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.

No liabilities or receivables in foreign currencies

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.

Financing analysis

In the light of today's group structure, MLP 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 19.7%

The Group's equity capital backing and liquidity remain good. As of the balance sheet date, shareholders' equity amounted to € 383.6 million and remained at the previous year's level (€ 385.8 million). The Group net profit of € 14.7 million for the financial year 2016 had a significant effect on this. However, this was counteracted by the dividend payment of € 13.1 million for the financial year 2015. Due to the higher balance sheet total, the equity ratio declined from 22.0% to 19.7%. The regulatory equity ratio was 14.2% (14.3%) on the balance sheet date.

At present, we are not using any borrowed funds in the form of securities or promissory note bond issues 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 € 1,308.8 million (€ 1,125.7 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 € 1,217.5 million (€ 1,143.0 million) in receivables from clients and financial institutions in the banking business.

Since provisions only account for 4.7% (4.9%) of the balance sheet total, they have no significant financing function for the Group. Other liabilities increased to € 146.9 million (€ 140.2 million) on the balance sheet date, Current liabilities rose to € 143.1 million (€ 137.2 million). These are essentially liabilities from operating activities. Current liabilities are offset on the assets side by cash and cash equivalents of € 184.8 million (€ 77.5 million), which are attributable to temporarily higher deposits at the Deutsche Bundesbank, and financial investments of € 162.3 million (€ 147.9 million), as well as other current assets of € 109.4 million (€ 99.3 million).

On the balance sheet date of December 31, 2016 there were financial commitments from rental and leasing agreements amounting to € 15.8 million (€ 14.5 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 € 70.9 million (€ 70.4 million) by the year 2022.

Liquidity analysis

Cash flow from operating activities increased to € 144.7 from € 58.8 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 € -18.0 million to € -41.3 million. A higher volume of new investments in financial assets were made in the reporting period than in the same period of the previous year.

Condensed statement of cash flow

All figures in € million	2016	2015
Cash and cash equivalents at beginning of period	**94.5**	**72.1**
Cash flow from operating activities	144.7	58.8
Cash flow from investing activities	-41.3	-18.0
Cash flow from financing activities	-13.1	-18.3
Change in cash and cash equivalents	**90.3**	**22.4**
Cash and cash equivalents at end of period	**184.8**	**94.5**

As of the balance sheet date, December 31, 2016, the MLP Group has access to cash holdings of around € 265.0 million. A good level of liquid funds therefore remains available. Thus there are sufficient cash reserves available to the MLP Group. Alongside cash holdings, free lines of credit are also in place. In 2016, the MLP Group was capable of meeting its payment obligations at all times.

Capital expenditure analysis

MLP generally finances capital expenditures from cash flow. The total investment volume in intangible assets and property, plant and equipment increased to € 18.4 million in the last financial year (€ 12.8 million). This increase can essentially be attributed to greater investments in sales-supporting IT systems and software.

Capital expenditure

All figures in € million	2016	2015	2014	2013	2012
Intangible assets	**13.7**	**7.9**	**8.9**	**19.5**	**7.8**
Goodwill	–	–	–	–	–
Software (developed in house)	0.3	0.4	0.4	0.4	0.4
Software (purchased)	2.5	0.4	1.1	0.6	0.4
Other intangible assets	0.0	0.0	0.0	0.0	0.0
Payments on account and assets under construction	11.0	7.1	7.4	18.5	7.0
Property, plant and equipment	**4.7**	**4.8**	**6.6**	**2.9**	**6.7**
Land, leasehold rights and buildings	0.5	0.7	0.4	0.4	0.4
Other fixtures, fittings and office equipment	3.0	3.1	4.2	1.8	5.4
Payments on account and assets under construction	1.2	1.0	2.0	0.8	0.9
Total capital expenditures	**18.4**	**12.8**	**15.4**	**22.5**	**14.5**

At € 16.6 million, the overwhelming majority of capital expenditure in the last financial year was related to investments in the financial services segment. These investments were made in operating and office equipment and here in particular in sales-supporting IT systems. They contribute to the continuous improvement of consulting support and client service. Alongside these capitalizable investments, we also use other intensive resources for these projects which are recognized as expenses in the income statement. Capital expenditure in the FERI segment was € 0.6 million, which we invested in operating & office equipment, as well as in IT. The investments in the DOMCURA segment amounted to € 0.7 million and were aimed in particular at operating & office equipment, as well as IT.

Capital expenditure by segment

	Total capital expenditure		Change in %
All figures in € million	2016	2015	
Financial services	16.6	11.2	48.2%
FERI	0.6	0.8	-25.0%
DOMCURA	0.7	0.5	40.0%
Holding	0.3	0.3	0.0%
Total	**18.4**	**12.8**	**43.8%**