

Financial position

Aims of financial management

The financial management of the MLP Group is performed by the central Treasury department in cooperation with the Controlling and Risk Management departments. Our primary objective here is to secure the liquidity of the Group at all times, control the risks involved using the various financial instruments and optimise Group-wide cash management. To this end, we employ a system of rolling liquidity planning with a time frame of 15 to 18 months.

There were no significant liabilities or receivables in foreign currencies during the reporting period, as we generate almost 100% of total income in the eurozone. It is therefore not necessary for us to hedge net items in foreign currencies by means of hedging instruments. You can find details on the financial risks in the notes to the consolidated financial statements in the → "Financial risk management" chapter.

No liabilities or receivables in foreign currencies

Financing analysis

The Group's equity capital backing and liquidity remain good. As of the balance sheet date, shareholders' equity amounted to € 424.8 million and was therefore above the previous year's level (€ 404.9 million). The Group net profit of € 34.5 million for the financial year 2018 had a significant effect on this. However, this was counteracted by the dividend payment of € 21.9 million for the financial year 2017. Due to the higher balance sheet total, the equity ratio declined from 18.7% to 17.5%. The regulatory core capital ratio was 19.6% (20.0%) on the balance sheet date. Even with today's group structure, MLP still expects increased capital requirements for the next few years in order to meet the revised definition of equity and stricter requirements of Basel III.

Equity ratio at 17.5%

At present, we are not using any borrowed funds to finance the Group. Our non-current assets are financed in part by non-current liabilities. Current liabilities due to clients and banks in the banking business represent further refinancing funds that are generally available to us in the long term. Total liabilities due to clients and financial institutions in the banking business of € 1,720.5 million (€ 1,501.2 million) essentially comprise client deposits, which have no financing function for the Group. These liabilities are offset on the assets side of the balance sheet by € 1,455.2 million (€ 1,336.2 million) in receivables from clients and financial institutions in the banking business.

Since provisions only account for 3.9% (4.1%) of the balance sheet total, they have no significant financing function for the Group. Other liabilities increased to € 165.8 million (€ 154.9 million) on the balance sheet date, while current liabilities reduced to € 141.9 million (€ 149.1 million). These are essentially liabilities from operating activities. Current liabilities are offset on the assets side by cash and cash equivalents of € 385.9 million (€ 301.0 million), which are attributable to higher deposits at the Deutsche Bundesbank, and financial investments of € 165.3 million (€ 158.5 million), as well as other current assets of € 112.1 million (€ 111.1 million).

On the balance sheet date of December 31, 2018, there were financial commitments from rental and leasing agreements amounting to € 14.0 million (€ 13.7 million). These mainly constitute liabilities from the renting of our branch offices, as well as leasing of motor vehicles and office equipment. They can result in potential total liabilities of € 62.3 million (€ 67.6 million) by the year 2024.

Liquidity analysis

Cash flow from operating activities increased to € 141.2 compared to € 115.5 million in the same period of the previous year. Here, significant cash flows result from the deposit business with our clients and from the investment of these funds.

Cash flow from investing activities changed from € -2.6 million to € -34.5 million. Compared to the same period of the previous year, investments in intangible assets and property plant and equipment were higher.

Condensed cash flow statement

All figures in € million	2018	2017
Cash and cash equivalents at beginning of period	301.0	184.8
Cash flow from operating activities	141.2	115.5
Cash flow from investing activities	-34.5	-2.6
Cash flow from financing activities	-21.9	-8.7
Change in cash and cash equivalents	84.9	104.2
Adjustments from demerger operations	-	12.0
Cash and cash equivalents at end of period	385.9	301.0

As of the balance sheet date, December 31, 2018, the MLP Group has access to cash holdings of around € 436 million. A good level of liquid funds therefore remains available. There are sufficient cash reserves available to the MLP Group. Alongside cash holdings, free lines of credit are also in place.

Capital expenditure analysis

MLP generally finances capital expenditures from cash flow. The total investment volume in intangible assets, as well as property, plant and equipment in the past financial year rose to € 26.6 million. The vast majority of investments were made in property, plant and equipment. Investments in operating and office equipment, as well as software and IT represented another focus. By increasing our free equity capital in 2017 within the scope of further optimising the corporate structure, we also significantly extended our entrepreneurial and economic room for manoeuvre – for example to make investments.

Capital expenditure

All figures in € million	2018	2017	2016	2015	2014
Intangible assets	4.4	3.4	13.7	7.9	8.9
Goodwill	—	—	—	—	—
Software (developed in house)	0.2	0.2	0.3	0.4	0.4
Software (purchased)	0.9	1.0	2.5	0.4	1.1
Other intangible assets	—	—	—	—	—
Payments on account and assets under construction	3.3	2.1	11.0	7.1	7.4
Property, plant and equipment	22.2	3.9	4.7	4.8	6.6
Land, leasehold rights and buildings	16.2	0.3	0.5	0.7	0.4
Other fixtures, fittings and office equipment	3.4	2.6	3.0	3.1	4.2
Payments on account and assets under construction	2.6	1.0	1.2	1.0	2.0
Total capital expenditures	26.6	7.3	18.4	12.8	15.4

At € 15.4 million, the vast majority of investments were made in the FERl segment. This significant increase is attributable to the purchase of the previously rented business premises by FERl AG in the third quarter of 2018. Investments in operating & office equipment, as well as IT systems to support sales represented another focus in the financial consulting segment. We invested a total of € 8.1 million in the financial consulting segment. This investment contributes to the continuous improvement of consulting support and client service. Alongside these capitalisable investments, we also use other intensive resources for these projects which are recognised as expenses in the income statement. The investment volume in the banking segment was € 0.7 million. Software and IT were the primary focuses of investment here. Investments in the DOMCURA segment amounted to € 1.1 million, with a focus on investments in operating & office equipment.

Capital expenditures by segment

All figures in € million	Total capital expenditures		Change in %
	2018	2017	
Financial consulting	8.1	1.3	>100%
Banking	0.7	3.7	-81.1%
FERl	15.4	0.5	>100%
DOMCURA	1.1	1.5	-26.7%
Holding	1.3	0.3	>100%
Total	26.6	7.3	>100%