

Notes to the income statement

9 Revenue

All figures in €'000	2019	2018
Old-age provision	225,825	212,251
Wealth management	223,515	202,026
Non-life insurance	126,569	120,272
Health insurance	48,308	47,707
Real estate brokerage	23,650	20,135
Loans and mortgages	20,782	17,785
Other commissions and fees	4,291	4,624
Total commission income	672,941	624,801
Interest income	16,620	17,336
Total	689,561	642,137

The commission income disclosed under revenue is recognised on a regular and point-in-time basis. Revenue recognised over time totalling € 260,845 thsd was generated from the old-age provision business in the Financial Consulting segment, from the health insurance business in the Financial Consulting and DOMCURA segments, as well as from the wealth management business in the Financial Consulting and FERI segments (previous year: € 239,637 thsd). The revenue from the interest rate business includes negative interest from lending and money market transactions of € 2,352 thsd (previous year: € 1,818 thsd).

10 Other revenue

All figures in €'000	2019	2018
Cost transfer to MLP consultants and branch office managers	3,453	2,091
Income from investments	2,422	1,775
Income from the reversal of deferred obligations	2,204	1,969
Offset remuneration in kind	1,370	1,185
Income from the reversal of provisions	1,120	2,142
Compensation of management	1,111	648
Income from the sales tax adjustment	827	7,842
Rent	402	491
Own work capitalised	354	412
Income from currency translation	73	256
Income from the disposal of fixed assets	20	16
Sundry other income	5,843	4,993
Total	19,199	23,821

For more information on income from the reversal of provisions, please refer to → [Note 31](#). Income from the reversal of provisions for economic loss, which is offset by expenses from liability insurance refund claims, is disclosed net under income from the reversal of provisions. Income from the reversal of provisions does not contain any income from provisions for the lending business or provisions for anticipated losses from the lending business. These are part of the loan loss provisions. We make reference to → [Note 14](#) here.

The item "Cost transfers to MLP consultants and branch office managers" essentially comprises income from cost transfers of insurance premiums, services and material costs.

Income from the reversal of deferred obligations are essentially attributable to the reversal of provisions for outstanding invoices.

Own work capitalised results from the collaboration of Group employees in the development of acquired software and software created in-house.

The item "Compensation for management" contains pre-allocated profits due to management tasks for private equity companies.

Among other things, sundry other income includes advertising subsidies, income from the performance of IT services, as well as income from cost reimbursement claims.

11 Inventory changes

The income statement has been extended to include the "Inventory changes" item as a result of the acquisition of a majority stake in the DI Group. Inventory changes are € 3,940 thsd as of December 31, 2019 (previous year: € 0 thsd). These result from the change in inventories at DI-Group.

12 Commission expenses

Commission expenses mainly consist of the commission payments and other compensation components for the self-employed MLP consultants.

13 Interest expenses

All figures in €'000	2019	2018
Interest and similar expenses IFRS 9		
Financial instruments measured at amortised cost	615	556
Liabilities due to clients from the banking business	234	252
Liabilities due to banks from banking business	381	305
Total	615	556

14 Valuation result/loan loss provisions

All figures in €'000	2019	2018
Provisions for risks from potential bad debts	-1,590	661
Provisions for risks from the lending business	53	555
Valuation result	642	-716
Total	-896	500

As of December 31, 2019, provisions for anticipated losses of € -1,538 thsd were recognised in accordance with IFRS 9 (previous year: € 1,216 thsd). This comprises the recognition of impairment losses for receivables of € -1,590 thsd (previous year: income from the reversal of impairment losses for receivables of € 661 thsd), as well as income from changes in provisions for anticipated losses from the lending business of € 53 thsd (previous year: € 555 thsd).

See Notes → 24 and → 31 for detailed explanations on the development of loan loss provisions.

Write-downs of financial instruments measured at fair value through profit or loss led to a valuation result of € 642 thsd. € -716 thsd).

15 Personnel expenses

All figures in €'000	2019	2018
Salaries and wages	116,847	110,444
Social security contributions	15,902	14,700
Expenses for old-age provisions and benefits	2,968	2,895
Total	135,717	128,039

Personnel expenses essentially include salaries and wages, compensation and other payments to employees. The social security contributions include the statutory contributions to be borne by the company in the form of social security insurance premiums. Expenses for old-age provisions and benefits mainly include the employer's shares of supplementary occupational pension provision.

16 Depreciation and impairments

All figures in €'000	2019	2018
Depreciation		
Intangible assets	9,218	10,330
Property, plant and equipment	17,152	5,630
Total	26,371	15,960

In the financial year 2019 depreciation of property, plant and equipment included for the first time amortisation of rights of use as per IFRS 16 of € 11,358 thsd, € 10,296 thsd thereof are attributable to rights of use on real estate depreciation and € 1,062 thsd to rights of use on vehicle depreciation. This was reduced by amortisation of rights of use from leases of € 452 thsd in the financial year.

17 Other operating expenses

All figures in €'000	2019	2018
IT operations	48,547	48,461
Consultancy	16,019	14,353
Administration operations	10,323	10,807
Other external services	10,191	9,018
External services – banking business	8,965	8,220
Representation and advertising	5,879	5,776
Premiums and fees	4,767	5,112
Travel expenses	4,105	3,823
Insurance	3,307	2,587
Training and further education	2,979	3,090
Entertainment	2,905	3,204
Expenses for MLP consultants and branch office managers	2,819	3,830
Maintenance	2,812	1,603
Other employee-related expenses	2,508	1,542
Audit	1,491	1,270
Goodwill	1,139	431
Supervisory Board compensation	948	960
Rental and leasing	567	12,500
Sales tax expense	45	5,212
Sundry other operating expenses	4,756	3,730
Total	135,071	145,528

The costs of IT operations are mainly attributable to IT services and computer centre services that have been outsourced to an external service provider.

The consulting costs are made up of tax advice costs, legal advice costs as well as general and IT consulting costs.

The expenses for administration operations include costs relating to building operations, office costs and communication costs.

The item "External services - banking business" mainly contains securities settlement and transaction costs in connection with the MLP credit card.

Expenses for representation and advertising include costs incurred due to media presence and client information activities.

The expenses for MLP consultants and branch office managers encompass the expenses resulting from the allocation of provisions for obligations towards longstanding branch office managers, for retired staff, as well as the training allowance granted to young MLP consultants.

The rental and leasing expenses essentially comprise the service rate and other expenses that are not capitalised as per IFRS 16. This includes expenses for short-term leasing of € 15 thsd and expenses for low-value leases of € 4 thsd. In the last financial year, the expenses for variable lease payments, which were not included in the measurement of leasing liabilities (for example payments at the end of a vehicle leasing agreement) were € 31 thsd. The total outflow of cash and cash equivalents for leasing was € 11,584 thsd in 2019.

VAT expenses of the previous years are the result of subsequent recognition of VAT unity within the MLP Group, which had initially not been granted within the scope of the tax audit for the years 2008 to 2012. VAT payments granted to MLP SE in 2016 as a result of this circumstance have now been imposed again.

Sundry other operating expenses essentially comprise expenses for other taxes, charitable donations, cars, literature and expenses from investments.

18 Investments accounted for using the equity method

Earnings from investments accounted for using the equity method were € 2,998 thsd in the financial year (previous year: € 2,547 thsd) and are made up from the share of earnings in MLP Hyp GmbH of € 3,011 thsd and in Projekte 2 Deutschland.Immobilien GmbH of € -13 thsd. In line with a company agreement, the profit distribution of MLP Hyp GmbH is disproportionate.

Investments accounted for using the equity method relate only to the 49.8 % stake in MLP Hyp GmbH, Wiesloch and the 50 % stake in Projekte2 Deutschland.Immobilien GmbH, Hanover. MLP Hyp GmbH operates the joint mortgage financing business of MLP Finanzberatung SE, Wiesloch, and Interhyp AG, Munich. Projekte2 Deutschland.Immobilien GmbH is an intermediate holding company within the DI Group. It holds shares in project enterprises in which real estate developments are executed.

The shares of MLP Hyp developed as follows:

All figures in €'000	2019	2018
Share as of Jan. 1	4,186	4,132
Dividend payouts	-2,567	-2,493
Pro rata profit after tax	3,011	2,547
Share as of Dec, 31	4,630	4,186

The following table contains summarised financial information on MLP Hyp GmbH:

All figures in €'000	Dec. 31, 2019	Dec. 31, 2018
Non-current assets	55	64
Current assets	11,486	10,857
Non-current liabilities	-	-
Current liabilities	4,103	4,128
Net assets (100 %)	7,438	6,793
of which MLP's share in net assets (49.8 %)	3,704	3,383
Incidental acquisition costs	151	151
Dividend payout	-3,528	-2,849
Cumulative disproportionate profit	4,302	3,501
Carrying amount of the investment	4,630	4,186
Revenue	23,542	21,172
Total comprehensive income (100 %)	4,438	3,793
of which MLP's share in total comprehensive income (49.8 %)	2,210	1,889
Disproportionate profit for the current financial year (67.2 % / previous year 66.7 %)	801	658
MLP's share in total comprehensive income	3,011	2,547

The shares of Projekte 2 Deutschland.Immobilien GmbH developed as follows as of September 1, 2019:

All figures in €'000	2019
Share as of Sep. 1	520
Dividend payouts	-
Pro rata profit after tax	-13
Share as of Dec, 31	508

The table below contains summarised financial information on Projekte 2 Deutschland.Immobilien GmbH:

All figures in €'000	Dec. 31, 2019
Non-current assets	76
Current assets	957
Non-current liabilities	-
Current liabilities	17
Net assets (100 %)	1,016
of which MLP's share in net assets (50 %)	508
Incidental acquisition costs	-
Dividend payout	-
Carrying amount of the investment	508
Revenue	0
Total comprehensive income (100 %)	-25
of which MLP's share in total comprehensive income (50 %)	-13
MLP's share in total comprehensive income	-13

19 Finance cost

All figures in €'000	2019	2018
Other interest and similar income	767	3,161
Interest expenses from financial instruments	-1,554	-531
Interest expenses from net obligations for defined benefit plans	-443	-423
Other interest costs	-1,148	-2,735
Other interest and similar expenses	-3,145	-3,689
Valuation result not relating to operating activities	43	-52
Finance cost	-2,335	-580

Other interest and similar income of € 0 thsd (previous year: € 1 thsd) relates to interest income from deposits with financial institutions that are not attributable to the banking business and € 23 thsd (previous year: € 21 thsd) relates to income from the discounting of provisions. In addition to this, other interest and similar income includes negative interest on bank deposits of € -211 thsd (previous year: € -214 thsd). Other interest and similar expenses include expenses from the accrued interest of other provisions totalling € 363 thsd (previous year: € 539 thsd).

In addition, the item comprises expenses from the accrued interest of leasing liabilities pursuant to IFRS 16 of € 587 thsd. For further details, please refer to → Note 3 and → 7.

20 Income taxes

All figures in €'000	2019	2018
Income taxes	7,844	11,314
of which current taxes on income and profit	8,571	11,199
of which deferred taxes	-727	116

The current taxes on income and profit include expenses of € -2.046 thsd (previous year: € 596 thsd) which relate to previous periods.

The current and deferred tax is calculated using the relevant country-specific income tax rate. The anticipated combined income tax rate for domestic companies is made up of corporation tax at 15.0 % (previous year: 15.0 %), the solidarity surcharge at 5.5 % (previous year: 5.5 %) and an average municipal trade tax rate of 13.34 % (previous year: 13.45 %) and amounts to 29.19 % (previous year: 29.27 %).

The taxation rates likely to be applicable at their time of implementation should be used to calculate deferred income taxes. The taxation rates used here are those that are valid or have been announced for the periods in question as of the balance sheet date.

The following reconciliation statement shows the relationship between the earnings before tax and the taxes on income and profit in the financial year:

All figures in €'000	2019	2018
Earnings before tax	44,770	45,808
Group income tax rate	29.19%	29.27%
Calculated income tax expenditure in the financial year	13,068	13,408
Tax-exempt earnings and permanent differences	-4,461	-2,756
Non-deductible expenses	1,103	1,137
Divergent trade taxation charge	184	264
Effects of other taxation rates applicable abroad	-743	-539
Income tax not relating to the period (current and deferred)	-1,699	-318
Unused losses	605	-
Other	-213	119
Income taxes	7,844	11,314

The effective income tax rate applicable to the earnings before tax is 17.52 % (previous year: 24.7 %).

The item of tax-exempt earnings and permanent differences in earnings includes profit contributions from the FERI Group and the tax-free dividends of MLP Hyp GmbH.

Non-deductible expenses result from consultancy fees in connection with Group restructuring measures, entertainment expenses, gifts, as well as non-deductible operating expenses incurred in the context of tax-exempt dividends and capital gains, Supervisory Board compensation and other relevant factors.

Legal or economic restrictions were in place for loss carryforwards of € 1,757 thsd (previous year: € 0 thsd) with regard to their usability. No deferred tax assets were therefore recognised. If full utilisation of the loss carryforwards had been possible, it would have theoretically been necessary to recognise deferred tax assets of € 573 thsd (previous year: € 0 thsd).

The tax deferrals result from the balance sheet items as follows:

All figures in €'000	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Intangible assets	978	144	11,864	10,630
Property, plant and equipment	-	-	4,782	4,503
Financial assets	115	207	118	2
Other assets	1,175	2,201	3,450	4,485
Provisions	12,812	10,878	-	8
Liabilities	2,334	1,938	504	617
Deferred income	-	-	131	-
Gross value	17,414	15,368	20,850	20,245
Netting of deferred tax assets and liabilities	10,160	-10,000	10,160	-10,000
Total	7,254	5,368	10,690	10,245

The deferred tax income recognised under other comprehensive income outside the income statement is € 2,008 thsd (previous year: € 240 thsd).

Tax refund claims include € 3,189 thsd (previous year: € 8,158 thsd) of corporation tax and € 1,304 thsd (previous year: € 4,600 thsd) of trade tax. € 476 thsd thereof (previous year: € 8,494 thsd) relate to MLP SE and € 3,882 thsd (previous year: € 4,265 thsd) to MLP Finanzberatung SE.

Tax liabilities are made up of € 2,777 thsd (previous year: € 2,543 thsd) of corporation tax and € 3,336 thsd (previous year: € 2,654 thsd) of trade tax. € 5,603 thsd thereof (previous year: € 4,431 thsd) relate to MLP SE and € 308 thsd (previous year: € 541 thsd) to MLP Finanzberatung SE.

The tax liabilities are due to taxes on the income and profit of the individual companies based on the corresponding national tax regime. Contingent tax liabilities are shown under deferred tax liabilities.

As at December 31, 2019, we had undistributed profits of subsidiaries of around € 75.4 million (previous year: € 59.8 million), for which no deferred tax liabilities were formed, as we are capable of controlling the timing of the reversal of the temporary difference and it is unlikely that the temporary difference will be reversed in the foreseeable future.

21 Earnings per share

The calculation for the basic earnings per share is based on the following data:

All figures in €'000	2019	2018
Basis of the basic net profit per share	37,327	34,494

All figures in number of units	2019	2018
Weighted average number of shares for the basic net profit per share	109,220,014	109,222,778

The basic earnings per share is € 0.34 (previous year: € 0.32).

The calculation for the diluted earnings per share is based on the following data:

All figures in €'000	2019	2018
Basis of the diluted net profit per share	37,327	34,494

All figures in number of units	2019	2018
Weighted average number of shares for the diluted net profit per share	109,334,686	109,334,686

The diluted earnings per share is € 0.34 (previous year: € 0.32).