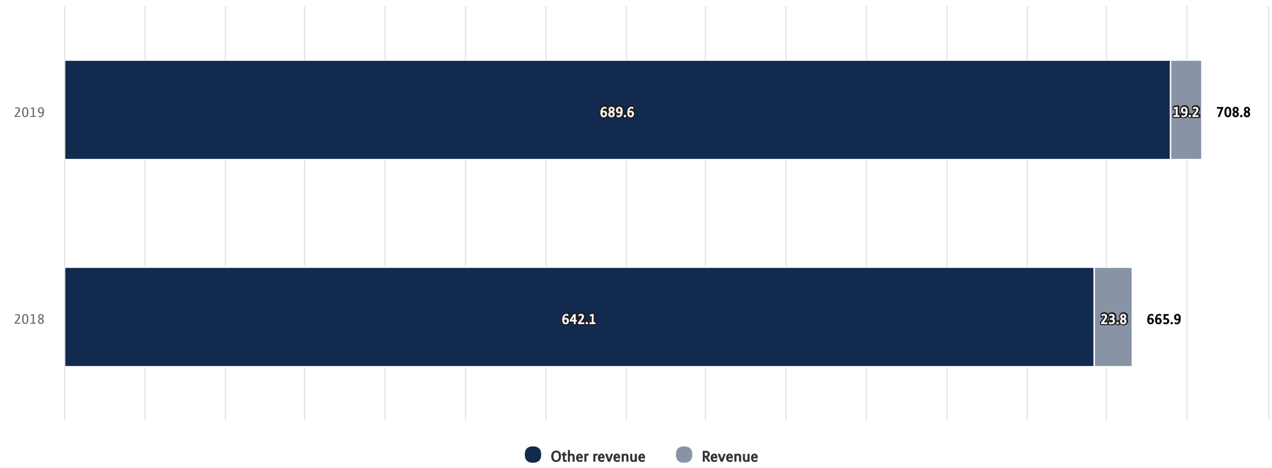
With an EBIT of € 47.1 million (€ 46.4 million) we met our forecast of achieving a slight increase, despite ongoing investments to further strengthen our university segment, and thereby to boost future sales revenue and earnings potential, as well as further implementation of the digitalisation strategy.

Forecast met

Analysis of revenue performance

Revenue rose by 7.4% to € 689.6 million in the reporting period (€ 642.1 million). Commission income, which rose from € 624.8 million to € 672.9 million, played a key part in this. This increase was supported by all consulting fields, but in particular by real estate brokerage and wealth management. Other revenue declined to € 19.2 million (€ 23.8 million). The previous year's higher figure was essentially due to one-off higher income from VAT refunds in the Banking segment. Interest income declined to € 16.6 million in the last financial year due to the ongoing period of low interest rates (€ 17.3 million). Total revenue rose to € 708.8 million (€ 666.0 million).

Development of total revenue (all figures in € million)



The old-age provision consulting field made the greatest contribution in terms of commission income. In light of the successful diversification of the revenue basis, this was still 33.6% (34.0%). Wealth management remained virtually unchanged with a share of 33.2% (32.3%). Non-life insurance represented 18.8% (19.3%). The following table provides a detailed overview.

Real estate brokerage displaying significant growth

Breakdown of revenue

All figures in € million	Share in %	2019	Share in %	2018	Change in %
Old-age provision	34%	225.8	34%	212.3	6.4%
Wealth management	33%	223.5	32%	202.0	10.6%
Non-life insurance	19%	126.6	19%	120.3	5.2%
Health insurance	7%	48.3	8%	47.7	1.3%
Real estate brokerage	4%	23.7	3%	20.1	17.9%
Loans and mortgages	3%	20.8	3%	17.8	16.9%
Other commission and fees	1%	4.3	1%	4.6	-6.5%
Total commission income		**672.9**		**624.8**	**7.7%**
Interest income		16.6		17.3	-4.0%
Total		**689.6**		**642.1**	**7.4%**

Analysis of expenses

Commission expenses primarily comprise performance-linked commission payments to our MLP consultants. They represent the largest item under expenses. This item also includes the commissions paid in the DOMCURA segment. The variable expenses result from the compensation of brokerage services in the non-life insurance business. Added to these are the commissions paid in the FERI segment, which in particular result from the activities in the field of fund administration. In this business segment, they are primarily accrued due to compensation of the depository bank and fund sales. Since the acquisition of a majority stake in DEUTSCHLAND.Immobilien, commission expenses are also accrued in the Holding and Other segment. These are essentially the result of expenses from real estate development. Against a backdrop of increased commission income, commissions paid were also above the previous year at € 369.9 million (€ 332.5 million). Net commission income therefore rose to € 303.0 million (€ 292.3 million).

Commission income above the previous year

We are also disclosing inventory changes in the income statement for the first time. These also result from real estate development and represent the change in asset values generated in the current phase of the projects within the reporting period. This item will increase in future as the respective projects progress and then decline again with the gradual sale of project units. The inventory changes were € 3.9 million in the reporting period (€ 0.0 million).

As a result of the ongoing low interest rate environment, interest expenses remained stable at € 0.6 million (€ 0.6 million). Net interest was € 16.0 million (€ 16.8 million) in total.

Gross profit (defined as total revenue less commission expenses and interest expenses, plus inventory changes) improved to € 342.2 million (€ 332.9 million).

Administration costs (defined as the sum of personnel expenses, depreciation/amortisation and impairment, as well as other operating expenses) were at € 297.1 million in the reporting period (€ 289.5 million).

Administration costs marginally increased

Personnel expenses increased to € 135.7 million (€ 128.0 million), largely influenced by a slightly higher number of employees, as well as general salary increases. Among other things, this includes € 116.8 million for salaries and wages (€ 110.4 million), € 15.9 million for social security contributions (€ 14.7 million), as well as employer-based old-age provision allowances of € 3.0 million (€ 2.9 million). Depreciation/amortisation and impairments increased to € 26.4 million (€ 16.0 million). This increase can essentially be attributed to the change in accounting for leasing liabilities as a result of the new IFRS 16 accounting standard, which has been in force since January 1, 2019. This had the opposite effect on other operating expenses, which declined from € 145.5 million to € 135.1 million. The previous year's higher figure was also influenced by VAT back payments.

Breakdown of expenses

All figures in € million	2019	in % of total expenses	2018	in % of total expenses	Change in %
Inventory changes[1]	3.9	-0.6%	0	—	>100%
Commission expenses	-370.0	55.7%	-332.5	53.4%	11.3%
Interest expenses	-0.6	0.1%	-0.6	0.1%	0.0%
Personnel expenses	-135.7	20.4%	-128.0	20.6%	6.0%
Depreciation and impairment	-26.4	4.0%	-16.0	2.6%	65.0%
Other operating expenses	-135.0	20.3%	-145.5	23.4%	-7.2%
Total	**-663.8**	**100.0%**	**-622.6**	**100.0%**	**6.6%**

[1] The income statement has been extended to include the "Inventory changes" item as a result of the acquisition of a majority stake in DEUTSCHLAND.Immobilien.

MLP Hyp GmbH once again recorded a very pleasing business development in the financial year. We hold a 49.8% stake in this company, which is operated as a joint venture together with mortgage lending broker Interhyp. At € 3.0 million, the earnings allocated to us from this company surpassed the already excellent earnings of the previous year by 20.0% (€ 2.5 million). This is also reflected in the income statement under the item "Earnings from investments accounted for using the equity method".

The EBIT of the MLP Group improved slightly in the last financial year to € 47.1 million (€ 46.4 million).

EBIT increased slightly

The finance cost declined to € -2.3 million in the last financial year (€ -0.6 million).

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

Earnings structure, as well as the development of earnings and margins

All figures in € million	2019	2018	Change in %
Total revenue	708.8	666.0	6.4%
Gross profit [1]	342.2	332.9	1.6%
Gross profit margin (%)	47.7%	50.0%	–
EBIT	47.1	46.4	1.5%
EBIT margin (%)	6.6%	7.0%	–
Finance cost	–2.3	–0.6	>100.0%
EBT	44.7	45.8	–2.4%
EBT margin (%)	6.3%	6.9%	–
Income taxes	–7.8	–11.3	–31.0%
Net profit	36.9	34.5	7.0%
Net margin (%)	5.2%	5.2%	–

[1] Definition: Gross profit results from total revenues less commission expenses and interest expenses

Earnings per share increased further

Group net profit increased by 6.7% overall to € 36.9 million (€ 34.5 million). This was essentially due to greater commission income in the reporting period, as well as a lower tax rate over the previous year.

Net profit

All figures in € million	2019	2018	Change in %
Continuing operations	36.9	34.5	7.0%
GROUP	**36.9**	**34.5**	**7.0%**
Earnings per share in € (basic)	0.34	0.32	6.3%
Earnings per share in € (diluted)	0.34	0.32	6.3%
Number of shares in millions (basic)	109.2	109.2	–
Number of shares in millions (diluted)	109.2	109.2	–

Appropriation of profits

Our dividend policy is to pay 50% to 70% of Group net profit to our shareholders in the form of dividends. MLP paid out a dividend of 20 cents per share for the financial year 2018. The total dividend paid was therefore € 21.9 million.

We have announced that we will be continuing our dividend policy for the financial year 2019. On this basis, the Executive Board and Supervisory Board will propose a dividend of € 0.21 per share to the Annual General Meeting on June 25, 2020. This corresponds to a distribution rate of around 62% of operating net profit.