

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 € 437.6 million and was therefore above the previous year's level (€ 424.8 million). The Group net profit of € 36.9 million for the financial year 2019 had a significant effect on this. However, this was counteracted by the dividend payment of € 21.9 million for the financial year 2018. Due to the higher balance sheet total, the equity ratio declined from 17.5% to 15.6%. The regulatory equity ratio was 19.2% (19.6%) 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 IV.

Equity ratio at 15.6%

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 € 1,993.2 million (€ 1,720.5 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 € 1,600.3 million (€ 1,455.2 million) in receivables from clients and financial institutions in the banking business.

Since provisions only account for 3.6% (3.9%) of the balance sheet total, they have no significant financing function for the Group. Other liabilities increased significantly to € 250.6 million (€ 165.8 million) on the balance sheet date, while the increase can essentially be attributed to the adoption of IFRS 16 and the associated leasing liabilities capitalised in this item of € 54.2 million. Purchase price liabilities in the course of acquiring a majority stake in DEUTSCHLAND.Immobilien also led to an increase here. Current liabilities declined to € 165.6 million (€ 141.9 million). These are essentially liabilities from operating activities. Current liabilities are offset on the assets side by cash and cash equivalents of € 510.8 million (€ 385.9 million), which are attributable to higher deposits at the Deutsche Bundesbank, and financial investments of € 178.6 million (€ 165.3 million), as well as other current assets of € 130.4 million (€ 112.1 million).

Liquidity analysis

Cash flow from operating activities increased to € 191.6 from € 141.2 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 € -34.5 million to € -33.3 million.

Condensed cash flow statement

| All figures in € million | 2019 | 2018 |
|--|-------|-------|
| Cash and cash equivalents at beginning of period | 385.9 | 301.0 |
| Cash flow from operating activities | 191.6 | 141.2 |
| Cash flow from investing activities | -33.3 | -34.5 |
| Cash flow from financing activities | -33.5 | -21.9 |
| Change in cash and cash equivalents | 124.9 | 84.9 |
| Cash and cash equivalents at end of period | 510.8 | 385.9 |

As of the balance sheet date, December 31, 2019, the MLP Group has access to cash holdings of around € 556 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 and property, plant and equipment was € 22.3 million (€ 26.6 million) in the last financial year. Payment of € 13.0 million for the first tranche of the purchase price for acquiring a majority stake in DEUTSCHLAND.Immobilien also represented a significant share of the total volume. The vast majority of other investments were made in the Financial Consulting segment. Investments in operating and office equipment, as well as software and IT, represented one focus here.

Capital expenditure

| All figures in € million | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-------------|-------------|------------|-------------|-------------|
| Intangible assets | 3.9 | 4.4 | 3.4 | 13.7 | 7.9 |
| Goodwill | — | — | — | — | — |
| Software (developed in house) | 0.2 | 0.2 | 0.2 | 0.3 | 0.4 |
| Software (purchased) | 1.5 | 0.9 | 1.0 | 2.5 | 0.4 |
| Other intangible assets | — | — | — | — | — |
| Payments on account and assets under construction | 2.2 | 3.3 | 2.1 | 11.0 | 7.1 |
| Property, plant and equipment | 5.4 | 22.2 | 3.9 | 4.7 | 4.8 |
| Land, leasehold rights and buildings | 0.9 | 16.2 | 0.3 | 0.5 | 0.7 |
| Other fixtures, fittings and office equipment | 3.8 | 3.4 | 2.6 | 3.0 | 3.1 |
| Payments on account and assets under construction | 0.7 | 2.6 | 1.0 | 1.2 | 1.0 |
| Purchase price DEUTSCHLAND.Immobilien | 13.0 | — | — | — | — |
| Total capital expenditures | 22.3 | 26.6 | 7.3 | 18.4 | 12.8 |

At € 17.6 million, the vast majority of investments were made in the Financial Consulting segment. Alongside payment of the first tranche of the purchase price for acquisition of a majority stake in DEUTSCHLAND.Immobilien, investments in operating, office equipment and IT systems to support sales represented further key focuses. These contribute 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 FERI segment was € 1.5 million. The previous year's higher figure was largely influenced by the acquisition of the business premises of FERI AG, which, until that time, had been rented. 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 were € 1.3 million, with a focus on investments in operating and office equipment.

Capital expenditures by segment

| All figures in € million | Total capital expenditures | | Change in % |
|--------------------------|----------------------------|-------------|---------------|
| | 2019 | 2018 | |
| Financial consulting | 17.6* | 8.1 | >100% |
| Banking | 0.7 | 0.7 | 0.0% |
| FERI | 1.5 | 15.4 | -90.3% |
| DOMCURA | 1.3 | 1.1 | 18.2% |
| Holding and Other | 1.2 | 1.3 | -7.7% |
| Total | 22.3 | 26.6 | -16.2% |

*This figure includes the purchase price payment of € 13.0 million in DEUTSCHLAND.Immobilien