Hypoport AG annual report for 2018

Berlin, 25 March 2019

Key performance indicators

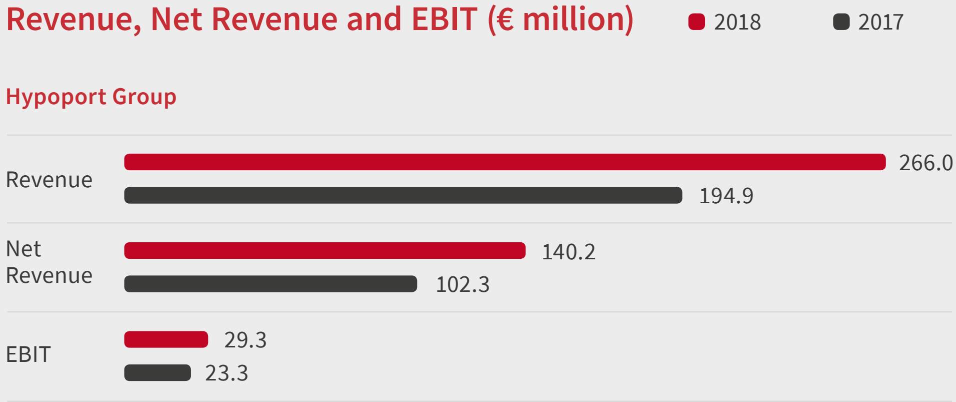
Financial performance (€'000)	01.01. – 31.12.2018	01.01. – 31.12.2017	Change
Revenue	265,958	194,855	36%
Gross profit	140,180	102,283	37%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	39,088	30,124	30%
Earnings before interest and tax (EBIT)	29,290	23,316	26%
EBIT margin (EBIT as a percentage of gross profit)	20.9%	22.8%	–8%
Net profit (loss) for the year	22,466	18,425	22%
attributable to Hypoport AG shareholders	22,466	18,422	22%
Earnings per share (€)	3.66	3.10	18%

Financial position (€'000)	31.12.2018	31.12.2017	Change
Current assets	84,645	68,376	24%
Non-current assets	220,973	72,604	204%
Equity	153,484	82,906	85%
attributable to Hypoport AG shareholders	153,170	82,600	85%
Equity ratio (%)	50.2	58.8	– 15%
Total assets	305,618	140,980	117%

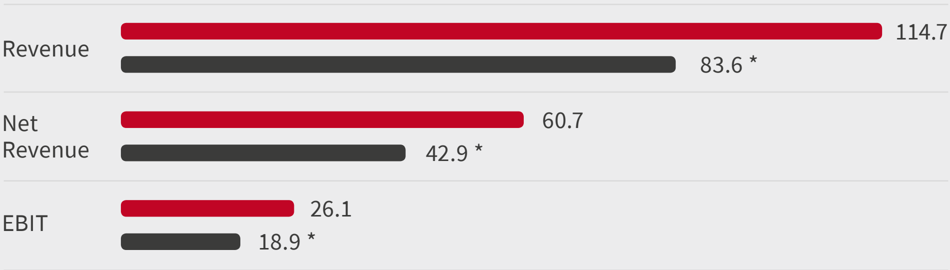
Share performance		
Number of shares	31 December 2018	6,493,376
High in 2018	24 September 2018	204.00 €
Low in 2018	2 March 2018	120.00 €
Market capitalisation	29 December 2018	962 Mio. €
Trading volume	Average per day 2018	2.2 Mio. €

Revenue, Net Revenue and EBIT (€ million)

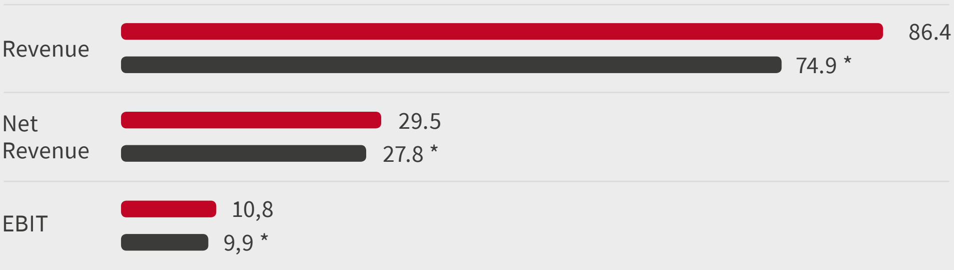
Hypoport Group



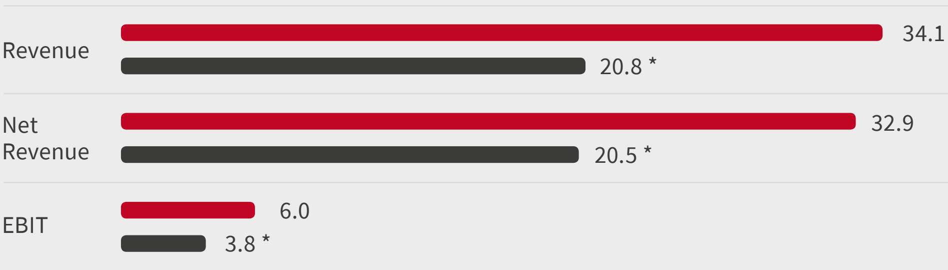
Credit platform



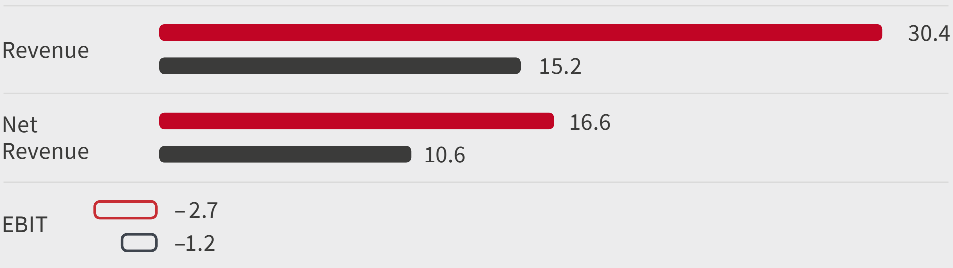
Private Clients



Real Estate platform



Insurance platform



* The comparative prior-year figures have been adjusted and are explained in section 2.1 of the notes to the consolidated financial statements "Comparative figures for 2017"

Contents

Letter to the shareholders

Dear shareholder, dear Hypoport employee,

Our Hypoport Group delivered an excellent performance in 2018. We added more companies and business models – FIO, Value AG, BAUFINEX, ASC and 1Blick – to our network and, at the same time, further expanded the business activities of the existing Hypoport companies. As a result, the revenue generated by the Group as a whole amounted to €266 million and therefore exceeded a quarter of a billion euros for the first time. This equates to impressive growth of 36 per cent. The volumes in the markets that are particularly relevant to us – the volume of new mortgage finance business and the volume of premiums in the insurance industry – increased by only 5 per cent and 2 per cent respectively, clearly underlining our strong position as a technology leader. My fellow Management Board members and I would like to express our gratitude to all of Hypoport's employees, who now number 1,500 and who made this success possible. Thank you very much!

As a result of the aforementioned increase in revenue, gross profit for 2018 climbed by 37 per cent to €140 million. This increase and the healthy level of cash flow from operating activities enabled crucial investment and expenditure on the technological integration of the acquirees and on additional sales capacity so that our Company can continue to grow. At the same time, our EBIT rose by 26 per cent to €29 million. In 2018, we therefore managed to strike the right balance between investing for future growth and increasing our earnings.

The business performance and results of the four segments in the Hypoport Group (Credit Platform, Private Clients, Real Estate Platform and Insurance Platform) are described below.

The business model of our Credit Platform segment is centred around the web-based B2B credit platform EUROPACE, which is the largest German online marketplace for the sale of mortgage finance, building finance products and personal loans. The main key performance indicator for EUROPACE operations, the volume of transactions, increased by 20 per cent to €57.9 billion in 2018. This year-on-year growth was attributable to the strong performance of all three product groups (mortgage finance, building finance and personal loans). In particular, the savings bank, cooperative bank and non-captive loan brokerage advisor user groups all increased their transaction volumes at a faster rate than the overall EUROPACE marketplace in 2018, as was also the case in previous years.

Institutions in the Savings Banks Finance Group further digitalised their sales processes through the use of FINMAS – the sub-marketplace tailored to their specific requirements – and brokered a volume of transactions involving their own and third-party loans of €4.2 billion, an increase of 74 per cent. In the cooperative banking sector, institutions used GENOPACE to generate a volume of €1.7 billion in 2018, a rise of 38 per cent compared with 2017. Furthermore, the year-on-year increases in the volume of transactions on GENOPACE in each quarter rose sharply over the course of 2018, from just under 20 per cent in the first quarter to around 35 per cent and around 40 per cent in the second and third quarters respectively, and to almost 60 per cent in the fourth quarter. One of the reasons for this was the strengthening of the relationship with Bausparkasse Schwäbisch Hall through BAUFINEX. There was also very encouraging double-digit growth in the sales volumes generated by the non-captive financial distributors that use EUROPACE. The increasing use of EUROPACE, FINMAS and GENOPACE within their respective sectors and the potential for further growth in the volume of transactions going forward can also be seen from the number of contractual partners, which rose by 23 per cent to 618.

Boosted by the two brokerage pools for independent loan brokerage advisors, Qualitypool and Starpool, which also performed well, and by white-label sales of personal loans, revenue in the Credit Platform segment jumped by an impressive 37 per cent to €115 million, which was above the €100 million mark for the first time. The segment's EBIT advanced at the slightly stronger rate of 38 per cent, reaching €26 million.

The sales volume in the Private Clients segment, with its well-known Dr. Klein brand, expanded by 30 per cent to €6.5 billion thanks to the use of EUROPACE. At the same time, the number of advisors grew by 10 per cent to 595. Demand for independent advice on financial products continues to rise, as the advantages for consumers are obvious. By comparing multiple product suppliers, neutral advisors can usually secure better mortgage terms for consumers than would be available from a bank offering just one product. The increased number of Dr. Klein advisors, especially at the offices of our franchisees, is designed to meet this growing demand. As a result of the larger transaction volume, segment revenue rose by 15 per cent to €86 million and EBIT by 9 per cent to €11 million in 2018.

The operations of the Credit Platform and Private Clients segments focus on mortgage finance, the market volume of which only increased by just under 5 per cent[1] in 2018 according to Deutsche Bundesbank. As a result of both segments outperforming the market with growth of 20 per cent and 30 per cent respectively, they again captured significant additional market share in 2018.

All property-related activities of the Hypoport Group, with the exception of loan brokerage for private clients, are grouped together in the Real Estate Platform segment (formerly Institutional Clients), which was formed in summer 2018 with the aim of digitalising the sale, valuation and management of properties. The target groups are the housing industry, bank-affiliated estate agents and mortgage lenders. The segment has three product groups: advice and loan brokerage, SaaS and property valuation.

Despite static revenue in the advice and loan brokerage product group, the revenue of the segment as a whole rose by 64 per cent to €34 million. This increase was predominantly attributable to growth by acquisition. The segment's EBIT contribution climbed by 56 per cent to €6 million.

Our Insurance Platform segment focuses on the SMART INSUR platform. In 2018, it focused on integrating the software companies that had been acquired and on expanding business relationships with existing clients (distribution organisations and B2C insurtech start-ups) to encompass all three modules of the platform (Smart Admin, Smart Consult, Smart Compare). We are making good progress with this gradual expansion of business relationships with existing clients. The acquisitions also fuelled the segment's growth in 2018, with revenue almost doubling year on

[1] Statistics from Deutsche Bundesbank for the period January to December 2018 relating to the volume of new mortgage finance business compared with 2017.

year to reach €30 million. In 2018, the Insurance Platform segment was still experiencing start-up losses and reported negative EBIT of €2.7 million. This was due to the creation of sales and IT development capacity and to expenses in connection with due diligence for and the implementation of acquisitions.

In 2018, we achieved the most successful year in Hypoport's history and will continue to add to this success story in 2019 and beyond. Our operational focus for 2019 is on the further technical, organisational and cultural integration of the recent acquirees and on utilising additional synergies between the companies in our Hypoport Group. The efficiencies resulting from our network of companies and the four segments are explained in more detail on the following pages. In view of the performance that we anticipate as a result of the integration of the companies, the unlocking of synergies and further organic growth at the existing Hypoport companies within their markets, we anticipate consolidated revenue of €310 million to €340 million and EBIT of between €32 million and €40 million for the Hypoport Group as a whole.

But we also have ambitious plans for the period beyond 2019. Our objective is nothing short of the digitalisation of the German credit, property and insurance industries. You are very welcome to join us on this journey!

Kind regards,

Ronald Slabke
Chief Executive Officer

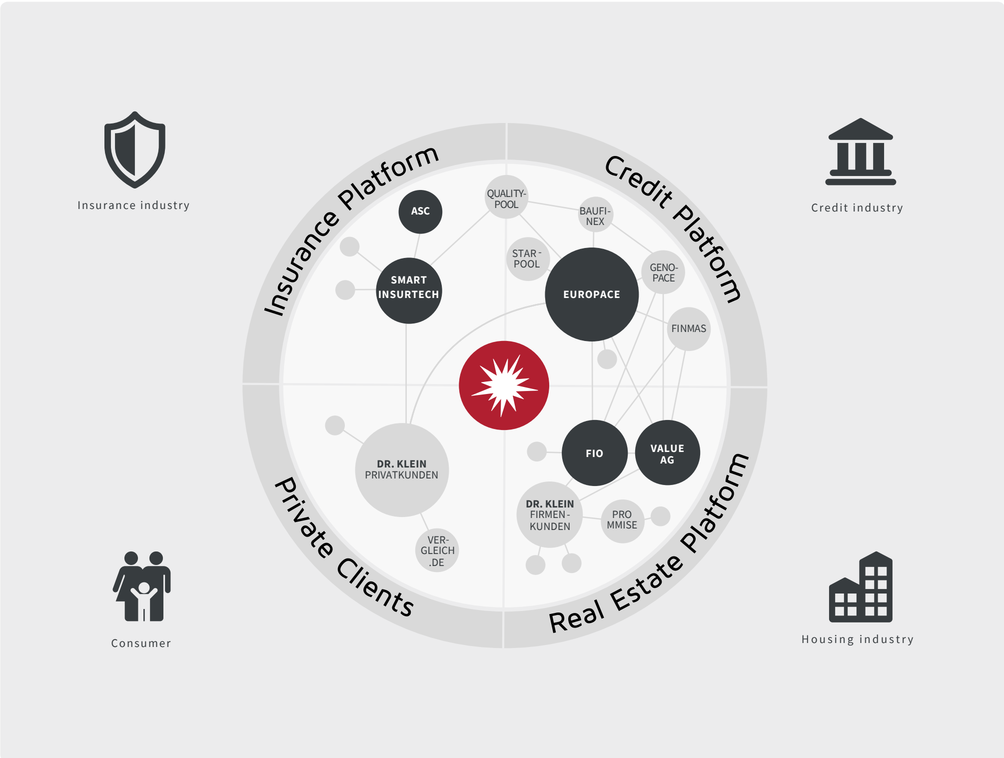
Group Management Report
Business report

1. Business and economic conditions

Business model and strategy

The companies in the Hypoport Group develop technology platforms for the credit, property and insurance industries (fintech, proptech, insurtech). The Hypoport companies are divided into four mutually supporting segments: Credit Platform, Private Clients, Real Estate Platform (until 30 June 2018: Institutional Clients) and Insurance Platform. The Group's parent company is Hypoport AG, which is headquartered in Berlin, Germany.
Within the Hypoport Group, Hypoport AG performs the role of a strategic and management holding company and provides corresponding shared services. Hypoport AG's objectives are the advancement and expansion of its network of subsidiaries.

The Group is managed on the basis of an annual strategy process in which the Group's focus in terms of target markets, positioning, technologies and key financials is decided upon. The strategy process feeds into a qualitative and quantitative four-year plan. Earnings at Group level (EBIT) and total revenue, which represent the aggregate business performance of the individual operating segments, are the key performance indicators at Hypoport. The KPIs are reviewed monthly and discussed by senior management. This enables any variances from the targets to be identified at an early stage so that suitable corrective action can be taken.



Credit Platform segment

The Credit Platform segment includes the web-based B2B credit platform EUROPACE, which is the largest German marketplace for the sale of mortgage finance, building finance products and personal loans. Sub-marketplaces and distribution companies that are tailored to individual target groups also belong to the Credit Platform segment.

The Hypoport Group, through its subsidiaries Hypoport Mortgage Market Ltd. (mortgage loans, building finance products) and EUROPACE AG (personal loans, credit insurance), operates EUROPACE, the largest credit platform for the sale of financial products for private clients in Germany. A fully integrated system links more than 600 contractual partners – banks, insurers and financial product distributors. Several thousand users execute around 400,000 transactions per year via EUROPACE. The volume generated in 2018 was around €58 billion.
In addition to EUROPACE, the Credit Platform segment includes companies specialising in individual user groups that contribute to the further growth of EUROPACE and benefit from the integration with EUROPACE.

GENOPACE GmbH is a joint venture aimed at establishing a financial marketplace within the cooperative banking sector. In addition to the credit cooperatives (Volksbanken) from Düsseldorf Neuss and Münster, which were its initial partners, all the major cooperative financial network partners are now shareholders: Münchener Hypothekenbank eG, R+V Versicherung AG, DZ Hyp AG and Bausparkasse Schwäbisch Hall AG.
FINMAS GmbH is a joint subsidiary founded with Ostdeutscher Sparkassenverband, the association of eastern German savings banks, and signs up partners for the financial marketplace within the Savings Banks Finance Group.

Starpool Finanz GmbH – a joint venture with DSL Bank, part of DB Privat- und Firmenkundenbank AG – makes the EUROPACE marketplace available to small and medium-sized financial product distributors and offers complementary packaging services.

Within the Credit Platform segment, Qualitypool GmbH provides support services via EUROPACE to small and medium-sized financial product distributors in relation to the brokerage of mortgages, building finance solutions and personal loans.

BAUFINEX GmbH, a subsidiary established in cooperation with Bausparkasse Schwäbisch Hall in 2018, provides a B2B marketplace that is focused exclusively on small-scale mortgage finance brokers from the cooperative financial network.

Dr. Klein Ratenkredit GmbH is a specialist personal loans company that supports its affiliated banking partners in the distribution of consumer loans.

Private Clients segment

The companies within the Private Clients segment primarily focus on the brokerage of residential mortgage finance products for consumers. The Hypoport Group is represented in this market by its subsidiaries Dr. Klein Privatkunden AG and Vergleich.de Gesellschaft für Verbraucherinformation mbH. As well as selling mortgage finance to consumers, the companies in this segment offer their clients various financial products in the categories of consumer loans, insurance and basic banking products (e.g. instant-access accounts).

Initial customer interest is generated online, while subsequent advice is provided by means of online comparisons, on the telephone or, more often, through the Dr. Klein franchise system of highly qualified financial advisors in face-to-face meetings. In each case, the advisor uses the EUROPACE and SMART INSUR platforms to select the best products for the client from a broad selection of all appropriate banks and insurance companies. This comprehensive advice is independent of product suppliers and provides consumers with benefits in terms of efficiency and the quality of the product range. The subsidiary Dr. Klein Finance S.L.U. was founded to advise German borrowers in Mallorca.

Real Estate Platform segment (until 30 June 2018: Institutional Clients)

All property-related activities of the Hypoport Group, with the exception of loan brokerage for private clients, are grouped together in the Real Estate Platform segment with the aim of digitalising the sale, valuation and management of properties.
The DR. KLEIN Firmenkunden AG brand has been a major financial service partner to the housing industry since 1954. DR. KLEIN Firmenkunden provides its institutional clients in Germany with a fully integrated service comprising expert advice in the business lines of loan brokerage, insurance, portfolio management and digitalisation.

FIO SYSTEMS GmbH was acquired in 2018 and offers software as a service (SaaS) solutions for the housing industry that focus on enterprise resource planning (ERP), rental management, payments processing and management of insurance claims. This has extended the range of services for the housing industry and led to a significant increase in the use of digital technologies. FIO Systems also provides a comprehensive platform that enables bank-affiliated estate agents and large broker organisations in Germany to fully digitalise their business operations.

Value AG, which was also acquired in 2018 and operates across Germany, provides mortgage valuation services to help banks, insurers and building finance associations make their lending decisions. These services in combination with FIO's broker software and the EUROPACE platform create a seamless process for purchasing and valuing private residential property in Germany and arranging the necessary finance.

Hypoport B.V., the Group's subsidiary based in Amsterdam, helps banks to analyse and report on securitised or collateralised loan portfolios.

Insurance Platform segment

The Insurance Platform segment brings together all of the Hypoport Group's activities relating to insurance technology. To this end, Smart InsurTech AG develops and operates a fully integrated platform for the sale and administration of insurance products. In addition, Qualitypool GmbH (insurance business unit) and further distribution service companies provide support services to small and medium-sized financial product distributors in relation to the brokerage of insurance.

Economic conditions

The Hypoport Group's business activities are almost exclusively limited to Germany. As a result, the following situation analysis relates to the social and economic trends in Germany as part of the eurozone.

The German economy, with its traditional focus on exports, faced heightened uncertainty in 2018 due to the lack of clarity about how the United Kingdom will leave the European Union (Brexit), the rise of populist and anti-EU parties and the trade dispute between the United States and the EU. However, this broad macroeconomic environment has only a subordinate and indirect influence on the performance of the Hypoport Group. The sector-specific market environment in which the Hypoport Group operates – the German credit, property and insurance industries – is thus independent of conditions in the wider economy (for further details, see the section 'Sectoral performance'). The only macroeconomic variables that, along with the industry-specific factors listed below, have a degree of influence on consumers' and the housing industry's willingness to borrow are gross domestic product (GDP), interest rates and inflation.

In 2018, Germany's GDP grew by 1.5 per cent, which was slightly slower than the rate of 2.2 per cent recorded in 2017 but still in positive territory. Germany's leading economic research institutes, the German Council of Economic Experts and the German government expect further growth in 2019, although they are mostly predicting a somewhat slower pace of expansion. Depending on their assessment, their forecasts range from 1.0 per cent to 1.6 per cent.

The rate of inflation in the eurozone had been 1.5 per cent in 2017. In the period January to April 2018, inflation compared with the respective month of 2017 was at a low level of between 1.1 per cent and 1.4 per cent, but then leaped to between 1.9 per cent and 2.2 per cent in the period May to November. In December 2018, inflation fell sharply to 1.6 per cent. Although the rate of inflation was slightly above the target set by the European Central Bank (ECB) of "below, but close to, 2.0 per cent" for a few months of 2018, it dropped significantly in the last two months of the year.

Sectoral performance

Credit industry for residential property

The credit industry for residential property is influenced by various industry-specific factors. The following three factors are the most important:

- Developments in the housing market,
- Regulatory requirements for brokers and suppliers of residential mortgages,
- Level of interest rates for mortgage finance.

The first factor, operational developments in the housing market, has shown itself to be the dominant factor in the performance of the residential mortgage finance market in Germany in recent years. According to information provided by the German Federal Statistical Office, the number of planning approvals for new-build housing (excluding communal accommodation) increased from 275,862 to 279,858 (a rise of just 1.4 per cent) in the period January to November 2018 compared with the corresponding prior-year period.

New orders, which naturally follow the trend in planning permissions, also increased. The volume index for the primary construction industry for residential construction rose – adjusted for calendar and seasonal effects (2015 = 100) – from 117.1 in 2017 to 121.8 in 2018. Rising prices for residential construction in the same period resulted in an even stronger increase in the value index from 122.9 in 2017 to 133.9 in 2018.

The Central Association of the German Construction Sector and the Main Association of the German Construction Industry estimate that around 300,000 new homes were completed in 2018. This would equate to a rise of roughly 5 per cent compared with 2017.

Supply in the housing market therefore increased slightly, but not enough to offset the impact of Germany's high level of net inward migration and the build-up of surplus demand over many years. Demand for housing remained high in 2018, particularly in major cities and conurbations, due to drivers such as immigration from other European countries, the wish to live independently for longer in later life and the growing number of one-person households.

Regarding the second factor, regulations, it is evident that mounting European and domestic regulation is adversely affecting the financial services market in Germany. For years, banks and insurance companies in particular have been forced to use significant resources to implement laws and directives (e.g. the EU's Mortgage Credit Directive, Basel III, Solvency II, MiFiD 2 and IDD 2). As these resources could otherwise have been used to strengthen operations, the overall impact of the regulations has been to inhibit market performance.

The third factor, the level of interest rates, plays a subordinate role when consumers are deciding whether to buy property. For this group, being able to secure the right property at the right time for an affordable price is more important than the mortgage rate. By contrast, small interest-rate rises have a significant effect on the performance of the markets relevant to the advice and loan brokerage product group in the Real Estate Platform segment.

The average Dr. Klein interest rate[1] remained within a very narrow range of 1.72 per cent to 1.76 per cent during the first five months of 2018 but jumped briefly to 1.84 per cent in June 2018 before falling to the lower level of 1.63 per cent to 1.71 per cent in the period July to December. It thus remained fairly static over 2018 as a whole.

The interaction of these factors caused the volume of new mortgage finance business, based on Deutsche Bundesbank statistics (Bundesbank time series BBK01.SUD231), to rise to €241 billion in 2018, a year-on-year increase of 4.8 per cent (2017: €230 billion). In 2017 and 2016, this volume had fallen by 2 per cent and 4 per cent respectively year on year, which is why the market's growth in

[1] €150 thousand loan value, 2 per cent repayment, 80 per cent loan-to-value ratio, ten-year fixed interest rate.

2018 can be interpreted as a normalisation effect. For further information about expected sectoral performance, see the section 'Outlook'.

Insurance market

In 2018, premium income in the insurance industry (volume of premiums) rose by a modest 2.1 per cent compared with the prior year. According to the German Insurance Association (GDV), the premium income collected by its members totalled €202.2 billion (2017: €198.0 billion). As life insurance products and private health insurance continued to suffer due to low interest rates and new legislation, the increases in premiums of 1.4 per cent and 1.7 per cent respectively were only around the rate of inflation in 2018. Life insurance products generated total premium income of €91.9 billion (2017: €90.7 billion) and private health insurance €39.7 billion (2017: €39.1 billion) in the year under review. Premium income from non-life insurance rose much more sharply, advancing by 3.3 per cent to €70.6 billion (2017: €68.3 billion).

Business performance

Hypoport's consolidated revenue rose by 36 per cent to €266.0 million in the reporting year (2017: €194.9 million). The revenue forecast of between €240 million and €260 million was therefore exceeded. This significant increase was attributable both to the organic growth of the existing companies in the Hypoport Group and to the acquisition of companies that contributed to consolidated revenue for the first time in 2018. The Hypoport Group's earnings before interest and tax (EBIT) advanced from €23.3 million to €29.3 million. This year-on-year increase of 26 per cent was the consequence of the healthy growth of revenue. The EBIT forecast of between €29 million and €34 million was therefore achieved. The slightly slower pace of earnings growth relative to revenue growth was due to the disparate performance of the individual segments and product groups, some of which presented a mixed picture in terms of profit margins, and due to expenses incurred in connection with the integration of the new companies. Details of the performance of the individual segments can be found below.

Explanation of the changes to the segments

As described in the report for the first half of 2018, the companies FIO SYSTEMS AG (FIO) and Value AG were consolidated within the Hypoport Group and allocated to the since renamed Institutional Clients segment in May 2018. To reflect the changed focus of the business model underlying the Institutional Clients segment following the integration of the business models of FIO and Value AG, the name of this segment was changed to Real Estate Platform. Due to similarities in the business models and client bases of the newly acquired Value AG and the existing Hypoport Group company HypService GmbH, the latter was reallocated to the Real Estate Platform segment in 2018, having belonged to the Credit Platform segment until 2017.

The other acquisition, ASC Assekuranz-Service Center GmbH, was consolidated with effect from 30 June 2018 and is part of the Insurance Platform segment. Some minor reallocations were also made within the Credit Platform and Private Clients segments in 2018. The Private Clients segment used to be home to a service offering that closely mirrors the proprietary sales operations of Dr. Klein Privatkunden AG in organisational terms and offers other financial product distributors the opportunity to sell white-label EUROPACE-based personal loans. However, more and more EUROPACE partners are now using this service, so this part of the personal loans product group no longer fits into the consumer-oriented Private Clients segment. The smaller portion of the personal loans product group that involves Dr. Klein advisors for private clients brokering personal loans to consumers will remain part of the Private Clients segment. This change creates a clearer distinction between the two segments in terms of client focus. The Credit Platform segment continues to position itself with a B2B business model, whereas the Private Clients segment and its main brand Dr. Klein is focusing even more on a B2B2C business model incorporating franchisees. The prior-year figures in the following section have been restated accordingly. For further information, see the disclosures in section 2.1 'Comparative figures for 2017' of the notes to the consolidated financial statements. The revenue and selling expenses stated below for the individual segments include revenue with other segments of the Hypoport Group and associated selling expenses.

Credit Platform segment

The Credit Platform segment includes the web-based B2B credit platform EUROPACE, which is the largest German marketplace for the sale of mortgage finance, building finance products and personal loans, plus sub-marketplaces and distribution companies that are tailored to individual target groups.

EUROPACE brings together two groups: distribution organisations (non-captive distribution organisations, savings banks, cooperative banks, private banks) and product suppliers (savings banks, cooperative banks, private banks). The volume of transactions processed on EUROPACE in 2018 went up by 20 per cent to €57.9 billion, compared with €48.2 billion in 2017. This year-on-year growth was attributable to the strong performance of all three product groups (mortgage finance, building finance and personal loans). The volume for 2018 in the largest product group, mortgage finance, advanced by 18 per cent to €44.9 billion (2017: €38.0 billion). The two smaller product groups, building finance and personal loans, increased their volume from €7.6 billion and €2.7 billion respectively in 2017 to €9.4 billion and €3.6 billion in 2018. This equates to growth of 23 per cent and 34 per cent respectively.

Furthermore, FINMAS, the sub-marketplace for institutions in the Savings Banks Finance Group, and GENOPACE, the sub-marketplace for cooperative banks, both increased their transaction volumes at a faster rate than the overall EUROPACE marketplace in 2018, as was also the case in previous years. Institutions in the Savings Banks Finance Group further digitalised their sales processes through the use of FINMAS – the sub-marketplace tailored to their specific requirements – and brokered a 74 per cent higher transaction volume (2018: €4.2 billion; 2017: €2.4 billion). The success of FINMAS in increasing the volume of sales can be explained by the fact that further contractual partners have been secured and that the savings banks are now using EUROPACE more intensively in their sales channels.

In the cooperative banking sector, institutions used GENOPACE to generate a volume of €1.7 billion in 2018, a year-on-year rise of 38 per cent (2017: €1.2 billion). Furthermore, the year-on-year increases in each quarter rose sharply over the course of 2018, from just under 20 per cent in the first quarter to around 35 per cent and around 40 per cent in the second and third quarters respectively, and to almost 60 per cent in the fourth quarter. One of the reasons for this buoyant growth was the strengthening of the relationship with the newest GENOPACE shareholder Bausparkasse Schwäbisch Hall, for example through the new joint venture BAUFINEX (see the section ‘Business model and strategy’).

There was also encouraging double-digit growth in the sales volumes generated by the non-captive financial distributors that use EUROPACE. Product suppliers on the lending marketplace are divided into three groups: private banks and insurance companies, savings banks and cooperative banks. Traditionally the largest group, private banks and insurance companies achieved further growth in the volume that they generated as product suppliers to €44.3 billion (2017: €39.5 billion). The savings banks and cooperative banks, which have not made much use of digital technologies to date, also reported further increases in new lending business, generating volumes as product suppliers of €8.4 billion (2017: €5.4 billion) and €5.2 billion (2017: €3.3 billion) respectively. This equates to rises of 55 per cent and 60 per cent respectively. With a combined increase of around €5.0 billion in the volume generated on EUROPACE as product suppliers, the savings banks and cooperative banks therefore grew more strongly than the private banks and insurance companies for the first time.

The increasing use of EUROPACE, FINMAS and GENOPACE within their respective sectors can also be seen from the number of contractual partners (product suppliers and distributors), which rose by 23 per cent to 618 (31 December 2017: 501). Of this total, there were 233 contractual partners attributable to FINMAS (2017: 183; up by 27 per cent) and 292 to GENOPACE (2017: 228; up by 28 per cent).

Boosted by the two brokerage pools for independent loan brokerage advisors, Qualitypool and Starpool, which also performed well, and by white-label sales of personal loans, the Credit Platform segment reported very significant increases in both revenue and earnings in 2018.

Revenue and earnings

In 2018, revenue in the Credit Platform segment rose by a substantial 37 per cent to €114.7 million (2017: €83.6 million). Gross profit minus selling expenses – which are incurred almost exclusively in connection with the two brokerage pools and the white-label sales of personal loans due to the business model – climbed by 41 per cent to €60.7 million (2017: €42.9 million). On the back of this increase, earnings before interest and tax (EBIT) advanced by 38 per cent to €26.1 million (2017: €18.9 million). The Credit Platform segment’s operating performance can be seen from the EBIT margin, which is based on gross profit. At 43 per cent, this margin was little changed on the previous year owing to continued high levels of future-oriented capital expenditure on expanding sales capacity – particularly at the regional banks – and on IT development for new marketplace functions.

Financial figures Credit Platform	2018	2017*	Change
Transaction volume (billion €)			
Total	57.9	48.2	20%
thereof Mortgage finance	44.9	38.0	18%
thereof Building finance	9.4	7.6	23%
thereof Personal loan	3.6	2.7	34%
Partners (number)			
EUROPACE (incl. GENOPACE und FINMAS)	618	501	23%
GENOPACE	292	228	28%
FINMAS	233	183	27%
Revenue and earnings (million €) *			
Revenue	114.7	83.6	37%
Gross profit	60.7	42.9	41%
EBIT	26.1	18.9	38%

* The comparative prior-year figures have been adjusted and are explained in section 2.1 of the notes to the consolidated financial statements "Comparative figures for 2017"

Private Clients segment

The Private Clients segment, made up of the web-based, non-captive financial product distributor Dr. Klein Privatkunden AG and the consumer comparison portal Vergleich.de (collectively referred to below as ‘Dr. Klein’), brings together all business models aimed at directly advising consumers on mortgage finance, insurance and pension products (B2C business model, or B2B2C including franchisees).

Dr. Klein offers advice on these products at more than 200 locations. This advice is mainly provided through a franchise system with more than 180 franchisees. The segment also has seven Hypoport flagship stores located in German metropolitan areas. The network of sites has already been optimised in terms of coverage, which means further growth will be largely determined by the number and performance of the advisors at the individual locations. As at 31 December 2018, a further 54 advisors had been added, taking the total to 595 (31 December 2017: 541; up by 10 per cent).

The increase in the number of advisors enabled the segment to satisfy the growing demand from consumers for neutral financial advice from non-captive advisors, a trend that has been ongoing for quite some time now. Consequently, the volume of new loans brokered rose by around 30 per cent to €6.5 billion in 2018 (2017: €5.0 billion).

Revenue and earnings

Revenue in the Private Clients segment advanced by 15 per cent to €86.4 million in 2018 (2017: €74.9 million). Commission paid to distribution partners (mainly franchisees) and lead acquisition fees paid to third parties are deducted from the segment’s revenue to give the figure

for gross profit. This rose by 6 per cent to €29.5 million (2017: €27.8 million). The lower rate of growth in gross profit was attributable to the exceptional performance of the franchise partners compared with the flagship stores and to a change in the product mix. EBIT went up by 9 per cent to €10.8 million (2017: €9.9 million).
The operating performance of the Private Clients segment can be seen from the EBIT margin, which is based on gross profit and increased slightly from 35 per cent in 2017 to 36 per cent in the year under review.

Financial figures Private Clients	2018	2017*	Change
Transaction volume (billion €)			
Financing total	6.52	5.02	30%
Number of franchise advisors (financing)	595	541	10%
Revenue and earnings (million €)	2018	2017*	
Revenue	86.4	74.9	15%
Gross profit	29.5	27.8	6%
EBIT	10.8	9.9	9%

* The comparative prior-year figures have been adjusted and are explained in section 2.1 of the notes to the consolidated financial statements "Comparative figures for 2017"

Real Estate Platform segment (until 30 June 2018: Institutional Clients)

All property-related activities of the Hypoport Group, with the exception of loan brokerage for private clients, are grouped together in the Real Estate Platform segment, which was formed in summer 2018 with the aim of digitalising the valuation, marketing and management of properties. The target groups are the housing industry, estate agents and mortgage lenders. The segment has three product groups: advice and loan brokerage, SaaS and property valuation.

Revenue and earnings

The volume of transactions in the advice and loan brokerage product group came to €1.9 billion (2017: €2.2 billion). This decrease of 13 per cent was due to the relative lack of stimulus from interest rates during 2018. Despite the smaller volume of transactions, revenue in the advice and loan brokerage product group held steady year on year at around €14.3 million thanks to individual high-commission, large-volume brokerage transactions and an increase in revenue from advice products.

This sum, plus the revenue from the newly established SaaS and property valuation product groups (approximately €10.9 million and €8.8 million respectively) resulted in total revenue for the Real Estate Platform segment of around €34.1 million (2017: €20.8 million; up by 64 per cent). The segment's gross profit climbed by 60 per cent to €32.9 million (2017: €20.5 million). EBIT for the segment as a whole amounted to €6.0 million, an increase of 56 per cent (2017: €3.9 million). The weaker rise in EBIT relative to revenue and gross profit can be attributed to the fact that the property valuation product group is not yet very profitable, to high levels of capital expenditure on expanding the SaaS product offering and to the building up of additional sales capacity in the advice and loan brokerage product group.

Financial figures Real Estate Platform	2018	2017*	Change
Transaction volume (million €)			
Brokered loans	1,896	2,172	– 13%
Revenue and earnings (million €)			
Revenue	34.1	20.8	64%
thereof Advice and loan brokerage	14.3	14.3	0%
thereof Software as a Service (Saas)	11.0	5.0	120%
thereof Property valuation	8.8	1.4	> 100%
Gross profit	32.9	20.5	60%
EBIT	6.0	3.8	56%

* The comparative prior-year figures have been adjusted and are explained in section 2.1 of the notes to the consolidated financial statements "Comparative figures for 2017"

Insurance Platform business unit

The Insurance Platform segment, which was formed in 2017, brings together all of the Hypoport Group's activities relating to insurance technology. In 2018, it focused on integrating the companies that had been acquired and on expanding business relationships with existing clients (distribution organisations and B2C insurtech start-ups) to encompass all modules of the SMART INSUR platform.

Revenue and earnings

The revenue of the Insurance Platform segment, which was formed in 2017, doubled from €15.2 million to €30.4 million in 2018 due to organic growth resulting from further increases in revenue from the SMART INSUR platform and due to the acquisitions of ASC and 1Blick. The segment's gross profit also went up, rising by 56 per cent to €16.6 million (2017: €10.6 million). In 2018, the Insurance Platform segment experienced start-up losses and reported negative EBIT of €2.7 million (2017: negative EBIT of €1.2 million). This was due to the creation of sales capacity and IT development capacity and to expenses in connection with due diligence for and the implementation of acquisitions.

Financial figures Insurance Platform	2018	2017	Change
Revenue and earnings (million €)			
Revenue	30.4	15.2	99%
Gross profit	16.6	10.6	56%
EBIT	– 2.7	– 1.2	– 122%

2. Financial performance

Financial performance	2018 €'000	2017 €'000	Change €'000
Revenue	**265,958**	**194,855**	**71,103**
Commissions and lead costs	– 125,778	– 92,572	– 33,206
Gross Profit	**140,180**	**102,283**	**37,897**
Own work capitalised	10,714	6,985	3,729
Other operating income	3,953	4,517	– 564
Personnel expenses	– 81,748	– 58,562	– 23,186
Other operating expenses	– 34,272	– 25,354	– 8,918
Income from companies accounted for using the equity method	261	255	6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**39,088**	**30,124**	**8,964**
Depreciation, amortisation expense and impairment losses	– 9,798	– 6,808	– 2,990
Earnings before interest and tax (EBIT)	**29,290**	**23,316**	**5,974**
Net finance costs	– 1,159	– 327	– 832
Earnings before tax (EBT)	**28,131**	**22,989**	**5,142**
Current income taxes	– 7,219	– 4,746	– 2,473
Deferred taxes	1,554	182	1,372
Net profit for the year	**22,466**	**18,425**	**4,041**

Against the backdrop of the operating performance described above, EBITDA increased by a substantial 30 per cent to €39.1 million (2017: €30.1 million) and EBIT rose to €29.3 million (2017: €23.3 million).

Own work capitalised largely relates to the pro-rata personnel expenses and operating costs incurred by developing and refining the internally generated financial marketplaces. The increase in own work capitalised clearly reflects the expansion of investing activities within the Group. In the reporting year, 48 per cent of total development costs were capitalised (2017: 46 per cent). Other operating income mainly comprised income of €1.1 million from employee contributions to vehicle purchases (2017: €0.8 million), income of €1.1 million from the reversal of provisions (2017: €1.0 million) and income of €0.6 million from other accounting periods (2017: €1.9 million).

Personnel expenses went up because the average number of employees during the period advanced from 917 to 1,353 (primarily as a result of acquisitions) and due to hiring in the existing Group companies and salary increases.

The rise in other operating expenses essentially relates to administrative expenses of €13.2 million (2017: €9.4 million) and operating expenses of €10.6 million (2017: €8.6 million).

Of the depreciation/amortisation expense and impairment losses of €9.8 million (2017: €6.8 million), €4.7 million (2017: €3.8 million) was attributable to capitalised development costs.

The net finance costs mainly comprised interest expense and similar charges of €1.1 million (2017: €0.4 million), which stemmed from bank loans totalling €79.8 million (2017: €16.1 million).

The Hypoport Group's average finance costs fell again in 2018.

3. Net assets

The following information on the structure of the Hypoport Group's assets, equity and liabilities as at 31 December 2018 is based on the balance sheet figures aggregated according to liquidity. Receivables and liabilities falling due less than twelve months after the balance sheet date are reported as 'current', while all others – unless shown separately – are reported as 'non-current'.

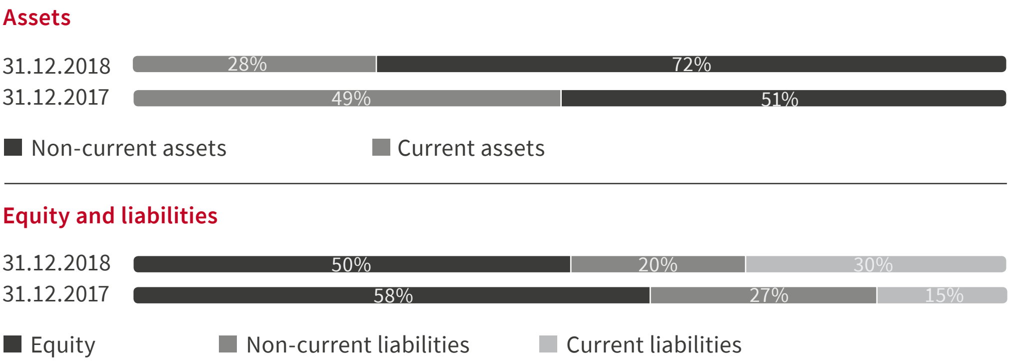
Net assets

Assets	2018 €'000	%	2017 €'000	%	Change €'000
Intangible assets	190,636	62.7	55,971	39.7	134,665
Property plant and equipment	10,332	3.4	4,447	3.2	5,885
Investments accounted for using the equity method	290	0.1	1,428	1.0	– 1,138
Financial assets	6,500	2.1	1,050	0.7	5,450
Trade receivables	7,562	2.5	6,671	4.7	891
Other assets	1,065	0.3	1,287	0.9	– 222
Deferred tax assets	4,588	1.5	1,750	1.2	2,838
Non-current assets	**220,973**	**72.3**	**72,604**	**51.5**	**148,369**
Inventories	780	0.3	0	0.0	780
Trade receivables	47,974	15.7	42,664	30.3	5,310
Other current items	3,521	1.2	11,252	8.0	– 7,731
Income tax assets	609	0.2	127	0.1	482
Cash and cash equivalents	31,761	10.4	14,333	10.2	17,428
Current assets	**84,645**	**27.7**	**68,376**	**48.5**	**15,489**
Total assets	**305,618**	**100.0**	**140,980**	**100.0**	**164,638**

Equity and Liabilities	2018 €'000	%	2017 €'000	%	Change €'000
Subscribed capital	6,493	2.1	6,195	4.4	298
Treasury shares	– 246	– 0.1	– 249	– 0.2	3
Reserves	146,923	48.1	76,654	54.5	70,269
	153,170	50.1	82,600	58.6	70,570
Non-controlling interest	314	0.1	306	0.2	8
Equity	**153,484**	**50.2**	**82,906**	**58.8**	**70,578**
Financial liabilities	70,956	23.2	13,360	9.5	57,596
Provisions	34	0.0	87	0.1	– 53
Other liabilities	7,400	2.4	0	0.0	7,400
Deferred tax liabilities	11,770	3.9	7,031	5.0	4,739
Non-current liabilities	**90,160**	**29.5**	**20,478**	**14.5**	**69,682**
Provisions	250	0.1	95	0.1	155
Financial liabilities	9,780	3.2	2,942	2.1	6,838
Trade payables	32,543	10.7	23,338	16.6	9,205
Current income tax liabilities	3,778	1.2	951	0.7	2,827
Other liabilities	15,623	5.1	10,270	7.3	5,353
Current liabilities	**61,974**	**20.3**	**37,596**	**26.7**	**24,378**
Total equity and liabilities	**305,618**	**100.0**	**140,980**	**100.0**	**164,638**

The Hypoport Group's consolidated total assets as at 31 December 2018 amounted to €305.6 million, which was a 117 per cent increase on the total as at 31 December 2017 (€141.0 million).

Balance sheet structure



Non-current assets totalled €221.0 million (31 December 2017: €72.6 million). They largely consisted of goodwill of €140.5 million (31 December 2017: €24.8 million) and development costs for the financial marketplaces of €36.0 million (31 December 2017: €24.7 million).

Other current assets essentially comprised prepaid expenses of €1.1 million (31 December 2017: €1.0 million) and commission of €0.8 million paid in advance to distribution partners (31 December 2017: €0.5 million).

The equity attributable to Hypoport AG shareholders as at 31 December 2018 had grown by €70.6 million, or 85.4 per cent, to €153.2 million, mainly due to the issue of new no-par-value shares in Hypoport AG in a volume of €46.9 million and the net profit for the year of €22.5 million. The equity ratio decreased from 58.8 per cent to 50.2 per cent, owing to the marked increase in total assets.

Other non-current liabilities related to purchase price liabilities resulting from a debtor warrant agreed with the former shareholders of ASC Assekuranz-Service Center GmbH.

Other current liabilities mainly comprised bonus commitments of €4.7 million (31 December 2017: €4.2 million) and tax liabilities of €2.2 million (31 December 2017: €1.4 million).

Total financial liabilities went up, the main components of this change being scheduled repayments of bank loans totalling €7.7 million and new loans taken out amounting to €70.5 million.

4. Financial position

The changes in the Company's liquidity position at the balance sheet date are shown in the table below.

Liquidity position at the balance sheet date	31.12.2018 €'000	31.12.2017 €'000	Change €'000
Current liabilities	61,974	37,596	24,378
Cash and cash equivalents	31,761	14,333	17,428
	30,213	23,263	6,950
Other current assets	52,884	54,043	– 1,159
Surplus cover	**22,671**	**30,780**	**– 8,109**

The cover ratio of non-current assets to non-current equity and liabilities is shown in the table below.

Cover ratio	31.12.2018 €'000	31.12.2017 €'000	Change €'000
Non-current assets	220,973	72,604	148,369
Equity	153,484	82,906	70,578
	67,489	– 10,302	77,791
Non-current liabilities	90,160	20,478	69,682
Surplus cover	**22,671**	**30,780**	**–8,109**

137 per cent (31 December 2017: 182 per cent) of the current liabilities of €62.0 million (31 December 2017: €37.6 million) are covered by current assets. 69 per cent (31 December 2017: 114 per cent) of non-current assets are funded by equity.
The year-on-year changes in the key figures from the Company's balance sheet, income statement and cash flow statement are shown below.

	31.12.2018	31.12.2017
Return on investment = EBIT / (equity + non-current liabilities)	12.0%	22.6%
Cash flow (CF) return on equity = CF from operating activities / equity	26.0%	10.0%
EBIT margin = EBIT / gross profit	20.9%	22.8%
Tier-1 liquidity = cash and cash equivalents / current liabilities	51.2%	38.1%
Equity ratio = equity / total equity and liabilities	50.2%	58.8%
Gearing = liabilities / total equity and liabilities	49.8%	41.2%
Tier-1 capital ratio = equity / (Intangible assets + Property, plant and equipment)	76.4%	137.2%

We have used the cash flow statement to show the sources and application of funds and to disclose the changes in the Company's financial position during the year under review. The cash flow statement presented in the consolidated financial statements shows the net cash inflows and outflows broken down by type of activity (operating activities, investing activities and financing activities). Positive amounts denote a net cash inflow, while negative amounts stand for a net cash outflow.

Cash flow during the reporting period rose by €9.4 million to €33.7 million (2017: €24.3 million). The total net cash generated by operating activities in 2018 amounted to €39.8 million (2017: €8.3 million). The cash used for working capital fell by €22.1 million to €6.1 million (2017: minus €16.1 million). This reduction is partly related to the increase in working capital at the end of 2017 in connection with the acquisition of IWM Software AG.

The net cash outflow of €85.6 million for investing activities (2017: €21.2 million) primarily consisted of €63.3 million for the acquisitions of IWM Software AG, FIO SYSTEMS AG, Value AG and ASC Assekuranz-Service Center GmbH and capital expenditure of €13.9 million on non-current intangible assets (2017: €9.0 million).

The net cash of €63.2 million provided by financing activities (2017: €4.9 million) related to new bank loans amounting to €70.5 million (2017: two loans of €10.0 million) and scheduled bank loan repayments of €7.3 million (2017: €5.2 million). Cash and cash equivalents as at 31 December 2018 totalled €31.5 million, which was €17.2 million higher than at the beginning of the year. Cash and cash equivalents at the end of the period consisted exclusively of cash on hand and at banks.

At the balance sheet date, there were other financial commitments totalling €15.9 million (31 December 2017: €10.8 million) in respect of rentals, leases and maintenance agreements covering several years. Included in these other financial commitments were commitments of €4.2 million (31 December 2017: €4.2 million) due within one year, €10.1 million (31 December 2017: €5.6 million) due in one to five years and €1.6 million (31 December 2017: €0.9 million) due in more than five years.

Overall statement on the Hypoport Group's economic position:
The operating performance of the Hypoport Group was generally satisfactory and met our expectations. The financial performance can be described as very good, particularly in light of the exceptionally strong growth in revenue. The financial position can be considered stable in view of the equity ratio and level of liquidity. This also takes into account information obtained after the end of the financial year.

5. Capital expenditure and finance

Most of the capital investment in 2018 was spent on the acquisitions of IWM Software AG (insurance software), FIO SYSTEMS AG (real-estate software), Value AG (property valuation) and ASC Assekuranz-Service Center GmbH (underwriting) and on the refinement of the platforms. There was also capital expenditure in relation to the insurance platform and new advisory systems for consumers and distributors. Capital expenditure was financed by both operating cash flow and new borrowing.

6. Unrecognised assets

As at 31 December 2018, Hypoport AG held 245,406 treasury shares that, on that date, had a total market value of around €36 million. These shares can be used to service employee share ownership programmes and to fund acquisitions. For further details, please refer to 4.11 in the notes to the financial statements.
One asset that is recognised in our subsidiaries, but only to a minor extent, is internally generated software, e.g. for the processing of loan brokerage transactions or the administration of insurance portfolios.

In the course of their brokerage activities, the subsidiaries obtain information on their clients' assets and income and on the financial products sold to them. This client base and transaction portfolio constitute an unrecognised asset because this information can be used to sell further suitable financial products to the same client in future. For example, Dr. Klein in particular can also offer advice on the renewal or refinancing of existing mortgage deals well in advance of the end of the original fixed-interest period, for which it may receive another commission from the product supplier.

In the Credit Platform segment, the subsidiaries Hypoport Mortgage Market Ltd. and EUROPACE AG provide several thousand loan brokerage advisors with access to the EUROPACE marketplace so that they can process their new business in mortgages, building finance and personal loans. As a result, a substantial distribution capability is assembled, which in turn exerts a considerable appeal for further product suppliers that offer either the same or similar financial products. This potential future extension of the product range enables additional transactions to be processed on the EUROPACE marketplace and constitutes a significant unrecognised asset. It also makes it easy for affiliated loan brokerage advisors to participate in the renewal or refinancing of financial products that have already been brokered on the EUROPACE marketplace, and allows them to benefit financially in the form of additional agency commission.

Moreover, in the Private Clients segment, the Dr. Klein subsidiary possesses a brand with a positive reputation that is becoming increasingly well-known. Dr. Klein regularly comes top in the product tests and reviews conducted by independent consumer organisations, and the growing number of regional franchisees and advisors is also raising its profile beyond the internet. Many new clients are increasing the brand's recognition by recommending Dr. Klein to others after having received good advice from it. This constitutes a significant unrecognised asset, because a trusted brand provides a valuable competitive advantage in the sale of financial products.

7. Employees

The number of employees in the Hypoport Group rose by 49 per cent compared with the end of 2017 to 1,500 people, primarily because of the acquisitions (31 December 2017: 1,009 employees). The average number of people employed in 2018 was 1,353, which was a year-on-year increase of 48 per cent (2017: 917 people).

The table below gives a breakdown of the Company's employees by segment at the balance sheet date.

	31.12.2018		31.12.2017		Change	
Employees	Number	%	Number	%	Number	%
Credit Platform *	362	24	304	30	58	19
Private Clients *	273	18	220	22	53	24
Real Estate Platform *	464	31	189	19	275	146
Insurance Platform	271	18	183	18	88	48
Holding	130	9	113	11	17	15
	1,500		**1,009**		**491**	**49**

* The comparative prior-year figures have been adjusted due to reclassification of segment reporting

In today's business environment, which is dominated by myriad social and economic changes, a company's workforce is the key competitive factor. The lasting success and ongoing evolution of a company's business are essentially guaranteed by a suitably qualified and highly motivated workforce. The skills, dedication, creativity and motivation of these employees determine the Hypoport Group's ability to compete and adapt in future. Human resources management is therefore geared to finding, recruiting, retaining and developing talented people as Hypoport employees. In order to achieve these goals, Hypoport is constantly taking steps to ensure that it provides all members of staff with the necessary training and development opportunities and to enhance its corporate culture.
To this end, Hypoport has defined four groupwide principles to be applied by the Hypoport companies:

- We work as a team!
- We lead as a team!
- We strive to learn and develop on an ongoing basis!
- We work autonomously within a decentralised organisation!

Through these principles, every Hypoport employee assumes leadership responsibility, continually develops through learning and networking and is focused on maintaining good team spirit. Moreover, the decentralised organisation enables the optimum focus on the needs of the individual Hypoport companies and their customers.

Hypoport uses a number of tools to encourage a performance-driven culture and an entrepreneurial mindset among its workforce. The development and performance dialogues held twice a year provide a setting in which managers and their staff can hold a structured discussion about aspirations, development opportunities and performance incentives. By offering long-term healthcare and sickness-prevention schemes and providing attractive sports and leisure facilities, Hypoport has created the optimum working conditions to ensure that its staff achieve the right work/life balance. To this end, it offers a number of individual and flexible working-time models that include solutions for working at home, childcare at some sites and customised schemes that make it easier for employees to return to work after they have taken parental leave. Hypoport AG's activities and numerous projects in the reporting year placed exceptional demands on our workforce. We would like to take this opportunity to thank all members of staff wholeheartedly for their valuable contribution and their commitment.

8. Marketing

The objective of all our marketing activities is to build and maintain long-term client relationships. The individual elements of our marketing mix are geared to our clients' needs and the target market. In addition to our product-related, pricing and distribution policies, promotional campaigns accounted for a large proportion of these activities. In order to achieve a fully integrated marketing and communications mix, we stepped up all relevant aspects of our public relations, print advertising, print media, direct marketing, sales promotions and trade fair exhibitions.

9. Remuneration report

The overall structure and level of Management Board remuneration are determined by the Supervisory Board, which currently comprises its chairman Dr Ottheinz Jung-Senssfelder, its vice-chairman Roland Adams and Dieter Pfeiffenberger. Both the structure and amount of this remuneration are reviewed regularly by the Supervisory Board and adjusted as necessary.

<The main criteria used to assess the appropriateness of remuneration are the functions and responsibilities of each Management Board member and their personal performance. The financial situation, performance and sustainable development of the Company, customary remuneration in a comparable environment and the pay structure in other parts of the Company and other German companies are also taken into account. Furthermore, the level of remuneration is set so as to be competitive in the market for highly qualified executives.

The total remuneration for members of the Management Board in 2018 was composed of a basic salary, variable year-end remuneration and fringe benefits. Fringe benefits are essentially the use of a company car and health insurance cover.

The adjustment of the change in basic salary and the level of variable annual remuneration are determined annually on the basis of consolidated EBIT, three-year EBIT, the three-year EBIT delta and the change in EBIT. Consolidated EBIT is defined as earnings before interest and tax (EBIT) as reported in the Hypoport Group's IFRS consolidated annual financial statements excluding expenses for variable annual remuneration for members of the Management Board of Hypoport AG. Three-year EBIT equals average consolidated EBIT for the three financial years prior to the financial year just ended. It is always at least €5.0 million. The three-year EBIT delta equals half of the percentage change in three-year EBIT compared with three-year EBIT in the previous year. The change in EBIT equals consolidated EBIT less three-year EBIT.
The basic salary is increased or decreased by the three-year EBIT delta each year. It is always at least €204,000.00.

The amount of variable annual remuneration equals a percentage ('bonus rate') of the change in EBIT. The bonus rate for the next year is increased or decreased each year conversely to the three-year EBIT delta. The level of change equals the three-year EBIT delta as a percentage of the bonus rate. The variable annual remuneration must be no more than the basic salary for the financial year just ended. The changes in basic salary and year-end remuneration are determined by the Supervisory Board on the basis of the Company's consolidated annual financial statements. Any changes made apply retrospectively from 1 January of the year concerned.

The Management Board members' service contracts contain no agreements that would apply in the event of a change of control resulting from a takeover bid. No loans or advances had been granted as at 31 December 2018.

The employment contracts of all members of the Management Board include a non-competition clause that applies to the two years after the end of the contract. During the period that the non-competition clause applies, Hypoport AG must pay annual compensation equivalent to half of the average contractually agreed remuneration benefits regularly paid out over the previous three years. There are no service contracts between the Company or one of its subsidiaries and one or more members of the Management Board that include a provision for the payment of benefits at the end of employment.

The Company bears the cost of maintaining a reasonable level of cover under a directors' and officers' liability insurance policy for the members of the Management Board. This policy specifies an excess of at least 10 per cent of the insurance claim up to one-and-a-half times the annual remuneration of the Management Board member concerned.

Remuneration and Benefits Granted €'000	Ronald Slabke Chairman Joined Dec. 21, 2001		Hans Peter Trampe Institutional Clients Joined Jun. 1, 2010		Stephan Gawarecki Privat Clients Joined Jun. 1, 2010	
	2018	2017	2018	2017	2018	2017
Fixed remuneration	485	425	485	425	485	425
Fringe benefits	23	23	22	22	36	46
Total	**508**	**448**	**507**	**447**	**521**	**471**
Variable remuneration	96	311	96	311	96	311
Aggregate remuneration	**604**	**759**	**603**	**758**	**617**	**782**

No pension payments or annuities have been agreed with any of the members of the Management Board. The Company pays Mr Ronald Slabke an amount of €1 thousand per annum for pension insurance cover. In return for Mr Hans Peter Trampe waiving his right to a company car, the Company pays him an amount of €18 thousand per annum for private pension insurance. Once the Company has paid these contributions, it is not obliged to provide any further benefits. The remuneration for the Management Board for 2018 totalled €1.824 million and was broken down as follows:

Board of Management Remuneration €'000	Fixed remuneration		Variable remuneration		Fringe benefits		Total remuneration	
	2018	2017	2018	2017	2018	2017	2018	2017
Ronald Slabke	485	425	96	96	23	23	604	544
Hans Peter Trampe	485	425	96	96	22	22	603	543
Stephan Gawarecki	485	425	96	96	36	46	617	567
Total	**1,455**	**1,275**	**288**	**288**	**81**	**91**	**1,824**	**1,654**

The two tables below show the benefits granted (including fringe benefits and the maximum and minimum remuneration achievable for variable remuneration components) and the allocations made to members of the Management Board for 2018 presented in accordance with the German Corporate Governance Code (DCGK).
The remuneration for members of the Supervisory Board is stipulated in the Company's stat-

Remuneration and Benefits Granted €'000	Ronald Slabke Chairmann Joined Dec. 21, 2001				Hans Peter Trampe Boardmember Joined Jun. 1, 2010				Stephan Gawarecki Boardmember Joined Jun. 1,2010			
	Target value 2017	Target value 2018	Minimum value 2018	Maximum value 2018	Target value 2017	Target value 2018	Minimum value 2018	Maximum value 2018	Target value 2017	Target value 2018	Minimum value 2018	Maximum value 2018
Fixed remuneration	425	485	485	485	425	485	485	485	425	485	485	485
Fringe benefits	23	23	23	23	22	22	22	22	46	36	36	36
Total	**448**	**508**	**508**	**508**	**447**	**507**	**507**	**507**	**471**	**521**	**521**	**521**
Variable remuneration	96	96	0	485	96	96	0	485	96	96	0	485
Aggregate remuneration	**544**	**604**	**508**	**993**	**543**	**603**	**507**	**992**	**567**	**617**	**521**	**1,006**

utes and is determined by the Annual Shareholders' Meeting. It was last amended by a resolution adopted by the Annual Shareholders' Meeting on 5 May 2017 and consists of the following components: annual fixed remuneration, special remuneration for the chairman and vice-chairman of the Supervisory Board and reimbursement of Supervisory Board members' out-of-pocket expenses.

Pursuant to section 12 of the Company's statutes, the members of the Supervisory Board receive fixed remuneration of €40,000.00 for every full financial year during which they serve on the Supervisory Board, plus reimbursement of their out-of-pocket expenses. The fixed remuneration is payable at the end of the Annual Shareholders' Meeting that formally approves the acts of management for the previous financial year, unless the Annual Shareholders' Meeting decides otherwise. The chairman of the Supervisory Board receives double the amount of the fixed remuneration, the vice-chairman one and a half times the amount.

Members of the Supervisory Board who have served for less than a full financial year receive pro-rata fixed remuneration in proportion to the period for which they have served on the Supervisory Board. The Company reimburses all members of the Supervisory Board for any value added tax paid in respect of their remuneration and out-of-pocket expenses. The Company bears the cost of maintaining a reasonable level of cover under a directors' and officers' liability insurance policy for the members of the Supervisory Board. No excess has been agreed. The remuneration for the Supervisory Board for 2018 totalled €184 thousand and was broken down as follows:

Allocation of Remuneration in/for 2017 and 2018 €'000	Fixed remuneration		Fringe benefits		Total remuneration	
	2018	2017	2018	2017	2018	2017
Dr. Ottheinz Jung-Senssfelder	80	80	1	1	81	81
Roland Adams	60	60	2	2	62	62
Dieter Pfeiffenberger 1)	27	0	0	0	27	0
Christian Schröder 2)	13	40	1	1	14	41
Total	**180**	**180**	**4**	**4**	**184**	**184**

1) With effect from May 4, 2018, Mr. Dieter Pfeiffenberger was elected to the Supervisory Board of Hypoport AG.
2) With effect from May 4, 2018, Mr. Christian Schröder resigned as a member of the Supervisory Board of Hypoport AG.

10. Disclosures under German takeover law

The following information is disclosed pursuant to section 315 (4) of the German Commercial Code (HGB).

Composition of subscribed capital

The Company's subscribed capital amounted to €6,493,376.00 at the end of 2018. It is divided into 6,493,376 no-par-value registered shares.

All shares confer the same rights and obligations. Each share confers one vote at the Annual Shareholders' Meeting and determines shareholders' entitlement to the Company's profits. Shareholders' rights and obligations are defined in detail by the provisions of the German Stock Corporation Act (AktG), in particular by sections 12, 53a et seq., 118 et seq. and 186 AktG.

Restrictions on voting rights and the transfer of shares

The Management Board is not aware of any restrictions on voting rights or the transfer of shares.

Shareholdings exceeding 10 per cent of the Company's voting rights

The following shareholding in Hypoport AG was known to us at the time this group management report was prepared:

Ronald Slabke, Berlin, holds 34.63 per cent of Hypoport's shares. Of these, the 33.17 per cent of the voting shares held by Revenia GmbH, Berlin, are attributable to him pursuant to section 34 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).
There are no further direct or indirect shareholdings exceeding 10 per cent of the Company's voting rights.

Shares with special rights conferring powers of control

There are no shares with special rights conferring powers of control. In particular, there are no powers to appoint Supervisory Board members pursuant to section 101 (2) AktG.

Type of control over voting rights in cases where employees are shareholders in the Company but do not directly exercise their control rights

In cases where employees of Hypoport AG are shareholders in the Company, they directly exercise their control over voting rights.

Statutory regulations and provisions of the statutes concerning the appointment and dismissal of Management Board members and amendments to the statutes

The members of the Management Board are appointed by the Supervisory Board pursuant to sections 84 and 85 AktG and section 5 (2) of the Company's statutes. The Management Board comprises at least two persons pursuant to section 5 (1) of the Company's statutes; the number of Management Board members is determined by the Supervisory Board. If the Management Board is short of a member, this member is appointed by the courts in urgent cases at the request of an interested party pursuant to section 85 AktG.
Section 179 AktG states that amendments to the Company's statutes require a resolution to be passed by the Annual Shareholders' Meeting; section 16 of the statutes states that, unless mandatory legal provisions specify otherwise, amendments to the statutes are adopted by a simple majority of votes cast. The Supervisory Board has the authority to make amendments concerning the wording only pursuant to section 19 of the Company's statutes.

Powers of the Management Board to issue and repurchase shares

The Annual Shareholders' Meeting held on 5 May 2017 voted to set aside the unused authorisation granted on 1 June 2012 and to issue a new authorisation. The Management Board was authorised – subject to the consent of the Supervisory Board – to increase the Company's subscribed capital by up to a total of €3,097,479.00 by issuing new registered no-par-value shares for cash or non-cash capital contribution on one or more occasions on or before 4 May 2022. The Management Board can decide – subject to the consent of the Supervisory Board – to disapply the shareholders' statutory pre-emption rights.

The Annual Shareholders' Meeting held on 12 June 2015 adopted a resolution authorising the Management Board to purchase treasury shares amounting to a total of up to 10 per cent of the subscribed capital in existence at the time the resolution was adopted. The shares thus purchased, together with other treasury shares that are in the possession of Hypoport AG or are attributable to it pursuant to sections 71d and 71e AktG, must at no time account for more than 10 per cent of the Company's subscribed capital in existence at that time. The authorisation may be utilised either in full or partially, on one or more occasions, in pursuit of one or more objectives by Hypoport AG or by its Group companies or for its or their account by third parties. The authorisation is valid until 11 June 2020. The Management Board may determine whether the shares are purchased through the stock market or by means of a public purchase offer or by means of a public invitation to submit such an offer.

Material agreements by the Company that are conditional upon a change of control resulting from a takeover bid

In February 2018, Hypoport AG entered into a loan agreement with a bank that gives the lender a right of termination in the event that one or more persons obtain control over Hypoport AG or hold more than 30 per cent of the Company's issued capital, and agreement cannot be reached on continuing the loan, on the same or amended terms and conditions.

The agreement of such a right is customary in the market. If this right under the aforementioned agreement were exercised in the event of a change of control that meets the above criteria, there could be a very small impact on the Company's financial position or financial performance.

Compensation agreements between the Company and Management Board members or employees in the event of a takeover bid

There are no compensation agreements between Hypoport AG and Management Board members or employees in the event of a takeover bid.

11. Corporate governance declaration and non-financial declaration

Hypoport AG has issued the declaration required by section 315d (1) and 315b (1) HGB and has made it permanently available to the public on the Company's website at www.hypoport.com/investor-relations/corporate-governance.10. Corporate governance declaration and non-finacial declaration for the Group Hypoport AG has issued the Group declarations required by section 315d (1) and 315b (1) HGB and has made them permanently available to the public on the Company's website at www.hypoport.com/investor-relations/corporate-governance.

Opportunities and risks report

Business activities always entail the assumption of risk. For Hypoport, risk means the threat of potential losses or opportunity costs. Internal or external factors can give rise to this risk. Hypoport AG's risk policy focuses on continuously and permanently increasing the value of the Company, achieving its medium-term financial targets and safeguarding it as a long-term going concern. Consequently, we see risk and opportunity management first and foremost as an entrepreneurial function that consists of exploiting opportunities in good time while identifying the risks that arise from doing so as quickly as possible and weighing them up in a responsible manner and with shareholder value in mind. The task of management and all employees is to optimise the likelihood of either of these factors occurring in order to safeguard the Company's interests.

Hypoport has introduced structured risk management and early-warning systems as required by section 91 (2) AktG. Throughout the Group, the individual organisational units identify and assess risks locally by compiling a risk inventory at least once a year. In this context, experts from all departments analyse and assess material risks using self-assessments, which are divided into a risk potential assessment, for identifying and assessing material risks, and the resulting proposed actions. In order to assess a risk that has been identified, the probability of the risk scenario arising and the potential loss level are determined. Risks that have been identified are managed using appropriate risk control strategies. All risks are also registered, measured and monitored on a quarterly basis. The Hypoport Group's early-warning system for risk is adjusted as soon as possible to reflect changes in the market environment.

1. Integrated opportunity and risk management system

Internal monitoring system

The central feature of Hypoport's internal monitoring system is an appropriate, impermeable separation of functions. This is ensured by our organisational structures, job specifications, and processes, which are laid down in the Company's electronic manual and regularly reviewed for compliance. In addition to these provisions and as part of its monitoring role, Group internal audit carries out audits to ensure that the system is effective and functions properly.

The internal audit department carries out audit activities and produces audit reports in consultation with Hypoport AG's Supervisory Board and at its request. Should risks arise, Hypoport AG's internal auditors can also conduct special audits at short notice. As service providers, Group subsidiaries are required to take precautions to ensure the continuity and quality of the processes outsourced by banks and insurance companies. This also means that the Hypoport Group has to comply with the regulatory requirements that apply to its partners and with their duties to provide information, inspection, examination and access rights.

Data protection is a particularly high priority for Hypoport, whose business depends on trust. The data protection team ensures a high level of data security, as do the regular audits carried out by partners and by product standards regulator TÜV SÜD. Other data protection tasks include establishing and monitoring processes that comply with data protection legislation and dealing with requests made by customers, partners and employees.

Financial planning and reporting and control system

With the aid of strategic planning and an internal reporting system, an efficient financial planning and reporting process helps with the early detection of opportunities and risks that could threaten the Hypoport Group as a going concern.

As part of its strategic planning process, Hypoport assesses potential risks and opportunities in advance of key business decisions. This results in the systematic formulation of long-term and short-term business targets and objectives right down to each business unit and cost centre.

Alongside the management of risks and opportunities, the market and competitive environment is continually monitored from the different perspectives relevant to Hypoport. The achievement of targets and objectives (target/actual comparison) is analysed at all managerial levels during regular meetings at which control measures are agreed and their effectiveness is reviewed. The reporting system enables such risks to be monitored appropriately during business activities.

Early-warning systems

Information on future developments and trends is exchanged across all levels in the Company in regular meetings, reports and protocols and is assessed by the appropriate unit. This ensures that internal and external information can be analysed on a timely basis for its relevance to risk and that the findings are implemented throughout the Hypoport Group.

From the full range of risks to which the Hypoport Group is exposed, the types of risk considered to be material at present are described below.

2. Macroeconomic risk

Hypoport's business environment is affected by changes in economic and political conditions, so we continuously monitor political, economic, regulatory and business developments in the markets in which we operate. When assessing their target markets, management and product distributors constantly use the internal and external information sources available so that they can identify imminent changes in these markets as early as possible and adjust their strategic and operational focus in line with these developments.

Given the particular risks arising from the uncertainty that still surrounds the economy in the wake of the sovereign debt crisis, risks tend to be mitigated because the Group's business activities are distributed across a large number of customer groups and a wide range of products in at least some individual markets.

3. Sectoral and industry risks

Sectoral risks to the Hypoport Group largely arise in connection with changes in the markets for housing, loans and insurance. Fiscal and socio-political parameters, the influence of the capital markets and regulatory requirements for intermediaries play a key role.

Any weakening of demand for mortgage finance remains an important sectoral risk, because this product segment still accounts for a significant proportion of the Hypoport Group's activities. The main triggers for such a downturn could be the housing market or long-term interest rates.

The mortgage finance market in Germany is experiencing a growth phase because of ongoing immigration. Purchase prices are being pushed up by huge excess demand for both luxury and basic housing in the urban centres. Home-building – viewed over a period of several years – is increasing at a slow but steady rate throughout Germany. Rising rents are driving the trend for home ownership. These multi-year trends are increasing the volume of mortgage finance, and this will continue to benefit Hypoport.

The interest rates on long-term investments, which serve as the benchmark rate for mortgage finance, could also have a significant impact on the demand for finance and, consequently, on the performance of several Group companies. A sharp rise in long-term interest rates might curb demand for such finance. Given the persistently challenging economic and sovereign debt situation in the eurozone, we currently do not expect interest rates to rise significantly. The recent trend in 2019 confirms this assumption.

If major product suppliers were to withdraw competitive terms and conditions or products from the Hypoport Group, terminate collaborative arrangements or reduce remuneration, or if one or more distribution partners were to restrict or end their relationship with Hypoport, this could result in a contraction in revenue. Given the large number and diversity of its product suppliers and distribution partners, the Hypoport Group's reliance on individual counterparties is limited and so is the risk to which it is exposed. Overall, the Hypoport Group has a broad range of strong partners. The Group companies broker financial products supplied by more than 700 insurance companies, banks and building finance associations.

The risks associated with the product range are mitigated by working with respected product suppliers with whom we maintain long-lasting relationships. The Hypoport Group carries out extensive market research to identify market trends and customer preferences, which it meets by working with its product partners to provide competitive products tailored to customers' requirements. By doing so, we may even face lower margins due to the stiff competition in our market. Hypoport maintains a constant dialogue with its partners to ensure that its products are competitive and high quality.

Because the internet is used intensively by financial product distributors to acquire new business and by financial marketplaces to communicate and execute transactions, the Hypoport Group is especially reliant on the fact that the internet continues to be available to and accepted by its clients and partners. Any impairment of its acceptance or technical availability could have serious consequences for the financial performance of several subsidiaries. The perennial debate about the security of the internet and the data it transmits has not curbed its growing use in recent years. The internet's increasing importance for the entire economy and the high level of capital spending by the telecoms industry in the net's infrastructure mean that we are unlikely to see global technical disruptions to the internet's availability.

Changes to regulatory parameters are accompanied by new requirements and, perhaps, new risks. The Hypoport Group constantly monitors all efforts to introduce far-reaching regulation of the financial services market in Germany, particularly those with the aim of increased investor protection, and it promptly analyses their impact on its business model and strategic positioning in the markets. To comply with more stringent requirements, combined with increasing supervision by the regulatory authorities, Hypoport will take measures such as the systematic expansion of its staff training and development and the enhancement of its risk and compliance management.

Competition for highly qualified financial advisors has also increased. Transparent contractual conditions, competitive pay, the quality of our advisors and our non-captive status put us in an excellent position in the market.

Increasingly restrictive legal requirements in respect of financial advisory services, financial products and technological innovations demand that companies operate on an efficient scale. The financial services market is in the process of consolidating and becoming more concentrated. The need to achieve critical mass is currently driving the market in mergers and acquisitions. Given its current shareholder structure, a hostile takeover of the Company would be impossible. Nonetheless, its shareholder structure is constantly and carefully reviewed to detect any changes.

Hypoport is well prepared for the forthcoming changes.

4. Operational risk

Information technology (IT) is key to all the Hypoport Group's business models. If the EUROPACE platform were to fail, for example, this would reduce the revenue generated by the transaction-based business models of multiple subsidiaries, impair the work of our Dr. Klein financial product distribution and could damage Hypoport AG's general reputation as a technology partner.

The Company therefore pursues a groupwide IT strategy to mitigate its IT risks. When selecting our IT systems and IT service providers we usually opt for standard software packages from reputable suppliers and service providers. Proprietary software developed specifically for Hypoport to supplement standard software solutions undergoes continuous quality control. To ensure that they work properly, we subject all IT systems to rigorous testing before they go live. State-of-the-art data centres with off-site contingency premises, back-up systems and mirror databases are used to protect the data held by the Hypoport Group. Special access and authorisation systems monitored by data protection officers protect the Hypoport Group's IT systems against unauthorised access. Its IT systems are also protected by comprehensive virus protection and effective IT security.

Every year, substantial amounts are spent on upgrading the IT infrastructure and IT application systems to ensure that our IT systems are efficient.

The availability of existing and new expertise is particularly important in a growth company. The Hypoport Group regularly conducts HR planning to ensure that the necessary resources are available either inhouse or from external partners. In addition, it conducts regular staff development and performance appraisal reviews at all levels as a means of staff retention. High-quality staff training and development, interesting career prospects, appropriate employee benefits and attractive remuneration models encourage staff loyalty.

Timely and high-quality product development forms the backbone of any service-driven technology company. The Hypoport Group brokers financial products provided by established suppliers, generally banks, insurance companies and building finance associations. During the advisory process, individual products and rates are combined to produce personal solutions tailored to meet customers' particular needs. By constantly monitoring its product portfolio, the Hypoport Group is able to mitigate the risks that arise if individual products lose their appeal or their quality deteriorates. We have also defined clear development-related processes and responsibilities and introduced planning tools that help to ensure that development projects can be completed on schedule and on budget.

Building and enhancing a brand image forms an integral part of any successful product strategy. The names and logos used by Hypoport AG and its subsidiaries are trademarks and, as such, are protected against unauthorised use.

Hypoport has taken out insurance policies covering potential liability risks and compensation claims in order to limit and provide cover for the Group's operational risk. The insurance cover is reviewed regularly and amended if general parameters change.

5. Financial risk

As a medium-sized company, Hypoport AG is exposed to a number of financial risks. Because of its rapid growth, the Company's need for capital is constantly increasing. It meets this demand for capital by working closely with its lenders. Its shareholders help to increase the Company's financial strength and mitigate its financial risks by retaining its profits.

To ensure that it can secure sufficient borrowing, Hypoport AG maintains business relationships with several banks. It discusses its future borrowing requirements with these institutions in a timely fashion. We subject our banking partners to rigorous selection criteria, assessments and ongoing reviews to ensure that they are reliable lenders and suitable partners. In doing so, we reduce the risk that such banks – which are subject to frequent strategic changes – call in their loans at short notice.

Liquidity management is one of the core functions of the Group Finance business unit. Liquidity is managed and surplus liquidity is invested by the Hypoport Group's central cash management unit with the involvement of all of its major Group companies. In addition, the Hypoport Group can draw on credit lines from its partner banks.

Commission is the Hypoport Group's most important source of income and cash flow. Its financial planning and reporting units constantly analyse the impact that potential changes to existing commission models and to regulatory and fiscal parameters would have on the products that are sold.

A further aspect of the Company's financial risk is the credit risk attaching to its receivables. The Management Board centrally approves the credit terms it allows as part of its operating activities and these terms are documented in the Company's electronic manual. Most of the Hypoport Group's accounts receivable are owed by medium-sized and large financial service providers. Credit risk stems primarily from commission receivable from product partners and from advance payments of commission to distribution partners. In brokerage business it is common for product suppliers to sometimes take several weeks to pay commission, resulting in commission that has been earned but not received occasionally being paid to distribution partners in advance. The Hypoport Group mitigates these risks by means of thorough receivables management and by imposing strict criteria on its selection of counterparties. Appropriate provisions are recognised for receivables when they appear at risk, taking account of the latest information about the credit standing of the debtor, anticipated commission income and the age structure of the receivables.

The Hypoport Group provides for cancellation risk in its insurance business by retaining appropriate amounts of the commission due to agents and by recognising cancellation provisions. The provisioning level is based on the commission income received during the liability period and the claims for reimbursement of commission anticipated on the basis of past experience.
The Group's interest-rate risk stems from non-current, interest-bearing liabilities. Floating-rate liabilities expose the Group to interest-related cash flow risks. Under its financial risk policy, the vast majority of liabilities it assumes have to be subject to fixed interest rates.

The Company's transparent financial reporting system and the healthy structure of its balance sheet also help to minimise its financial risks. They are supported by an early-warning system in the form of Group planning across all segments. This enables the Company to discuss its financial requirements with its lenders in a timely manner.

6. Strategic risk

Strategic risks can arise if the Company's management misjudges significant developments and trends in the financial services sector or fails to identify them at a sufficiently early stage. This can result in key decisions being made which, in terms of the achievement of the Company's long-term objectives and targets, prove with hindsight to be disadvantageous and may be difficult to reverse. Strategic risks also result from unexpected changes in market and macroeconomic conditions that have an adverse impact on earnings. The management of strategic risk forms part of the overall coordination of the Company and is the responsibility of the Management Board.

The Group Management Board regularly reviews the strategy adopted for the Hypoport Group as part of the long-term planning process. Corporate and divisional strategies form the basis on which the four-year plan and the budget for the following year are compiled. To this end, we continuously monitor the political, economic and legal/regulatory environment and keep our strategic market position under constant review. All of the key value drivers for the Hypoport business model are analysed and managed on an ongoing basis by means of comprehensive financial planning and reporting activities at head office and in the segments. This enables us, where necessary, to respond to changing market conditions by adjusting our business model or processes. When formulating such strategic initiatives, the Management Board liaises closely with the Supervisory Board.

This system ensures that strategic risk is identified on a timely basis and preventive action can be taken at a sufficiently early stage. Impartial advice and financial optimisation for retail and corporate customers are the cornerstones of the Hypoport Group business model. A wide range of products is essential to supplying advice that is tailored to customers' needs. The Hypoport Group constantly reviews the distribution of its product groups across suppliers in order to monitor the risk of losing its operational independence as a result of one product supplier dominating its revenue streams.

7. Other risks

Reputational risk is the risk arising from damage to the image of the entire sector, the Hypoport Group or one or more of its operational units as perceived by customers, employees, business partners or the general public. We are particularly exposed to the risk that media reporting of a transaction or business practice involving one of our customers could damage public confidence in our Group. We minimise potential advisory risk by ensuring that we provide high-quality advice at all times. The use of IT-based advisory tools is one of the ways in which we ensure that this is the case. Full documentation of customer meetings and strict criteria for selecting new product suppliers and products help us to achieve this goal.

The Hypoport Group mitigates legal risk by making use of inhouse legal counsel, but also uses external advisors when required. The Group’s legal departments constantly track and assess ongoing legal cases and help the Managing Board and company managers with corporate policy decisions.

Hypoport constantly monitors changes in tax law and analyses any impact they may have on the Group. Internal and external experts review compliance with fiscal legislation in accordance with tax regulations and the administrative instructions issued by the tax authorities.

The types of business carried out by service providers such as the Hypoport Group have little adverse impact on the environment. No material environmental risks arise from the Hypoport Group’s operational activities.

In addition to the risks described above, general risks exist which cannot be foreseen and are consequently difficult to manage. They include political changes and risk factors such as natural disasters and terrorist attacks. Such factors may have a negative impact on the economic situation and may indirectly impair the future financial performance of the Hypoport Group.

8. Aggregate risk

The Hypoport Group maintains a risk management system that enables it to address the risks relevant to our Group in an appropriate manner. We review the structure of the risk management system on an annual basis to ensure we can react promptly to changes in risk positions and to new legislation. The effectiveness of our risk management system and its implementation are also reviewed on a regular basis by external auditors and the internal audit department. All risks currently identified and weighted according to the likelihood of their occurrence have been compensated for by preventive measures and do not present any evident threat to the continued existence of the Company. The most important risks are the increase in the number of mortgage finance providers with similar business models, the danger of important product suppliers ceasing operations and the long-term level of interest rates. The cumulative expected value of the ten biggest risks is €4.2 million. At present we have not identified any additional risks that might jeopardise the Group’s continued existence as a going concern. The risks described, and those of which we are not yet aware or have currently assessed as immaterial, could have a negative impact on the forecasts we expressed in the outlook. Despite the use of a proven risk management system, the possibility cannot be entirely ruled out that risks that are as yet unidentified or classed as immaterial could arise in the future and have a material impact on the Company’s financial position and financial performance. The overall assessment of the risk position is the same as it was in 2017, i.e. it is still considered to be low. No significant risks that could have a material effect on the continued existence of the Hypoport Group as a going concern have arisen since the balance sheet date.

9. Disclosures pursuant to section 315 (2) no. 5 HGB

The following description of the material features of the internal control and risk management systems used for the consolidated financial reporting process is required by section 315 (4) HGB.w

Main features of the internal control and risk management systems used by Hypoport AG and the Hypoport Group for the financial reporting process
The main features of Hypoport AG's existing internal control system applicable to the (consolidated) financial reporting process are described below. The internal control system used in the Hypoport Group incorporates all the principles, procedures and measures needed to ensure that its financial reporting is effective, efficient and carried out correctly and to ensure that it complies with the relevant legislation.

The Company and the Group have a clear management and organisational structure in which key interdepartmental functions are managed centrally by the Company while individual companies within the Group enjoy a high degree of independence.

Accounting, financial control and financial reporting – the areas primarily involved in the financial reporting process – have clearly segregated roles in order to prevent fraudulent acts and abuse. Their areas of responsibility have been clearly allocated.

By employing highly qualified professionals, offering training and continuing professional development and adhering strictly to the double-checking principle in accounting and finance, Hypoport ensures that local (HGB and national tax law) and international financial reporting standards (IFRS) are complied with in both the separate and the consolidated financial statements.

Centralised key functions that report directly to the Management Board ensure that there is integrity and accountability in respect of the finance function and financial reporting. There is an effective system of standards and policies (e.g. accounting standards, payment guidelines, travel policy etc.), which is constantly updated. Various checklists and descriptions of procedures are also available.

The areas involved in the financial reporting process are equipped with the necessary resources in terms of both quality and quantity. Specific training and professional development courses generate a high degree of quality awareness among all those involved in the process throughout the Group network. Incoming and outgoing accounting data is subject to regular random checks to ensure that it is complete and accurate. Software is used to carry out in-built validation checks – as part of payment runs, for example.

Appropriate controls have been integrated into all the processes relevant to financial reporting (e.g. checking by a second member of staff, analytical checks). The Company's clearly defined work processes and the way in which it documents and follows up on all matters that have to be accounted for ensure that the entries in its bookkeeping system are complete and properly checked.

The accounting-related internal control system guarantees that bookkeeping records are checked to make sure that they are arithmetically and factually correct. All material separate financial statements for the Group companies that are included in the consolidated financial statements are audited by an external auditor or sworn auditor at least once a year.

Updating and continuous enhancement of the Group reporting system is undertaken centrally at parent company level, where ongoing contact with the finance directors or chief financial officers at the Group subsidiaries is also maintained. Interim Group reporting in accordance with IFRS, including the reconciliation of intercompany charges in accordance with the German Commercial Code (HGB), the German Stock Corporation Act (AktG) and German Securities Trading Act (WpHG), is consolidated on a quarterly basis.

The finance function, which acts as a direct point of contact for financial reporting and Group financial statements for the Management Board and the directors/managing directors of the subsidiaries, prepares and compiles the consolidated financial statements in accordance with IFRS.

The finance function also acts as a central contact point at Group level for special issues in the Group, such as specific accounting questions. Ad-hoc analysis requested by the Management Board during the year is also carried out by the finance function.

Because all Group companies are required to report their financial results to the Group parent company in a standard format every month of the year, deviations of actual figures from the budget during the year are identified quickly and it is possible to take appropriate swift action.
Processes connected with financial reporting are regularly reviewed for efficiency and effectiveness and they are subject to an ad-hoc (non-process-based) internal audit.

As far as possible, standard software is used for the Company's financial systems. The IT systems used for financial reporting purposes are protected by special security devices against unauthorised access in order to ensure that accounting-related data cannot be accessed, used or altered by non-approved persons. Access authorisations are issued for specific functions. Only those areas that are responsible for recording the transactions concerned are given write access. Functions that process information use read-only access.

We centrally manage and monitor the relevant IT systems used in our financial reporting process, and we carry out regular system back-ups to prevent any data loss and system malfunctions as far as possible.

The main features of Hypoport AG's existing internal risk management system applicable to the (consolidated) financial reporting process are described below. The objective of the risk management system is to identify potential risks at an early stage and, where possible, to take appropriate action to counter them as quickly as possible. The Management Board is responsible for setting up and monitoring the system. The risk management system is part of the Group's planning, control and reporting process.

The principles on which the risk management system is based include the responsibility of each employee to prevent losses to the Company, and they lay down certain procedures and aids for fulfilling this responsibility. This applies in particular to financial reporting. Risk is assessed by comparing the likelihood of risks occurring with the potential losses they may cause, and outcomes of individual risks are collated to form a risk portfolio. The risk management system includes quarterly reports that all departments, including financial reporting, are required to submit and a procedure for reacting quickly to sudden negative developments. Actions to avert or minimise risk are defined and categorised.

Notes on the main features of the internal control and risk management systems used by Hypoport AG and the Hypoport Group for the financial reporting process

The internal control and risk management system in connection with the financial reporting process, the main features of which are described above, ensures that at all times commercial transactions are correctly recorded, processed and recognised in the Company's accounts and are incorporated into its financial reporting process.

Clearly defined areas of responsibility, in both financial reporting itself and in risk management and internal audit, as well as ensuring that the accounting function is adequately equipped with the necessary human and material resources, enable all areas involved in the financial reporting process to work efficiently. Precise statutory and corporate rules and guidelines ensure that the financial reporting process is conducted consistently and properly. Clearly defined checking mechanisms (particularly checking by a second person) within the areas involved in the financial reporting process, systematic controls undertaken by internal and external auditors and the early identification of risk by the risk management function ensure that financial reports are error free and coherent.

In particular, this ensures that financial reporting at Hypoport AG and across the Hypoport Group is carried out uniformly and in line with statutory requirements, generally accepted accounting principles, international accounting standards and Group policy. It also ensures that transactions are recorded, recognised and evaluated uniformly and accurately in all the Group financial reports that are published, so that the public is provided with complete, accurate information that is reliable and timely.

10. Limitations

The internal control and risk management system makes it possible for the organisational, control and monitoring structures built into the Hypoport Group to record, process and assess all company-related information and for the information to be presented appropriately in the consolidated financial statements.

However, due to the nature of the business, it is not possible to rule out discretionary personal decisions, criminal acts and other circumstances that could impair the effectiveness and reliability of the internal control and risk management systems in use. As a result, even though the system is applied across the Group it is not possible to guarantee with absolute certainty that information in the consolidated financial statements has been recognised correctly, promptly or in full.

The statements made relate only to the subsidiaries included in Hypoport AG's consolidated financial statements whose financial and operating policies Hypoport AG is able to influence directly or indirectly in order to benefit from the activities undertaken by these companies.

11. Opportunities

We assess and exploit the opportunities that arise for us and our business at all levels of the Group. We monitor trends and developments in our product areas and identify operational opportunities. Our lean structures shorten our decision-making channels and allow us to respond quickly to customer preferences and market trends.

The level of excess demand in the housing market has been rising for a number of years. The comparatively low proportion of home ownership in Germany, the trend for small households and expected net immigration in the years to come mean that there will be no let-up in the high level of demand going forward. According to the German Housing and Property Companies Association (GdW), the housing shortfall ranged from 1.1 million to 1.9 million homes in 2018. Demand exceeds supply in all categories – from public housing to luxury apartments. As a result, property prices nationwide, but particularly in major cities, have risen steadily in recent years. Nonetheless, house prices in Germany are still generally modest compared with other European countries. As a result of the lack of land for development and the lengthy approval processes, supply remains too inelastic, both in the rented accommodation market and in terms of the homes available to buy. Completions lag so far behind actual demand in metropolitan areas that, all other things being equal, satisfying the pent-up demand will take several more years even if the expected 5 per cent or so rise in construction activity materialises. Moreover, rising rental prices and attractive lending conditions are encouraging many tenants to become owners. As a Group, we are ideally placed in all the individual markets to benefit from market growth.

Further opportunities for distribution will arise if we manage to increase the number of our advisors or enhance their productivity to a greater extent than planned. In recent years, we have made significant improvements in our sales support, particularly with regard to IT systems. We are constantly increasing the digitalisation of our distribution processes using new algorithms and our wealth of data. In future, end-to-end electronic processes along our entire value chain should allow us to make our advisors more productive, cut unit costs and enhance our attractiveness as a partner company.

The importance of innovative, professional financial product distributors who offer impartial advice and allow customers to select the best product for them will continue to grow. The successful sale of financial products and services will involve growing levels of complexity for all market participants, which will make it increasingly necessary to provide all stakeholders with automated, technology-based support, such as that offered by EUROPACE and the SMART INSUR platform.

The increasing regulation of the financial services sector – aimed at stabilising the financial system and affording greater protection for investors – provides us with the opportunity to use acquisitions as a means of growth. The highly fragmented market for financial advisors in Germany will continue to consolidate as a result of the minimum standards introduced for training, transparency and record keeping. Small independent brokers, in particular, are increasingly finding it difficult to implement the new requirements in a commercially viable manner, and are looking for bigger, more efficient and more powerful partners. The high quality of our advice and our non-captive status put us in an excellent position in the market.

While continuously monitoring the market and competitive environment from the Company's various perspectives, Hypoport examines the market for potential acquisition targets, including among fintech, proptech and insurtech companies. An acquisition could create opportunities for enhanced revenue potential.

The opportunities described, and those of which we are not yet aware or have currently assessed as immaterial, could result in a positive deviation from the figures provided in our forecast.

Outlook

As explained in the section 'Economic conditions', trends in the broad macroeconomic environment have only a subordinate and indirect influence on the performance of the Hypoport Group. The only macroeconomic variables that, along with industry-specific factors, have a degree of influence on consumers' and the housing industry's willingness to borrow are GDP, interest rates and inflation.
General forecasts for German GDP and for interest rates and inflation in the eurozone are subject to uncertainties related to the currently unpredictable nature of US economic policy, the lack of clarity about Brexit and geopolitical conflicts. Nevertheless, Germany's leading economic research institutes, the German Council of Economic Experts and the German government expect further growth of between 1.0 per cent and 1.6 per cent, depending on their assessment.

The Hypoport Group does not anticipate that the ECB will decide to raise interest rates in the short term. This is because inflation was still lower than the ECB's specified target of "below, but close to, 2.0 per cent" at the end of 2018. Moreover, the ECB has announced that it intends to maintain the key interest rate at the current level until at least summer 2019. Interest-rate hikes thus remain unlikely before autumn 2019. The termination of the ECB's bond-buying programme in December 2018 is also unlikely to have a major immediate impact on the low-interest-rate environment, as it will be implemented gradually and any incoming repayments of principal will be reinvested. It might, however, lead to an incremental rise in interest rates in the long term. It remains to be seen what will happen with inflation and who will be appointed to the ECB committees over the course of 2019, and these factors are likely to play a big part in the decision regarding potential interest-rate changes from autumn 2019 onwards.

The industry-specific parameters in the market for residential mortgage finance and in the insurance industry improved slightly in 2018 (see the section 'Sectoral performance'). The two crucial KPIs for Hypoport's business within these two markets are the volume of new mortgage finance business and premium income in the insurance industry (volume of premiums). The Hypoport Group predicts a moderate increase in the volume of premiums in the insurance industry in 2019. This expectation assumes that the total number of insurance policies in Germany remains relatively constant and that premiums for the individual policies rise slightly.

The Hypoport Group anticipates that the market volume of new mortgage finance business will be on a par with the level in 2018. This volume is derived from two factors: the number of properties requiring finance and the prices of the individual properties.

Whereas prices for residential property, particularly in major cities and conurbations, are likely to carry on rising in 2019 due to the ever-growing excess demand (see the section 'Sectoral performance'), the number of properties requiring finance presents a more disparate picture. Completions have been rising again for some years now and are set to continue doing so in 2019, which should mean a higher number of properties requiring finance. However, the number of existing properties up for sale is expected to continue falling. The main reasons for this are the sharp increase in rents and the high incidental costs when buying a home, which lead to existing properties not being put on the market despite inefficient usage caused by excessive floor space. Consequently, Hypoport anticipates that individual prices will rise and fewer properties will be offered for sale in 2019. These two countervailing factors are causing the overall volume of new mortgage finance business to flatline overall in Germany.

This expected flatlining and the prediction of only a moderate rise in the volume of insurance premiums are putting further pressure on banks, insurance companies and financial product distributors to optimise their business processes and cut costs. Moreover, statutory requirements are increasing the administrative workload for companies from the credit, property and insurance industries that are active in the markets in which the Hypoport Group operates. This creates strong demand for the types of product and service offered by Hypoport which digitalise business processes and thus help companies to increase efficiency and reduce costs.

Against this backdrop, the market opportunities for the business activities of Hypoport AG and its subsidiaries continue to be rated as positive despite the global uncertainties. For the four segments, this means the following:

The Credit Platform segment is focusing on further increasing its market share through quantitative and qualitative expansion of its base of contractual partners. Besides the expected positive performance of the overall EUROPACE marketplace, the sub-marketplaces for the savings bank sector (FINMAS) and the cooperative banking sector (GENOPACE) will play a particularly crucial role. Non-captive brokers on EUROPACE are also expected to do well in 2019. The segment also aims to increase the depth of services provided to individual customers – thus strengthening customer loyalty – by offering new products and additional services. The synergies with the SaaS and property valuation product groups in the Real Estate Platform segment will play a particularly key role in this regard. As a result, the Credit Platform segment is predicted to generate sharp rises in revenue and earnings (EBIT) in 2019.

The Private Clients segment is concentrating on signing up customers for financial products. Client demand for loan brokerage from non-captive advisors that is not tied to particular product suppliers is set to continue in 2019. The advantages of being able to compare multiple products are obvious, and consumers are increasingly exploiting these advantages. Recruiting and training new advisors will be key to the further expansion of the segment, because it will enable this growing demand from consumers to be met. The Private Clients segment is predicted to generate further rises in revenue and earnings (EBIT) in 2019.

Since summer 2018, all property-related activities of the Hypoport Group, with the exception of loan brokerage for private clients, have been grouped together in the Real Estate Platform segment with the aim of digitalising the sale, valuation and management of properties. Advice and loan brokerage is the most difficult product group to make forecasts about in the Hypoport Group, because its revenue tends to fluctuate significantly. This fluctuation is attributable to the fact that individual loan brokerage transactions for housing companies are traditionally very large and difficult to control, combined with a high level of dependence on interest-rate trends. Hypoport expects the SaaS and property valuation product groups to perform well in 2019. The significant synergies between these two product groups and the Credit Platform segment create high potential for the growth of revenue and earnings (EBIT) over the long term that is already likely to start being reflected in results this year.

The Insurance Platform segment is striving to become the market standard for the insurance industry, similar to EUROPACE's role in the credit industry. Work on developing and expanding the platform meant that the segment was still experiencing start-up losses in 2018. In 2019, we expect a further increase in revenue and an improved level of earnings (EBIT).

Based on the capital spending decisions that we have already taken and the future projects that we are planning, we anticipate that the Hypoport Group will require financial resources of approximately €20 million in 2019. Most of this has been earmarked for the expansion and refinement of the platforms, for further digitalisation of the Real Estate Platform segment and for driving the growth of the insurance platform. It is envisaged that the capital expenditure will be funded from the high level of cash flow and from new borrowing from banks. As at the balance sheet date, the Hypoport Group had sufficient equity and adequate cash and cash equivalents. Our business model is not very capital intensive and generates large cash flows. As a result, Hypoport is largely immune to developments in the capital markets. Rising interest rates or more restrictive bank lending would not have a negative impact on our liquidity or our ability to fund ourselves in 2019. We will essentially use our cash flows to increase the Hypoport Group's financial strength and for capital investment.
As outlined in this section, the revenue and earnings performance of the individual Hypoport segments is expected to vary slightly in 2019, but all four will probably do well. Assuming that there is no significant turmoil in the credit, property or insurance industries (i.e. in the markets in which the Hypoport Group operates), we therefore expect the Hypoport Group as a whole to achieve a double-digit growth rate with consolidated revenue of between €310 million and €340 million and EBIT of €32 million to €40 million.

This group management report contains statements about economic and political developments as well as the future performance of the Hypoport Group. These statements are assessments that we have reached on the basis of the information available to us at the present time. If the assumptions underlying these assessments do not prove to be correct or if other risks emerge, the actual results could deviate from the outcome we currently expect.

Berlin, 8 March 2019
Hypoport AG – The Management Board

Ronald Slabke | Stephan Gawarecki | Hans Peter Trampe

Responsibility statement

“We assure that, to the best of our knowledge and in accordance with the accounting standards applied, the consolidated financial statements give a fair presentation of the Company’s financial position and financial performance, the group management report gives a fair presentation of the Hypoport Group’s business, profits and position and that the material opportunities and risks of its expected development are described.”

Berlin, 8 March 2019
Hypoport AG – The Management Board

Ronald Slabke	Stephan Gawarecki	Hans Peter Trampe

Shares and investor relations

Share price performance

Hypoport shares started the 2018 trading year at €148.40 (XETRA). In the weeks that followed, they fell to around €125, partly due to their performance at the end of 2017 (price rise of 15 per cent in December 2017). This decline was reversed in early February, and the share price hovered at a level of €130–€135 during the remainder of the month. On 2 March, Hypoport AG informed the capital markets that it expected revenue growth of around 24 per cent for 2017 and that EBIT was likely to be on a par with 2016. The share price dropped to €120 on the back of this disclosure, but recovered to its previous level by mid-March. From the end of April, the share price started to climb again, boosted by positive interim results and the announcement of the acquisition of FIO SYSTEMS AG and Value AG, ultimately reaching around €165. Hypoport AG's shares then held steady at this level until the results for the first half of 2018 were published. Once these positive results had been published, the share price began to rally again and reached an all-time high of €204 on 24 September 2018. It then fell sharply in the period September to December, partly due to the general turmoil pervading the capital markets. The shares closed the year at €148.20 on 28 December 2018.

On Xetra, Hypoport shares thus improved by around 2 per cent over 2018 as a whole, whereas the capital markets in general saw a significant downturn (DAX down by 18 per cent, SDAX down by 20 per cent). The daily volume of Hypoport shares traded on all German stock exchanges averaged €2.2 million, which was slightly lower than the volume of €2.8 million in 2017.

Performance of Hypoport shares (daily closing prices, Xetra, €) in 2018

Membership of the SDAX

Deutsche Börse overhauled the composition of its indices with effect from 24 September 2018 and thereby effectively eliminated the distinction between technology companies (TecDAX) and classic companies (DAX, MDAX and SDAX), which had in any case become out of date. As a consequence, the number of stocks in the SDAX has been increased from 50 to 70 and now includes a much higher proportion of companies with technology business models, while the revamped TecDAX now also contains large technology companies from the DAX. Hypoport expressly welcomes the fact that the SDAX has become a broader index. However, Hypoport believes that the restructuring was a missed opportunity for Deutsche Börse to coin a narrower and more contemporary definition of the term ‘technology’. By neglecting to do so, Deutsche Börse is making it harder for innovative companies to join the TecDAX.
Hypoport AG has been in the SDAX continually since December 2015. At the end of the year, Hypoport shares occupied the midfield in the SDAX index – as restructured in 2018 – in terms of market capitalisation and free-float trading volume.

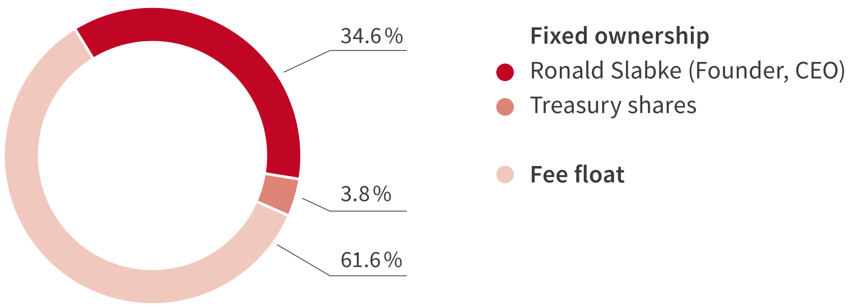
Capital increase in May 2018

In May 2018, Hypoport AG conducted a capital increase in return for a non-cash contribution from authorised capital (2017/I Authorised Capital) with a volume of 298,418 shares. The new shares were admitted to trading in the Regulated Market with simultaneous admission to trading in the segment of the Regulated Market with additional post-admission obligations (Prime Standard).

Shareholder structure

There were five notifiable changes disclosed to us in voting right notifications in 2018: Union Investment reported that its voting share in Hypoport AG on 25 January 2018, 30 January 2018 and 15 March 2018 amounted to 5.19 per cent, 4.86 per cent and 5.003 per cent respectively. KBC Asset Management told us that its voting share in Hypoport AG was 2.98 per cent on 20 April 2018. On 22 May 2018, Mr Nicolas Schulmann’s stake in Hypoport AG, which he holds indirectly through Exformer GmbH, amounted to 4.595 per cent. He was previously the main shareholder of FIO Systems AG.

Shareholder structure as at 31.12.2018



Research

Bankhaus Metzler and Commerzbank began covering Hypoport AG in 2018, which means Hypoport shares were covered by six institutions (Bankhaus Metzler, Berenberg, Commerzbank, Pareto Securities, ODDO BHF and Warburg Research) as at 31 December 2018. Five analysts recommended the shares as a 'buy' and one as a 'hold' at the end of 2018, with the target share prices ranging from €177.00 to €250.00 depending on each analyst's assessment.

Designated sponsor

Designated sponsors enhance a share's liquidity by quoting binding prices at which they will buy and sell the share. At the end of 2018, the designated sponsors for Hypoport AG were ODDO SEYDLER BANK AG, Frankfurt am Main, and Pareto Securities AS, Frankfurt am Main.

Key data on Hypoport's shares

WKN	549 336
ISIN	DE 000 549 3365
Stock exchange symbol	HYQ
Type	No-par-value shares
Notional value	€ 1.00
Subscribed capital	€ 6,493,376.00
Stock exchanges	XETRA, Frankfurt
Market segment	Regulated market
Transparency level	Prime Standard
Membership of indices	SDAX
	CDAX
	Classic All Share
	DAXplus Family
	GEX
	Prime All Share
Performance	
Share price as at 29 December 2017	145.35 € (XETRA)
Share price as at 28 December 2018	148.20 € (XETRA)
High in 2018	204.00 € (24 September 2018)
Low in 2018	120.00 € (2 March 2018)
Market capitalisation	962 million (28 December 2018)
Trading volume	2.2 Mio. shares (daily average for 2018)

Consolidated financial statements

IFRS consolidated income statement for the year ended 31 December 2018

	Notes	2018 €'000	2017 €'000
Revenue	(3.1)	265,958	194,855
Commissions and lead costs	(3.2)	– 125,778	– 92,572
Gross profit		**140,180**	**102,283**
Own work capitalised	(3.3)	10,714	6,985
Other operating income	(3.4)	3,953	4,517
Personnel expenses	(3.5)	– 81,748	– 58,562
Other operating expenses	(3.6)	– 34,272	– 25,354
Income from companies accounted for using the equity method	(3.7)	261	255
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**39,088**	**30,124**
Depreciation, amortisation expense and impairment losses	(3.8)	– 9,798	– 6,808
Earnings before interest and tax (EBIT)		**29,290**	**23,316**
Financial income	(3.9)	581	551
Finance costs	(3.9)	– 1,740	– 878
Earnings before tax (EBT)		**28,131**	**22,989**
Income taxes and deferred taxes	(3.10)	– 5,665	– 4,564
Net profit for the year		**22,466**	**18,425**
attributable to non–controlling interest	(4.12)	0	3
attributable to Hypoport AG shareholders	**(3.11)**	**22,466**	**18,422**
Earnings per share (€) (basic / diluted)	**(3.11)**	**3.66**	**3.10**

Consilidated statement of comprehensive income for the period 1 January to 31 December 2018

	2018 €'000	2017 €'000
Net profit (loss) for the year	22,466	18,425
Total income and expenses recognized in equity*)	0	0
Total comprehensive income	22,466	18,425
attributable to non-controlling interest	0	3
attributable to Hypoport AG shareholders	22,466	18,422

* There was no income or expense to be recognized directly in equity during the reporting period.

IFRS consolidated balance sheet as at 31 December 2018

Assets	Notes	31.12.2018 €'000	31.12.2017 €'000
Non-current assets			
Intangible assets	(4.1)	190,636	55,971
Property, plant and equipment	(4.1)	10,332	4,447
Financial assets	(4.2)	290	1,428
Investments accounted for using the equity method	(4.3)	6,500	1,050
Trade receivables	(4.4)	7,562	6,671
Other assets	(4.5)	1,065	1,287
Deferred tax assets	(4.6)	4,588	1,750
		220,973	**72,604**
Current assets			
Inventories	(4.4)	780	0
Trade receivables	(4.5)	46,658	42,469
Trade receivables from joint ventures	(4.5)	1,316	195
Other assets	(4.6)	3,521	11,252
Current income tax assets	(4.6)	609	127
Cash and cash equivalents	(4.8)	31,761	14,333
		84,645	**68,376**
		305,618	**140,980**
Equity and Liabilities			
Equity			
Subscribed capital	(4.9)	6,493	6,195
Treasury shares	(4.11)	– 246	– 249
Reserves	(4.12)	146,923	76,654
Equity attributable to non-controlling interests	(4.13)	314	306
		153,484	**82,906**
Non-current liabilities			
Financial liabilities	(4.14)	70,956	13,360
Provisions	(4.16)	34	87
Other liabilities	(4.15)	7,400	0
Deferred tax liabilities	(4.7)	11,770	7,031
		90,160	**20,478**
Current liabilities			
Provisions	(4.16)	250	95
Financial liabilities	(4.14)	9,780	2,942
Trade payables		31,992	23,058
Trade payables from joint ventures		551	280
Current income tax liabilities		3,778	951
Other liabilities	(4.15)	15,623	10,270
		61,974	**37,596**
		305,618	**140,980**

Consolidated statement of changes in equity for 2017 and 2018

2017 €'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Equity attributable to non–controlling interest	Equity
Equity as at 1 Jan 2017	5,942	2,605	55,283	63,830	303	64,133
Sale of own shares	4	300	44	348	0	348
Purchase of own shares	0	0	0	0	0	0
Total comprehensive income	0	0	18,422	18,422	3	18,425
Equity as at 31 Dec 2017	**5,946**	**2,905**	**73,749**	**82,600**	**306**	**82,906**

2018 €'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Equity attributable to non-controlling interest	Equity
Equity as at 1 Jan 2018	5,946	2,905	73,749	82,600	306	82,906
Capital increase	298	0	0	298	0	298
Sale of own shares	3	47,773	30	47,806	0	47,806
Change in scope of consilidation	0	0	0	0	8	8
Total comprehensive income	0	0	22,466	22,466	0	22,466
Equity as at 31 Dec 2018	**6,247**	**50,686**	**96,237**	**153,170**	**314**	**153,484**

Consolidated cash flow statement for the period 1 January 2018 to 31 December 2018

	2018 €'000	2017 €'000
Earnings before interest and tax (EBIT)	29,290	23,316
Non-cash income / expense	4,878	– 526
Interest received	231	364
Interest paid	– 1,390	– 415
Income taxes paid	– 3,730	– 3,648
Current tax	– 3,492	– 1,098
Change in deferred taxes	– 1,557	– 182
Income from companies accounted for using the equity method	– 261	– 254
Depreciation and amortisation expense, impairment losses / reversals of impairment losses on non-current assets	9,798	6,808
Gains / losses on the disposal of	– 18	– 53
Cash flow	**33,749**	**24,312**
Increase / decrease in current provisions	173	– 59
Increase / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	3,946	– 17,232
Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	1,962	1,236
Change in working capital	**6,081**	**– 16,055**
Cash flows from operating activities	**39,830**	**8,257**
Payments to acquire property, plant and equipment / intangible assets	– 18,670	– 11,092
Cash outflows for acquisitions less acquired cash	– 63,257	– 9,562
Proceeds from the disposal of financial assets	244	15
Purchase of financial assets	– 3,953	– 546
Cash flows from investing activities	**– 85,636**	**– 21,185**
Proceeds from drawdown of loans under finance facilities	70,508	10,000
Redemption of bonds and loans	– 7,274	– 5,150
Cash flows from financing activities	**63,234**	**4,850**
Net change in cash and cash equivalents	17,428	– 8,078
Cash and cash equivalents at the beginning of the period	14,333	22,411
Cash and cash equivalents at the end of the period	**31,761**	**14,333**

Notes to the IFRS consolidated financial statements

1. Basis of presentation

1.1 Business background and company-law information

Hypoport AG (referred to below as 'Hypoport'), whose registered office is located in Berlin, Germany, is entered in the commercial register of the Berlin-Charlottenburg local court under HRB 74559 B. The Company's business address is Klosterstrasse 71, 10179 Berlin, Germany.

As the parent company of the Hypoport Group, Hypoport AG is required by section 290 of the German Commercial Code (HGB) to prepare consolidated financial statements and a group management report. Because the Company's shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange (WKN 549336), this obligation applies irrespective of whether certain minimum size criteria are met. As a parent entity that is listed on a stock exchange, the Company is obliged to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). It is required by section 315a (1) HGB to comply with supplementary provisions of the German Commercial Code.

The consolidated financial statements for 2018 have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU. Furthermore, a group management report has been added to the IFRS consolidated financial statements to meet the requirements of the HGB. The IFRS consolidated financial statements comprise the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, the consolidated statement of comprehensive income, the consolidated cash flow statement and the notes to the consolidated financial statements. The disclosures required by section 315e (1) HGB are presented in the notes to the consolidated financial statements and in the remuneration report, which forms part of the group management report. The consolidated financial statements were completed on 9 March 2018 and are expected to be submitted to the Supervisory Board on 20 March 2018 to be approved for publication.

The consolidated balance sheet is broken down into current and non-current items in accordance with IAS 1.51 et seq. The consolidated income statement is presented under the nature-of-expense method. The consolidated financial statements and the separate financial statements for the entities included in the IFRS consolidated financial statements have been prepared in euros.

To improve clarity, all figures in the IFRS consolidated financial statements and the group management report are presented in thousands or millions of euros. We wish to point out that the application and aggregation of rounded amounts and percentages and the use of automated calculation methods may give rise to rounding discrepancies.

All figures on the quantities and volumes of financial products sold (e.g. volume of loans brokered, life insurance premiums, or volume of transactions processed on EUROPACE) include cancellations and, consequently, cannot be compared directly with the revenue figures shown, which exclude cancellations. The relevant figures shown in each case are calculated at a cut-off point in the product transaction process that is appropriate for the accrual method of accounting used. The growth of the subsidiaries in the Credit Platform and Private Clients segments can be seen from the volume of loans on the transaction platform. A transaction is included in the volume as soon as the advisor has set its status to 'customer has accepted the offer'. The volume is the volume before cancellations. Cancellations that occur later in this process – e.g. as a result of additional credit checks or health checks performed by product suppliers or the exercise of cancellation rights by consumers – are not taken into account in the relevant figures shown.

The financial year for all consolidated Group companies, including the joint ventures and associates, and the parent company is the same as the calendar year. The Hypoport Group's presence in the market is based on various business models involving the development and marketing of technology platforms for the credit, property and insurance industries as well as advice on and brokerage of loans, insurance policies and investment products that do not constitute financial instruments pursuant to section 1 (11) of the German Banking Act (KWG).
These consolidated financial statements have been prepared on a going-concern basis.

1.2 Application of IFRS

All pronouncements by the International Accounting Standards Board (IASB) that were required to be applied by 31 December 2018 have been adopted. All the principles of the framework, the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) and the earlier interpretations of the Standing Interpretations Committee (SIC) applicable at the balance sheet date have been applied.

The following revised or new standards issued by the IASB were required to be applied for annual periods beginning on or after 1 January 2018:

- IAS 40: Transfers of Investment Property
- IFRS 2: Classification and Measurement of Share-based Payment Transactions
- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers and Clarifications to IFRS 15
- IFRIC 22: Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRS Standards 2014–2016 Cycle (1 January 2017/2018, not endorsed)
- Various: Annual Improvements to IFRS Standards 2015–2017 Cycle (1 January 2019, endorsed).

TRANSFERS OF INVESTMENT PROPERTY (AMENDMENTS TO IAS 40)
These amendments specify that a property can only be recognised as held as an investment, or cease being recognised as such, if an actual change of use has taken place. A change to the intentions for the use of a property does not constitute a change in use. These amendments have no impact on Hypoport's consolidated financial statements.

CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS (AMENDMENTS TO IFRS 2)

The amendments clarify that the measurement of cash-settled share-based payment transactions with vesting and non-vesting conditions must be carried out using the same approach as used for the measurement of equity-settled share-based payments. Moreover, rules are provided for the first time concerning the accounting for cash-settled share-based payments that, as a result of a modification, become equity-settled share-based payments. An exception to the principles of IFRS 2 has also been introduced, according to which a commitment in its entirety should be classified as an equity-settled share-based payment where the entity is obliged to withhold an amount to meet the employee's tax liability arising from the share-based payment and to remit it to the tax authority. The amendments have no material influence on the presentation of the consolidated financial statements.

AMENDMENTS TO IFRS 9: FINANCIAL INSTRUMENTS

When it published the fourth and final version of this new standard in July 2014, the IASB completed the project on the recognition of financial instruments that it had started in 2008 in response to the financial crisis. The new standard replaces the previous provisions in IAS 39 Financial Instruments: Recognition and Measurement governing the recognition and measurement of financial assets and contains new requirements for hedge accounting. The requirements for calculating impairment losses are replaced by the expected-loss model.

The Group applied IFRS 9 for the first time in the financial year beginning 1 January 2018, using the modified retrospective method without restating the prior-year figures. The cumulative transition effects have to be recognised in equity as at 1 January, while the comparative period is presented in accordance with the previous rules.

Under IFRS 9, financial assets are classified and measured in accordance with the entity's business model and the cash flow characteristics of the individual financial asset. There was no impact on financial liabilities and no impact in connection with hedge accounting, because the Hypoport Group does not use hedge accounting. In respect of equity instruments held as at 1 January 2018, IFRS 9 gives the option of recognising future fair value changes in other comprehensive income. Upon disposal of the financial instrument, they remain in equity. However, the long-term equity investments held as at 1 January 2018 were not material.

The amendments to IFRS 9 have no impact on the presentation of the financial position and financial performance of the Group.

AMENDMENTS TO IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

This standard published in May 2014 aggregates the requirements for revenue recognition that were previously included in various standards and interpretations. At the same time, it establishes consistent basic principles applicable to all categories of revenue-related transaction across all sectors that govern the amount of revenue to be recognised and the point in time at which or the period of time over which it is recognised. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the interpretations IFRIC 13 Customer Loyalty Programmes, IFRIC 15

Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The clarifications relate to the identification of performance obligations arising from a contract, the classification of a company as principal or agent and the recognition at a point in time or over time of revenue from licences granted. The transitional provisions designed to provide transition relief for first-time adopters have also been set out in greater detail. The amendments came into effect for annual periods beginning on or after 1 January 2018. The impact of IFRS 15 Revenue from Contracts with Customers and the Clarifications to IFRS 15 was examined as part of a groupwide project to implement the new rules. Under IFRS 15, the entire consideration for the performance of related services is apportioned among all services based on their individual selling prices. In the Group's view, the fair values and individual selling prices of the services are identical because the contracts mostly have a one-year term. This means that there will be no changes to the timing of revenue recognition for these services. With regard to its fee and commission income, the Group has ascertained that it acts as an agent. According to IFRS 15, this assessment is based on whether the Group has control over particular goods before they are transferred to the end customer rather than on whether the Group is exposed to significant risks and opportunities relating to the sale of goods. Determining whether control passes at a point in time or over a period of time requires assumptions to be made. For the vast majority of transactions, the point in time or period of time for recognition remains unchanged. Application of the new IFRS 15 has no impact on the presentation of financial position and financial performance or on earnings per share.

AMENDMENTS TO IFRIC 22:
FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION This interpretation clarifies that the exchange rate used to translate payments or receipts of advance consideration in foreign currencies must also be used to recognise the subsequent assets, expenses and income. It has not had any impact on Hypoport's financial statements.

ANNUAL IMPROVEMENTS TO IFRS STANDARDS 2014–2016 CYCLE
In December 2016, the IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle as part of its annual improvement projects. The amendments relate to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures. They primarily provide clarification in relation to the scope of application, as well as other matters. The amendments to IFRS 1 and IAS 28 must be applied for annual periods beginning on or after 1 January 2018, while the amendments to IFRS 12 must be applied for annual periods beginning on or after 1 January 2017. The amendments have no material influence on the presentation of the consolidated financial statements.

The initial application of the above IFRS requirement did not give rise to any material impact on the presentation of financial position and financial performance or on the notes to these consolidated financial statements.

Furthermore, the IASB has issued the following standards, interpretations and amendments to existing standards that the Hypoport Group is not yet required to apply to these financial statements:

- Definition of Material (Amendments to IAS 1 and IAS 8) (effective for annual periods beginning on or after 1 January 2020, not endorsed by the European Commission)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (1 January 2020, not endorsed)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (1 January 2019, not endorsed)
- Definition of a Business (Amendments to IFRS 3) (1 January 2020, not endorsed)
- Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4: Insurance Contracts) (1 January 2021, endorsed)
- Prepayment Features with Negative Compensation (Amendments to IFRS 9) (1 January 2019, endorsed)
- IFRS 16: Leases (1 January 2019, endorsed)
- IFRS 17: Insurance Contracts (1 January 2021, not endorsed)
- IFRIC 23: Uncertainty over Income Tax Treatments (1 January 2019, endorsed)
- Various: Annual Improvements to IFRS Standards 2015–2017 Cycle (1 January 2019, endorsed)
- Framework: Amendments to References to the Conceptual Framework in IFRS Standards (1 January 2010, not endorsed).

DEFINITION OF MATERIAL (AMENDMENTS TO IAS 1 AND IAS 8)
Materiality is an important concept in the preparation of IFRS financial statements. The amendments tighten the definition of 'material' and clarify how materiality is to be applied. The amendments also ensure that 'material' is defined consistently throughout all of the standards. Hypoport does not expect any material impact.

PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT (AMENDMENTS TO IAS 19)
When a defined benefit pension plan is amended, curtailed or settled, the current service cost and the net interest for the remainder of the financial year have to be recalculated using updated actuarial assumptions. The effect of the asset ceiling has to be disregarded when calculating the gain or loss on the settlement and is recognised separately in other comprehensive income. These changes will have no impact on Hypoport's consolidated financial statements.

LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES (AMENDMENTS TO IAS 28)
The amendments clarify that the impairment rules of IFRS 9 apply to long-term interests that, in substance, form part of a net investment in an equity-accounted associate or joint venture. Nevertheless, (as a second step) these long-term interests will have to be taken into account when the IAS 28 loss allocations are trued-up to the value of the long-term equity investments. Hypoport is currently examining the amendments and does not expect any material impact.

APPLYING IFRS 9 'FINANCIAL INSTRUMENTS' WITH IFRS 4 'INSURANCE CONTRACTS' (AMENDMENTS TO IFRS 4: INSURANCE CONTRACTS)
The amendments to IFRS 4 relate to the first-time adoption of IFRS 9 by insurers. These amendments and the new IFRS 17 Insurance Contracts published by the IASB on 18 May 2017 are not relevant to Hypoport.

PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION (AMENDMENTS TO IFRS 9)
The amendments are designed to enable those applying IFRS 9 that hold debt instruments with a prepayment option for which a party receives or pays appropriate compensation upon termination to measure these instruments at amortised cost or at fair value through other comprehensive income. Prior to these amendments, such instruments have to be measured at fair value through profit or loss. These changes will have no impact on Hypoport's consolidated financial statements.

AMENDMENTS TO IFRS 16: LEASES
IFRS 16 replaces the existing IAS 17 and related interpretations. This new standard applies from 1 January 2019. Lessees no longer need to distinguish between finance leases and operating leases. Instead, accounting is based on the right-of-use approach.

Hypoport will apply the standard using the modified retrospective approach. Application of the new standard will have a material impact on the accounting treatment of rental agreements and leases by lessees because the lessee has to recognise all rental agreements and leases on its balance sheet. The lessee recognises an asset, representing its right to use the underlying asset, as well as a lease liability, representing its obligation to make rental or lease payments. The type of expense in connection with these rental agreements and leases has changed, because depreciation charges now have to be recognised for the right-of-use assets and interest expenses for the lease liabilities. These changes apply to rental agreements and leases that were previously classified as operating leases under IAS 17. Hypoport will use the exemptions provided for in the standard (e.g. short-term leases and leases for which the underlying asset is of low value do not have to be recognised). Two transition options are available regarding the measurement of right-of-use assets. Hypoport intends to use the modified retrospective approach for the material rental agreements and leases. The right-of-use asset relating to the rented or leased asset will be measured in the amount of the rental or lease liability, adjusted for any rental or lease payments that have already been recognised as prepaid expenses or deferred income and that existed immediately before the date of initial application.

Hypoport's finance team carried out a cross-functional project in connection with the adoption of IFRS 16. The main elements of this project were the implementation of a new software solution for the accounting and reporting of leases and the development of business processes to support the introduction of the new IFRS 16.

IFRS 16 has the biggest impact on leased property and vehicles. These operating leases were previously treated as off-balance-sheet items under IAS 17 (i.e. the rental and lease payments were expensed immediately under the cost of rentals and leases over the term of the rental agreement or lease). Hypoport estimates that the assets and liabilities to be recognised under IFRS 16 in this context each amount to €24.8 million as at 1 January 2019 (the day of initial application of IFRS 16).

The adoption of IFRS 16 is likely to have a positive effect on EBIT in 2019, because some of the costs that previously had to be classified as the cost of rentals and leases will be classified as interest expenses and are thus not included in EBIT. Based on the Hypoport Group's rental agreements and leases as at 1 January 2019, EBIT is expected to increase by €0.3 million. However, the actual effect on profit depends not only on the leases in existence at the time of initial application but also on any new leases that are entered into or terminated during 2019. IFRS 16 also affects how lease payments are presented in the cash flow statement. This will lead to an improvement in cash flow from operating activities and a deterioration in cash flow from financing activities. Based on the Hypoport Group's rental agreements and leases as at 1 January 2019, this change in the cash flow statement is expected to increase by €4.9 million.

AMENDMENTS TO IFRS 17: INSURANCE CONTRACTS
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts that fall within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents the insurance contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. IFRS 17 is not relevant to Hypoport.

AMENDMENTS TO IFRIC 23: UNCERTAINTY OVER INCOME TAX TREATMENTS
This interpretation supplements the provisions of IAS 12 on accounting for current and deferred taxes in respect of uncertainties surrounding how tax authorities and tax jurisdictions will treat transactions and other events for income tax purposes. This year, Hypoport will examine the interpretation's impact on the consolidated financial statements. We currently do not expect any material changes.

ANNUAL IMPROVEMENTS TO IFRS STANDARDS 2015–2017 CYCLE
Provisions arising from the annual improvement project that were published in December 2017 include amendments to four standards: IAS 12, IAS 23, IFRS 3 and IFRS 11. In addition to minor amendments to content, the requirements largely relate to clarifications regarding recognition, disclosure and measurement. Hypoport does not expect first-time adoption of the amendments to have any material impact on its consolidated financial statements.

FRAMEWORK: AMENDMENTS TO REFERENCES TO THE CONCEPTUAL FRAMEWORK IN IFRS STANDARDS
The revised Conceptual Framework contains improved definitions for assets and liabilities as well as new guidance on measurement, derecognition, presentation and disclosure. The references to the Conceptual Framework in existing standards are being updated. The revised Conceptual Framework is not subject to the endorsement process. There are no changes for the Hypoport Group.

Hypoport does not intend to adopt these standards and interpretations, or the amendments resulting from them, on a voluntary basis before their effective dates. The Company is currently analysing the potential impact of all the relevant aforementioned amendments and new standards on the financial position and financial performance of the Hypoport Group.

1.3 Basis of consolidation

In addition to the parent company, Hypoport AG, the IFRS consolidated financial statements include 30 (2017: 25) domestic and international subsidiaries in which the Company directly or indirectly holds the majority of voting rights, four (2017: four) joint ventures and four (2017: one) associates. The following table shows the entities included in the consolidated financial statements in addition to Hypoport AG:

Subsidiary	Holding in %
ASC Assekuranz-Service Center GmbH, Bayreuth	100.00
ASC Objekt GmbH, Bayreuth	100.00
Basler Service GmbH, Bayreuth	70.00
BAUFINEX Service GmbH, Berlin	100.00
1blick GmbH, Heidelberg	100.00
Dr. Klein Finance S.L.U., Santa Ponça (Mallorca)	100.00
DR. KLEIN Firmenkunden AG, Lübeck	100.00
Dr. Klein Privatkunden AG, Lübeck	100.00
Dr. Klein Ratenkredit GmbH, Lübeck (formerly: Smart InsurTech Versicherungsservice GmbH, Lübeck)	100.00
Europace AG, Berlin	100.00
FIO SYSTEMS AG, Leipzig	100.00
FIO SYSTEMS Bulgaria EOOD, Sofia (Bulgaria)	100.00
GENOPACE GmbH, Berlin	50.025
Hypoport B.V., Amsterdam	100.00
Hypoport Grundstücksmanagement GmbH, Berlin	100.00
Hypoport InsurTech GmbH, Berlin (formerly:Smart InsurTech GmbH, Berlin)	100.00
Hypoport Mortgage Market Ltd., Westport (Ireland)	100.00
Hypoport Systems GmbH, Berlin	100.00
Hypservice GmbH, Berlin	100.00
Kartenhaus GmbH, Bonn	100.00
Primstal - Alte Eiweiler Straße 38 Objektgesellschaft mbH, Nonnweiler (formerly: NKK Consulting Aktiengesellschaft AG, Regensburg)	100.00
Qualitypool GmbH, Lübeck	100.00
Smart InsurTech AG, Regensburg (formerly: NKK Programm Service AG, Regensburg)	100.00
Starpool Finanz GmbH, Berlin	50.025
Value AG, Berlin	100.00
Vergleich.de Gesellschaft für Verbraucherinformation mbH, Berlin	100.00
Vergleich.de Versicherungsservice GmbH, Lübeck	100.00
VS Direkt Versicherungsmakler GmbH, Bayreuth	100.00
Volz Vertriebsservice GmbH, Ulm	100.00
Winzer - Kneippstraße 7 Objektgesellschaft mbH, Berlin (formerly: Klosterstraße 71 Objektgesellschaft mbH, Berlin)	100.00

Joint ventures	Holding in %
Expertise Management & Holding GmbH, Berlin	50.00
FINMAS GmbH, Berlin	50.00
Hypoport on-geo GmbH, Berlin	50.00
LBL Data Services B.V., Amsterdam	50.00

Associated company	
BAUFINEX GmbH, Schwäbisch Hall	30.00
finconomy AG, Munich	25.00
Genoport Kreditmanagement GmbH, Berlin	35.00
IMMO CHECK Gesellschaft für Informationsservice mbH, Bochum	33.33

With the exception of the aforementioned joint ventures and associates (all accounted for under the equity method owing to lack of control), all major Hypoport Group companies are fully consolidated.

1.4 Principles of consolidation

The separate financial statements for the entities included in the Hypoport IFRS consolidated financial statements and the separate financial statements for the parent are prepared to the same balance sheet date using uniform accounting policies.

The consolidated financial statements include Hypoport AG and the subsidiaries over which it exerts direct or indirect control. Control is generally deemed to be exerted by the entity that holds a majority of voting rights. Subsidiaries are fully consolidated from the date of acquisition, i.e. the date on which the Group acquires control. They are deconsolidated as soon as control by the parent comes to an end.

Subsidiaries are consolidated in accordance with IFRS 3. This involves recognising all of the subsidiaries' assets and liabilities at fair value at the acquisition date. The pro-rata equity calculated in this way is compared with the carrying amount of the investment concerned. Any positive differences that are attributable to separately identifiable intangible assets acquired as part of the business combination are shown separately from goodwill. If a useful life can be determined for these assets, they are amortised over their estimated useful life. Intangible assets with an indefinite useful life are tested for impairment annually and, where necessary, an impairment loss is recognised. Any remaining positive differences are recognised as goodwill and tested for impairment annually in accordance with IAS 36. The option of recognising any non-controlling interests at fair value (full-goodwill method) has not been utilised. As required by IFRS 3.19, these interests are recognised at their proportionate share of the identifiable net assets. When the acquisition costs incurred in business combinations are being determined, conditional purchase price components are recognised at their fair value at the date of first-time consolidation. Subsequent deviations from this value are recognised in profit or loss. Transaction costs are expensed as incurred in accordance with IFRS 3. Any negative differences or negative goodwill arising on consolidation are immediately recognised in profit or loss.

The Hypoport Group consolidates its investments in joint ventures using the equity method. The carrying amount for long-term equity investments accounted for under the equity method in the consolidated financial statements will be increased or decreased annually to reflect any changes in the proportion of equity held by Hypoport. When equity-accounted investments are included for the first time, differences arising from first-time consolidation are treated in accordance with the principles of full consolidation. Changes in the proportion of equity, including write-downs on goodwill, are recognised in profit (loss) from equity-accounted long-term equity investments. If the Group's share in a loss relating to a joint venture is equivalent to or exceeds its original interest in the entity (including other unsecured receivables), no further losses are reported. Further losses are only reported if obligations have been assumed for the joint venture or payments have been made on its behalf.

Long-term equity investments that have a minor impact on the Group's financial position and financial performance individually and whose impact is immaterial overall, are included in the consolidated financial statements at acquisition cost minus impairment losses.

The basis rollover method is used to recognise common control transactions. The assets and liabilities in step acquisitions are recognised at their fair value at the acquisition date. Existing investments are measured at fair value through profit or loss. Goodwill is determined at the acquisition date. Differences arising from the acquisition or sale of investments in affiliated companies without any acquisition or loss of control are recognised in other comprehensive income. Trade receivables, loans and other receivables are fully offset against the corresponding liabilities and provisions as part of the elimination of intercompany balances between the subsidiaries included in consolidation.

Income and expenses resulting from goods supplied or services rendered within the Hypoport Group are eliminated. Material intercompany profits and losses resulting from goods supplied or services rendered within the Hypoport Group are fully eliminated; such profits and losses are eliminated on a pro-rata basis in cases where the equity method of consolidation is used.

Non-controlling interests in the equity and profit or loss of companies controlled by the parent company are shown separately in the consolidated financial statements. The necessary deferred taxes are recognised on consolidation.

1.5 Currency translation

In the separate financial statements for the companies in the Group, monetary positions – such as receivables and payables – that are denominated in a currency other than the Group's functional currency are measured using the mid rate on the balance sheet date. Where, in the case of receivables, the closing rate is lower or, in the case of payables, the closing rate is higher, the foreign currency value translated at the closing rate is reported. Any exchange differences arising as a result are recognised in consolidated income.

1.6 Use of assumptions and estimates

The preparation of the consolidated financial statements in accordance with IFRS requires that the Company make some assumptions and estimates with regard to the recognition and measurement of assets and liabilities, income and expense, and contingent liabilities. The assumptions and estimates relate for the most part to the definition of useful lives, the recognition and measurement of intangible assets, receivables and provisions, and the realisation of future tax relief. In individual cases, the actual values may differ from the assumptions and estimates. Any changes as a result of new information, more experience or subsequent developments are recognised immediately in income in accordance with IAS 8.

Material discretionary decisions largely relate to the capitalisation of development costs and the determination of their useful life as well as to the assumptions underlying the impairment test for goodwill.

1.7 Changes to the basis of consolidation; acquisitions

The Hypoport Group carried out the following acquisitions in 2018. All of the shares in IWM Software AG, Nonnweiler, were acquired on 1 January 2018. By incorporating software products from IWM Software AG, the Hypoport Group is expanding its fully integrated digital insurance platform. The consideration transferred for the acquisition of the shares in IWM Software AG amounted to €8.0 million and consisted entirely of the purchase price paid. The purchase consideration was largely attributable to software and goodwill. The acquisition was accounted for using the acquisition method. IWM Software AG was included in the consolidated financial statements with effect from 1 January 2018. Its activities were allocated to the Insurance Platform segment. Since 1 January 2018, IWM has contributed €2.8 million to revenue and €0.1 million to net profit for the year. All shares in FIO SYSTEMS AG (‘FIO’), Leipzig, were acquired on 25 April 2018. FIO is a leading specialist provider of web-based solutions for the finance and real-estate sectors. It offers property marketing solutions, payments processing solutions for the real-estate sector, claims management in respect of damage to property and a comprehensive enterprise resource planning (ERP) system for housing companies and property management companies. Now that FIO is integrated into the Hypoport Group, Hypoport covers the entire value chain of private property transactions and offers a significantly expanded range of digitalisation services for the housing industry.

The consideration transferred for the acquisition of the shares in FIO amounted to €71.1 million and is made up of a share component of €47.2 million and a cash component of €23.9 million. The purchase consideration was largely attributable to software and goodwill. FIO holds all shares in FIO SYSTEMS Bulgaria EOOD, Sofia, Bulgaria. Its subscribed capital amounts to €3 thousand and is fully paid-up. The object of the company is to develop software solutions. The acquisitions were accounted for using the acquisition method. FIO and its subsidiary were included in the consolidated financial statements with effect from 30 April 2018. Their activities were allocated to the Real Estate Platform segment. Since the time of acquisition, FIO has contributed €5.9 million to revenue and €0.8 million to net profit for the year. If the business combination had taken place at the start of the year, consolidated revenue would have amounted to €268.1 million and net profit for the year to €23.0 million.

All shares in Value AG, Berlin, were acquired on 3 May 2018. Value AG specialises in property appraisals. By acquiring this real-estate specialist, the Hypoport Group is significantly bolstering its competitive position in the property valuation market and can now offer a complete range of products.
The consideration transferred for the acquisition of the shares in Value AG amounted to €19.9 million and consisted entirely of the purchase price paid. Because it was predominantly internal expertise that was acquired, the purchase consideration was largely attributable to goodwill. The acquisition was accounted for using the acquisition method. Value AG was included in the consolidated financial statements with effect from 1 May 2018. Its activities were allocated to the Real Estate Platform segment. Since the time of acquisition, Value AG has contributed €5.6 million to revenue and €1.6 million to net profit for the year. If the business combination had taken place at the start of the year, consolidated revenue would have amounted to €268.4 million and net profit for the year to €20.2 million.

All shares in ASC Assekuranz-Service Center GmbH (‘ASC’), Bayreuth, were acquired on 19 June 2018. The company is a pooler for insurance brokers, an underwriter and a provider of outsourced services for insurance companies. With the acquisition of ASC, the Hypoport Group now offers a complete range of services for the insurance industry.

The purchase price for all of ASC’s shares amounted to €20.0 million. In addition, a debtor warrant of up to €10.0 million in total was agreed with the former shareholders of ASC. It is dependent on the revenue generated with specifically defined customers in the period 2018 to 2022. The purchase consideration was largely attributable to an insurance portfolio and goodwill. ASC holds all shares in VS Direkt Versicherungsmakler GmbH, Bayreuth. Its subscribed capital amounts to €25 thousand and is fully paid-up. The object of the company is to broker insurance policies and building finance agreements as an insurance intermediary. ASC is also a shareholder of Basler Service GmbH, Bayreuth. Its subscribed capital amounts to €25,000.00 and is fully paid-up. ASC’s initial capital contribution was €17,500.00. The object of the company is to manage tenancy deposit insurance policies. The acquisitions were accounted for using the acquisition method. Since the time of acquisition, ASC has contributed €10.9 million to revenue and €1.1 million to net profit for the year. If the business combination had taken place at the start of the year, consolidated revenue would have amounted to €275.8 million and net profit for the year to €23.5 million.

Hypoport Grundstücksmanagement GmbH acquired all shares in ASC Objekt GmbH, Bayreuth from ASC on 19 June 2018. Its subscribed capital amounts to €25 thousand and is fully paid-up. The object of the company is to build and let properties for its own account. The consideration transferred for the acquisition of the shares in ASC Objekt GmbH amounted to €626 thousand and consisted entirely of the purchase price paid. The purchase consideration was largely attributable to a plot of land. ASC and its subsidiaries were included in the consolidated financial statements with effect from 30 June 2018. Its activities were allocated to the Insurance Platform segment.

All shares in 1blick GmbH, Heidelberg, were acquired on 6 November 2018. 1blick GmbH specialises in developing innovative software solutions for the insurance industry. By acquiring 1blick GmbH, the Hypoport Group is significantly bolstering its competitive position in the insurance

technology market.
The consideration transferred for the acquisition of the shares in 1blick GmbH amounted to €50 thousand and consisted entirely of the purchase price paid. The purchase consideration was largely attributable to goodwill. The acquisition was accounted for using the acquisition method. 1blick GmbH was included in the consolidated financial statements with effect from 1 November 2018. Its activities were allocated to the Insurance Platform segment. Since the time of acquisition, 1blick has contributed €0.1 million to revenue and no net profit for the year. If the business combination had taken place at the start of the year, consolidated revenue would have amounted to €266.6 million and net profit for the year to €22.5 million.

Taken together, the other acquisitions listed above do not have a material influence on the Group's financial position and financial performance and are presented on an aggregated basis in the Other column along with the other acquisitions.

The fair values of the identifiable assets and liabilities were as follows as at the acquisition date:

Initial consolidation	IWM	FIO*	Value	ASC*	Others	Total
Fair value recognises on acquisition €'000						
Assets						
Intangible assets	503	9,424	39	1,646	368	11,980
Property, plant and equipment	1,533	1,126	443	805	7	3,914
Financial assets	0	192	9	0	0	201
Trade receivables	482	572	785	525	84	2,448
Other current items	124	32	481	390	4	1,031
Cash and cash equivalents	98	1,033	4,440	3,290	187	9,048
	2,740	**12,379**	**6,197**	**6,656**	**650**	**28,622**
Liabilities						
Financial liabilities	(932)	(358)	(0)	(0)	(0)	(1,290)
Trade payables	(18)	(162)	(85)	(1,850)	(17)	(2,132)
Other liabilities	(803)	(1,145)	(2,896)	(774)	(2,103)	(7,721)
Deferred tax liabilities	(140)	(2,852)	(0)	(466)	(0)	(3,458)
	(1,893)	**(4,517)**	**(2,981)**	**(3,090)**	**(2,120)**	**(14,601)**
Total identifiable net assets at fair value	847	7,862	3,216	3,566	(1,470)	14,021
Goodwill arising on acquisition (provisional)	7,153	63,231	16,684	27,060	1,566	115,694
Purchase consideration transferred	**8,000**	**71,093**	**19,900**	**30,626**	**96**	**129,715**
Analysis of cash flows on acquisition:						
Net cash acquired with the subsidiary (included in Cashflow from investing activities)	98	1,033	4,440	3,290	187	9,048
Cash paid	(7,800)	(23,883)	(19,900)	(20,626)	(96)	(72,305)
Net cash outflow	**7,702**	**22,850**	**15,460**	**17,336**	**(91)**	**63,257**

* incl. subsidiaries

If new information comes to light within a year of the acquisition date about facts and circumstances that existed at the time of acquisition and that would have led to adjustments to the amounts above or would have led to additional provisions being recognised, the accounting treatment of the acquisitions will be restated.

The goodwill recognised is primarily the result of expected synergies, revenue growth, future market developments and the skills and expertise of the acquired entities' existing employees. These advantages are not recognised separately from goodwill because they do not satisfy the recognition requirements for intangible assets. The goodwill recognised is non-deductible for tax purposes.

The Group incurred total costs of €0.3 million for legal advice and due diligence in connection with the acquisitions. These costs are shown under administrative expenses in the income statement and under cash flows from operating activities in the cash flow statement.

On 30 April 2018, Hypoport AG and Bausparkasse Schwäbisch Hall jointly founded BAUFINEX GmbH, Schwäbisch Hall. At the time the company was founded, the equity amounted to €5.0 million and was fully paid-up. Hypoport AG made an initial contribution of €1.5 million. The object of this company is to broker loans and building finance agreements, especially through electronic platforms, and to perform all related business activities and provide all related services in connection with these brokerage transactions. The company provides a B2B marketplace that is focused exclusively on independent mortgage finance brokers. The Hypoport Group's aim in founding the company is to open up a new distribution channel for banks in the cooperative financial network that offers significant potential for growth. BAUFINEX GmbH is accounted for under the equity method. Its activities were allocated to the Credit Platform segment.

At the beginning of 2018, Hypoport AG, Raiffeisenbank Oberursel eG and Raiffeisenbank Höchberg eG jointly founded Genoport Kreditmanagement GmbH, which is based in Berlin. The company's subscribed capital amounts to €300 thousand and is fully paid-up. Hypoport AG made an initial capital contribution of €105 thousand. The object of the company is the provision of property-related services, especially the structuring of financing plans, the analysis of credit applications and credit relationships, and the preparation of decisions for the account of third parties with regard to banking, insurance and credit-related investment products and any complementary products, primarily for the cooperative financial network. The aim is to leverage additional business potential for individual cooperative banks through joint transactions in commercial real-estate finance. Through this venture, Hypoport AG continues to expand its involvement with the cooperative financial network. Genoport Kreditmanagement GmbH is accounted for under the equity method. Its activities were allocated to the Real Estate Platform segment.

On 5 July 2018, Qualitypool GmbH founded BAUFINEX Service GmbH, Berlin. Its subscribed capital amounts to €25 thousand and is fully paid-up. The object of the company is to manage its own assets and provide management consultancy services (for which a licence is not required). BAUFINEX Service GmbH handles the new BAUFINEX broker pool's financing business outside the cooperative financial network. Its activities were allocated to the Credit Platform segment.

In September 2018, Hypoport AG acquired a further 10.99 per cent of the shares in finconomy AG, Munich, at a purchase price of €2.4 million. Hypoport AG thus holds a total of 25.0 per cent of finconomy AG's shares. Since September 2018, finconomy AG has been accounted for under the equity method. Its activities were allocated to the Insurance Platform segment.

NKK Programm Service AG, INNOSYSTEMS GmbH, maklersoftware.com GmbH, Volz Software GmbH and IWM Software AG were merged with Smart InsurTech AG with effect from 1 July 2018. As a result, the Group's bundling of the various products and services on a single insurance platform has now been completed from a company law perspective as well. Furthermore, INNOFINANCE GmbH was merged with Qualitypool GmbH.

2. Accounting policies

2.1 Comparative figures for 2017

The Hypoport Group restructured its segment reporting with retroactive effect from 1 January 2018. The companies FIO SYSTEMS AG ('FIO') and Value AG, which were acquired in the first half of 2018, were consolidated within the Hypoport Group and allocated to the since renamed Institutional Clients segment in May 2018. To reflect the changed focus of the business model underlying the Institutional Clients segment following the integration of the operations of FIO and Value AG, the name of this segment was changed to Real Estate Platform. Due to similarities in the business models and client bases of the newly acquired Value AG and the existing Hypoport Group company HypService GmbH, the latter was reallocated from the Credit Platform segment to the Real Estate Platform segment with retroactive effect from 1 January 2018. Some minor reallocations were also made within the Credit Platform and Private Clients segments with retroactive effect from 1 January 2018. For historical reasons, the entire personal loans product group was previously allocated to the Private Clients segment. However, more and more bank advisors are arranging personal loans from third-party providers on the EUROPACE financial marketplace, which belongs to the Credit Platform segment (white-label solution). This part of the personal loans product group thus no longer fits into the Private Clients segment, as no Dr. Klein private client advisors from the network of sites are involved in this business process. Consequently, it was reallocated to the Credit Platform segment with retroactive effect from the beginning of 2018. The much smaller portion of the personal loans product group that involves Dr. Klein advisors for private clients brokering personal loans to consumers will remain part of the Private Clients segment. This change creates a clearer distinction between the two segments in terms of client focus. The Credit Platform segment continues to position itself with a B2B business model, whereas the Private Clients segment and its main brand Dr. Klein is focusing even more on a B2C business model. The comparative segment reporting figures for 2017 have been restated as follows as a result of the restructuring.

2017 (€'000)	Credit Platform	Private Clients	Institutional Clients	Insurance Platform	Recon-ciliation	Group
Segment revenue in respect of third parties						
2017 adjusted	83,550	74,856	20,764	15,229	456	**194,855**
2017 as reported	77,527	82,273	19,370	15,229	456	**194,855**
Change	6,023	–7,417	1,394	0	0	**0**
Segment revenue in respect of other segments						
2017 adjusted	655	185	10	992	–1,842	**0**
2017 as reported	655	185	10	992	–1,842	**0**
Change	0	0	0	0	0	**0**
Total segment revenue						
2017 adjusted	84,205	75,041	20,774	16,221	–1,386	**194,855**
2017 as reported	78,182	82,458	19,380	16,221	–1,386	**194,855**
Change	6,023	–7,417	1,394	0	0	**0**
Gross profit						
2017 adjusted	42,915	27,841	20,525	10,626	376	**102,283**
2017 as reported	40,422	31,710	19,149	10,626	376	**102,283**
Change	2,493	–3,869	1,376	0	0	**0**
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)						
2017 adjusted	19,192	13,050	4,620	32	–6,770	**30,124**
2017 as reported	18,132	13,050	5,680	32	–6,770	**30,124**
Change	1,060	0	–1,060	0	0	**0**
Segment earnings before interest and tax (EBIT)						
2017 adjusted	18,870	9,882	3,834	–1,208	–8,062	**23,316**
2017 as reported	15,453	12,123	5,010	–1,208	–8,062	**23,316**
Change	3,417	–2,241	–1,176	0	0	**0**
Segment assets						
2017 adjusted	55,167	18,580	29,936	32,836	4,461	**140,980**
2017 as reported	55,971	18,580	29,132	32,836	4,461	**140,980**
Change	–804	0	804	0	0	**0**

Segment liabilities						
2017 adjusted	22,298	5,586	2,447	3,508	24,235	**58,074**
2017 as reported	22,456	5,586	2,289	3,508	24,235	**58,074**
Change	– 158	0	158	0	0	**0**
Segment capital expenditure						
2017 adjusted	6,706	597	1,412	2,556	1,304	**12,575**
2017 as reported	6,868	597	1,250	2,556	1,304	**12,575**
Change	– 162	0	162	0	0	**0**
Segment depreciation/amortisation expense, impairment losses						
2017 adjusted	2,573	927	776	1,240	1,292	**6,808**
2017 as reported	2,679	927	670	1,240	1,292	**6,808**
Change	– 106	0	106	0	0	**0**
Significant non-cash expenses						
2017 adjusted	3,179	2,114	1,565	910	23	**7,791**
2017 as reported	3,238	2,114	1,506	910	23	**7,791**
Change	– 59	0	59	0	0	**0**

This restructuring has not affected either the net profit for the year or the earnings per share reported by the Hypoport Group.

2.2 Intangible assets

Goodwill arising on the consolidation of subsidiaries, capitalised development costs in connection with the development and refinement of transaction platforms, patents, software, licences and similar rights are reported under intangible assets. Any intangible assets acquired are reported at cost at the date of acquisition.

All intangible assets, with the exception of goodwill, have a finite useful life. They are amortised on a straight-line basis over the period of their use. The useful lives applied to these assets vary between three and 15 years. If there are any indications of impairment, depreciable intangible assets are subjected to an impairment test and, where required, an impairment loss is recognised to ensure that the carrying amount of the asset is reduced to the recoverable amount in accordance with IAS 36.

All amortisation expense and impairment losses on intangible assets are reported in the income statement under depreciation, amortisation expense and impairment losses. Goodwill is not amortised. Instead, an impairment test is carried out in accordance with IAS 36 once a year (or in the intervening period if there are indications of impairment) and, where required, an impairment loss is recognised to ensure that the carrying amount of the asset is reduced to its recoverable amount (impairment-only approach).

An impairment loss is recognised in income if the recoverable amount for the asset is below the carrying amount. The recoverable amount is based on the fair value less costs to sell. The fair value equals the value in use and is calculated using the discounted cash flow method. The cash flows are derived from the Company's four-year strategic plan. This plan is based on expertise gained in the past, the latest financial results, and the strategic plan adopted. It takes appropriate account of sectoral and macroeconomic trends (such as developments in the housing market, movements in interest rates, regulation of the financial markets, changes in state pension and healthcare systems, etc.) as well as historical developments. The annual plans are based on certain bottom-up assumptions for the entire Hypoport Group. Certain cash flow parameters (such as depreciation, amortisation, impairment and taxes) are determined on the basis of defined criteria. The annuity method with a growth rate of zero per cent is used to calculate cash flows for post-planning periods. The cash flows are then discounted back to the balance sheet date using a discount rate that reflects the risks specific to the asset. The discount rate is based on the weighted average cost of capital (WACC). This interest rate reflects current market assessments of the effect of the time value of money as well as the risks specific to the cash-generating unit. As required by IAS 36, the Company determines the applicable WACC by using market information that is based on a peer group of Hypoport. This market information consists of beta factors, gearing levels, and market interest rates on loans.

In order to calculate the WACC, the Company also performs sensitivity analysis in which it makes assumptions that differ from its original estimates; Hypoport considers these assumptions to be improbable but still possible. In doing so, the Company factors in uncertainty in the form of estimates and carries out additional impairment tests for scenarios that are less favourable than estimated. These scenarios verified the recoverability of goodwill in particular in each case. The continued validity of the parameters used was monitored by the Management Board between the end of the reporting year and the date on which the consolidated financial statements were prepared.

If impairment is identified, an impairment loss is first recognised for any available goodwill in the cash-generating unit concerned. Any residual amount is then allocated pro rata to the other assets in the cash-generating unit concerned on the basis of the residual carrying amount of each individual asset at the balance sheet date. If the reasons for a previously recognised impairment loss no longer exist, the impairment loss is reversed (except in the case of goodwill), but the reversal cannot result in a carrying amount that is higher than the amortised carrying amount that would have applied if the impairment loss had never been recognised.
Provided they meet the preconditions of IAS 38, development costs are capitalised at cost if the costs can be clearly attributed and it is certain that the product is technically feasible and can be brought to market. Furthermore, there must be a sufficient probability that the development activity will generate future economic benefits. If the criteria for capitalisation are not satisfied, the costs are expensed as incurred.

The capitalised development costs comprise all costs directly attributable to the development process plus an appropriate portion of development-related overheads. Finance costs are capitalised. Software platforms are amortised on a straight-line basis from the point at which they come into operation over an estimated useful life of ten years if they are being used for the first time or five years in the case of enhancements. Capitalised development costs that are not yet amortised are tested for impairment annually in accordance with IAS 36.

2.3 Property, plant and equipment

Property, plant and equipment is recognised at cost and reduced by depreciation and any impairment losses. Property, plant and equipment is depreciated on a straight-line basis over its estimated useful life. Useful lives of between three and 15 years are applied to these assets.
If there are any indications of impairment, an impairment test is carried out. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised to reduce the carrying amount to the recoverable amount in accordance with IAS 36. If the reason for a previously recognised impairment loss no longer exists, the impairment loss is reversed such that the carrying amount of the asset is restored to the amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

2.4 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out method. In the case of manufactured goods, their cost includes the directly attributable production costs and an appropriate share of the production overheads at normal operating capacity.

2.5 Borrowing costs

Borrowing costs that are directly allocable to the acquisition, construction or manufacture of a qualifying asset are capitalised as part of acquisition and manufacturing costs. All other borrowing costs are expensed as incurred.

2.6 Financial assets

Financial assets include receivables from financial services, trade receivables, receivables from banks, cash on hand, marketable securities, financial investments and other long-term equity investments. Financial assets, such as equities or interest-bearing securities, are classified as held-for-trading if they are acquired with the intention of selling them in the short term. Gains and losses on held-for-trading financial assets are recognised in income.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments, such as trade receivables. In accordance with IFRS 9, once they have been initially recognised, loans and receivables are measured at amortised cost under the effective interest method, net of any impairment losses. Gains and losses are recognised in the net profit (loss) for the period if the loans and receivables are derecognised or impaired. The interest rate effects of using the effective interest method are also taken to income. Dividends are taken to income as soon as a legal entitlement to payment arises.

Other long-term equity investments comprise investments in associates unless they are recognised under the equity method. These investments are carried at their fair value on the consolidated balance sheet. Where possible, the fair value is determined on the basis of market prices. If the fair value cannot be derived from comparable transactions during the period concerned and it has been decided not to base the investments' measurement on discounted future cash flows because these cash flows cannot be reliably determined, the carrying amount used is the acquisition cost minus impairment losses.

2.7 Impairment of financial assets

At each balance sheet date, the carrying amounts of financial assets are tested to see whether there is objective evidence of any impairment; such evidence could be serious financial difficulties on the part of the borrower or significant changes in the technological, economic, legal or market environment of the borrower. In the case of equity instruments, a sustained or significant fall in their fair value would constitute objective evidence that they may be impaired.
Loans and receivables: The amount of impairment on loans and receivables is the difference between the asset's carrying amount and the present value of its anticipated future cash flows, which are discounted using the financial asset's original effective interest rate. The impairment is recognised in income.

If the amount of the impairment loss decreases in a subsequent reporting period and if this decrease can be objectively attributed to an event that occurred after the impairment was recognised, the previously recognised impairment loss is reversed and taken to income.
Most impairment losses on loans and receivables (e.g. trade receivables) are charged to impairment accounts. The decision as to whether a credit risk is recognised through an impairment account or by a direct impairment loss on the receivable depends on how high the probability of default is estimated to be. If receivables are classified as irrecoverable, the respective impaired asset is derecognised.

2.8 Impairment of deferred tax assets

The Company reviews its deferred tax assets at each reporting date to identify any impairment. This assessment requires the senior management team to make assumptions about the level of future taxable profit as well as further positive and negative influencing factors. The actual utilisation of deferred tax assets depends on the Company's ability to generate the necessary taxable profit in future so that it can take advantage of tax loss carryforwards and tax allowances before they expire. Although loss carryforwards can still be carried forward indefinitely in Germany, annual utilisation in Germany is restricted by minimum taxation requirements.

In the year under review, the existing limit on offsetting losses imposed by the minimum taxation requirement meant that capitalisation restrictions for deferred taxes relating to losses were taken into account when offsetting deferred tax assets against deferred tax liabilities.

Having conducted this review, the Group recognised deferred tax assets worth €4.588 million as at 31 December 2018 (31 December 2017: €1.749 million). In the reporting year, the minimum taxation requirements in Germany resulted in deferred tax assets amounting to €0 thousand (2017: €0 thousand) not being recognised.

The total amount of deferred tax assets recognised might be reduced if future taxable profit or income turns out to be lower than expected or if amendments to tax legislation limit the utilisation of tax loss carryforwards or tax allowances in terms of their timing or amount. Conversely, the total amount of deferred tax assets recognised would have to be increased if future taxable profit or income turned out to be higher than expected.

2.9 Leases

Under IAS 17, a leasing partner is classified according to whether beneficial ownership in the leased asset is attributable to the lessee (finance lease) or the lessor (operating lease). The classification is based on the extent to which the risks and rewards incident to ownership lie with the lessee or lessor. Hypoport AG has entered into operating leases as a lessee, in particular for vehicles and photocopiers. The related lease costs are expensed as incurred. The Hypoport Group does not currently have any significant leases classified and recognised as finance leases.

2.10 Trade receivables and other assets

Trade receivables and other assets are recognised at the lower of amortised cost and market value. Appropriate impairment losses are recognised to account for any identifiable risks. These impairment losses are reversed if the reasons for previously recognised write-downs no longer apply. Irrecoverable receivables are derecognised. Payments subsequently received for amounts that have already been derecognised are taken to income and offset against the impairment losses on trade receivables reported in the income statement. All receivables due for payment in more than one year are classified in the Group as non-current.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and overdraft facilities. Utilised overdraft facilities are shown on the balance sheet as liabilities to banks under current financial liabilities. Cash is measured at nominal value.

2.12 Treasury shares

Treasury shares in the parent purchased within the Group are deducted from equity at cost. Income or expense related to the purchase, sale, issue or recall of treasury shares is recognised directly in equity under reserves.

2.13 Provisions

A provision is recognised when an entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at their expected settlement value in accordance with IAS 37 or, where appropriate, in accordance with IAS 19. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation. Estimates of the outcome and financial impact of the obligation depend on management's assessment as well as empirical values obtained from similar transactions and, where necessary, appraisals provided by independent experts (such as lawyers). The underlying information includes information obtained as a result of events that occur between the end of the reporting period and the date on which the consolidated financial statements are prepared. Where the provision being measured involves a large population of events, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used.

In cases where an obligation is expected to result in an outflow of resources after more than one year and if the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When estimating the future outflow of economic benefits, the Company factors in inflation assumptions where appropriate. Provisions for onerous contracts are measured at the lower of the expected cost of performing the contract and the expected cost of terminating it. Additions to provisions are recognised in profit or loss.

Accruals are reported under other liabilities. Claims for reimbursements from third parties are recognised separately from provisions if their recovery is virtually certain. If the amount of the obligation is reduced as a result of a change in assessments, the provision is reversed pro rata and recognised as income.

2.14 Financial liabilities

Financial liabilities include trade payables, liabilities to banks, bonds and other liabilities.
Financial liabilities recognised at amortised cost: Once they have been initially recognised, financial liabilities are measured at amortised cost under the effective interest method.

2.15 Trade payables and other liabilities

Liabilities are recognised if it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and this amount can be reliably determined.

Other current liabilities are recognised at their repayment or settlement value. Non-current liabilities are generally recognised at amortised cost using the effective interest method. Liabilities are classified as non-current if the agreement concerned does not require repayment within twelve months.

2.16 Contingent liabilities

In accordance with IAS 37.27, contingent liabilities are not recognised on the balance sheet. However, contingent liabilities are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

2.17 Employee benefits

The employees in the Group are for the most part insured under the mandatory statutory pension insurance scheme and therefore pay into a government defined-contribution plan. The

Group does not have any legal or constructive obligation under this pension entitlement to make any contributions over and above those required by the scheme. Contributions to defined-contribution plans are made in the year in which employees perform the work with which the contributions are earned. The Company also pays contributions to private pension insurance providers in line with statutory or contractual requirements or on a voluntary basis under a defined-contribution pension plan. Once the Company has paid these contributions it is not obliged to provide any further benefits. The regular contribution payments are recognised as an expense for the respective year within EBIT.

2.18 Recognition of revenue and expense

Provided that persuasive evidence of an arrangement exists, revenue is recognised to the extent that it is sufficiently probable that future economic benefits will flow to Hypoport and the amount of revenue can be measured reliably. This is the procedure irrespective of when payment is received. If the inflow of economic benefits is deemed to be improbable owing to customer-related credit risks, revenue is recognised to the extent that the customer has already made irrevocable payments. Revenue is measured at the fair value of the consideration received or receivable minus any rebates or discounts granted and excluding any taxes or levies payable.

Hypoport recognises revenue (commissions) from the brokerage of loans when the relevant loan agreement is signed, irrespective of when payment is received. Special volume-related commissions are generally recognised when the relevant target figure is achieved.
Hypoport recognises revenue (commissions) from the brokerage of insurance contracts when the policy is issued. The Company recognises adequate provisions to cover its obligation to repay part of the commissions it has received in the event that brokered insurance contracts are terminated before they mature; these provisions for such cancellation risks are based on empirical values. Regular chargebacks arising from the cancellation of commissions are recognised as selling expenses.

Revenue arising on service transactions is recognised in proportion to the transaction's percentage of completion at the balance sheet date, provided that the amount of income, the percentage of completion at the balance sheet date, the costs already incurred in the transaction and the expected costs to complete can be reliably measured and it is sufficiently probable that the transaction will lead to an inflow of resources embodying economic benefits. In the case of fixed-price contracts, revenue is recognised pro rata according to the proportion of the total services that have actually been rendered by the end of the reporting period. This is determined on the basis of the actual number of hours worked relative to the total number of hours expected to be worked. If the contract provides for a fixed hourly rate, the revenue is recognised in the amount that Hypoport is entitled to invoice. Customers are invoiced monthly, and the invoices are payable on receipt.

We recognise software revenue over the period of time during which the services are rendered. If our performance obligations include the granting of a right to continual access to our software and to the use of such software over a particular period, we recognise the revenue pro rata according to the time that has elapsed, i.e. in instalments over this period. As a rule, software support revenue is recognised pro rata according to the time that has elapsed and in instalments over the term of the support agreement. Hypoport recognises software service revenue over a particular period of time. In the case of services that are available at all times, Hypoport recognises the revenue pro rata according to the time that has elapsed, i.e. in instalments over the period of service provision.

Operating expenses are recognised when a service is used or at the point the expense is incurred. Interest income and expense are recognised under the effective interest method. Dividends on long-term equity investments are recognised in profit or loss as soon as a legal entitlement arises. Income taxes are recognised by the company concerned in accordance with local legislation.

2.19 Income taxes and deferred taxes

Current income taxes are calculated on the basis of the taxable income determined by the Company using the tax rates applicable at the balance sheet date. Deferred taxes are determined using the liability method in accordance with IAS 12. Deferred income taxes represent the net tax expense/income in respect of temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax base. Deferred taxes are recognised to account for timing differences between the carrying amount of assets and liabilities on the IFRS consolidated balance sheet and the corresponding balance sheet for tax purposes as a result of consolidation processes (with the exception of goodwill) and for recoverable loss carryforwards.

The accounting treatment of deferred tax assets on loss carryforwards still takes account of the minimum taxation requirement in circumstances where, in the absence of the expectation of future taxable earnings, deferred tax assets are only recognised in the amount of any surplus deferred tax liabilities.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. At each balance sheet date, the Group reviews the carrying amount of deferred tax assets and reassesses unrecognised deferred tax assets; the amounts are remeasured, where required.

Hitherto unrecognised deferred tax assets are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. On the other hand, the carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the deductible temporary difference can be utilised, either as a whole or in part.

In accordance with IAS 12, deferred taxes are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The impact on deferred taxes of changes to tax legislation is recognised in income in the period in which the relevant tax law comes into force. Currently, the German companies in the Group are subject to an overall tax rate of 30 per cent, comprising the corporation tax rate, solidarity surcharge and an average trade tax rate. Non-German subsidiaries are currently subject to tax rates of between 12.5 per cent and 25.5 per cent.

Where there is any uncertainty concerning the tax circumstances of individual companies in the Group, deferred taxes on as yet unused tax loss carryforwards are determined on the basis of a limited planning horizon of four years. Tax provisions that limit the use of loss carryforwards in individual companies are also taken into account.

3. Disclosures for individual items on the income statement

3.1 Revenue

Revenue for the most part comprises commissions received, special commissions and fees in respect of services. The breakdown by segment is as follows:

Revenue	2018 € million	2017 € million
Financial figures Credit Platform *	114.7	83.5
Financial figures Private Clients *	86.4	74.9
Financial figures Real Estate Platform *	34.1	20.8
Financial figures Insurance Platform	30.4	15.2
Other	0.4	0.4
	266.0	**194.8**

* The comparative prior-year figures have been adjusted due to reclassification of segment reporting

The breakdown of revenue is the same as the breakdown used in the segment reporting.

3.2 Commissions and lead costs

The table below shows the breakdown of commissions and lead costs.

Selling expenses	2018 €'000	2017 €'000
Commissions	117,984	87,338
Lead costs	7,794	5,234
	125,778	**92,572**

Commission expenses include write-offs of €101 thousand relating to insurance commission receivable (2017: €617 thousand).

3.3 Own work capitalised

Own work capitalised of €10.714 million (2017: €6.985 million) comprises work on the development and enhancement of internally generated financial marketplaces. Of the total development costs of €22.128 million reported for 2018 (2017: €15.275 million), €11.414 million was therefore expensed as incurred (2017: €8.290 million).

3.4 Other operating income

Other operating income mainly comprised income of €1.064 million from employee contributions to vehicle purchases (2017: €798 thousand), income of €1.057 million from the reversal of provisions (2017: €1.033 million) and income of €561 thousand from other accounting periods (2017: €1.884 million).

3.5 Personnel expenses

Personnel expenses are broken down as follows:

Personnel expenses	2018 €'000	2017 €'000
Wages and salaries	70,083	50,293
Social security contributions	11,166	7,900
Post-employment and other employee benefits	499	369
	81,748	**58,562**

The cost of defined-contribution pension plans amounted to €5.109 million (2017: €3.774 million).

3.6 Other operating expenses

The breakdown of other operating expenses is shown in the table below.

Other operating expenses	2018 €'000	2017 €'000
Operating expenses	10,592	8,596
Other selling expenses	5,930	4,855
Administrative expenses	13,211	9,381
Other personnel expenses	1,690	1,057
Other expenses	2,849	1,465
	34,272	**25,354**

The operating expenses consisted mainly of building rentals of €3.322 million (2017: €2.503 million) and vehicle-related costs of €3.006 million (2017: €2.456 million). The other selling expenses related to advertising costs and travel expenses of €5.930 million (2017: €4.855 million). The administrative expenses largely comprised IT-related costs of €5.645 million (2017: €3.878 million) and legal and consultancy expenses of €3.257 million (2017: €2.497 million). The other personnel expenses mainly consisted of training costs of €1.090 million (2017: €725 thousand).

3.7 Profit (loss) from equity-accounted long-term equity investments

Profit (loss) from equity-accounted long-term equity investments relates to the pro-rata net profit (loss) for the year of the four joint ventures FINMAS GmbH, LBL Data Services B.V., Hypoport on-geo GmbH and Expertise Management & Holding GmbH as well as the associates BAUFINEX GmbH, finconomy AG, Genoport Kreditmanagement GmbH and IMMO Check Gesellschaft für Informationsservice mbH. In 2018, impairment losses of €30 thousand were recognised in the share of profit (loss) of equity-accounted investments (2017: €0 thousand).

Further disclosures regarding equity-accounted long-term equity investments can be found in note 4.3 Equity-accounted long-term investments.

3.8 Depreciation, amortisation expense and impairment losses

Of the depreciation/amortisation expense and impairment losses of €9.798 million (2017: €6.808 million), €6.910 million (2017: €5.119 million) was attributable to intangible assets and €2.887 million (2017: €1.689 million) to property, plant and equipment.

3.9 Net finance costs

The breakdown of net finance costs is as follows:

Net finance costs	2018 €'000	2017 €'000	Change €'000
Financial income			
Other interest and similar income	518	274	240
Income from investments	61	276	– 215
Income from other securities and lending of financial assets	2	1	1
	581	**551**	**30**
Finance costs			
Interest expense and similar charges	1,354	878	476
Loss from investments	350	0	350
Loss from other securities and lending of financial assets	36	0	36
	1,740	**878**	**862**
	– 1,159	**– 327**	**– 832**

The finance costs mainly comprise interest expense and similar charges of €1.139 million (2017: €405 thousand) incurred by the drawdown of loans and use of credit lines. Other interest and similar income largely consists of the unwinding of discounts on non-current receivables and other non-current assets totalling €475 thousand (2017: €163 thousand).

3.10 Income taxes and deferred taxes

This item includes current and deferred tax income and expense in the following amounts:

Income taxes and deferred taxes	2018 €'000	2017 €'000
Income taxes and deferred taxes	5,665	4,564
current income taxes	7,219	4,745
deferred taxes	– 1,554	– 181
in respect of timing differences	964	848
in respect of tax loss carryforwards	– 2,518	– 1,029

A current income tax benefit of €18 thousand (2017: €2 thousand) relates to tax income from previous years. Taxes are determined on the basis of the relevant tax legislation for the individual companies. The total losses carried forward for corporation tax and trade tax purposes at the reporting date amounted to €21.869 million (2017: €13.599 million) and €21.180 million (2017: €13.341 million) respectively. The loss carryforwards can be carried forward indefinitely in Germany. In 2018, no deferred tax assets were recognised on the losses carried forward for corporation tax and trade tax purposes. These losses amounted to €8.026 million (2017: €9.402 million) and €7.396 million (2017: €8.772 million) respectively.

The tax rates computed on the basis of current legislation are unchanged year on year at 30.0 per cent for companies in Germany and between 12.5 per cent and 25.5 per cent for subsidiaries outside Germany. Any payment of dividends to the parent companies' shareholders has no impact on income taxes. The table below reconciles the tax expense anticipated for 2017 and 2018 to the tax expense actually reported for those years.

Reconciliation of Expected to Actual Income Tax Expense	2018 €'000	2017 €'000
Earnings before tax	28,131	22,989
Tax rate to be applied	30.0%	30.0%
Expected tax expense	– 8,439	– 6,897
Effect of non-deductible expenses	– 1,744	– 250
Effect of differing tax rates	4,286	2,946
Effect of using the equity method	78	77
Tax expense for previous years	162	– 1
Other tax-related effects	– 8	– 439
Current tax expense	– 5,665	– 4,564
Tax rate for the Group	20.1%	19.9%

3.11 Earnings per share

The figure for earnings per share is determined in accordance with IAS 33. Basic earnings (loss) per share is calculated by dividing the net profit (loss) for the period attributable to the shareholders of Hypoport AG by the weighted average number of outstanding shares. Diluted earnings (loss) per share is calculated by dividing the net profit (loss) for the period by the total weighted average number of outstanding shares, adjusted for the dilutive effect of potential new shares. The figure for the earnings (loss) per share becomes diluted if the average number of shares is increased as a result of adding in the issue of potential shares in connection with options.

Earnings Per Share	2018	2017
Net income for the year (€'000)	22,466	18,425
of which attributable to Hypoport AG stockholders	22,466	18,422
Basic weighted number of outstanding shares ('000)	6,136	5,943
Earnings per share (€)	**3.66**	**3.10**

The number of shares in issue rose by 301,584 to 6,247,970 as at 31 December 2018 (31 December 2017: 5,946,386), mainly as a result of the capital increase.

4. Disclosures for individual items on the balance sheet

4.1 Intangible assets and property, plant and equipment

For information on the change in intangible assets and property, plant and equipment in the year under review, please see the consolidated statement of changes in non-current assets on the final page of these notes.

The additions to internally generated financial marketplaces include €18 thousand (31 December 2017: €12 thousand) in borrowing costs at an average funding rate of 2.04 per cent (31 December 2017: 1.95 per cent). Most of the intangible assets – with a carrying amount of €140.5 million (31 December 2017: €24.8 million) – related to internally generated financial marketplaces. Their remaining useful lives amounted to between one and ten years.

The carrying amounts for goodwill as at 31 December 2018 related to goodwill arising on the first-time consolidation of subsidiaries. The increase resulted mainly from the first-time consolidation of IWM Software AG, FIO SYSTEMS AG, Value AG and ASC Assekuranz-Service Center GmbH. For the purposes of impairment testing, the goodwill has been assigned to the following cash-generating units, which reflect the segments in the Group:

Acquired goodwill €'000	**Financial figures Credit Platform**	**Financial figures Private Clients**	**Financial figures Real Estate Platform**	**Financial figures Insurance Platform**	**Total**
Cost of acquisitions as at 1 January 2018	578	7,305	6,943	9,939	24,765
Additions	0	0	79,915	35,780	115,695
Cost of acquisitions as at 31 December 2018	578	7,305	86,858	45,719	140,460

The external revenue growth rates for the detailed planning period 2019 to 2022 used in the discounted cash flow calculations were between 10.4 per cent and 15.4 per cent for the Credit Platform segment (2017: between 9.9 per cent and 18.1 per cent), between 6.8 per cent and 15.9 per cent for the Private Clients segment (2017: between 7.0 per cent and 17.3 per cent), between 11.1 per cent and 30.9 per cent for the Real Estate Platform segment (2017: between 5.0 per cent and 9.9 per cent) and between 10.7 per cent and 32.6 per cent for the new Insurance Platform segment (2017: between 15.6 per cent and 66.9 per cent). A growth rate of zero per cent was used for cash flows beyond the planning period.
The standard discount rate used to reflect the risks specific to the asset in 2018 was 4.82 per cent (2017: 5.46 per cent).
The sensitivity analysis we conducted revealed that there was no need for any impairment charges on goodwill even if our key underlying assumptions varied within a realistic range. This sensitivity analysis assumed a 10 per cent reduction in future segment earnings before interest and tax (EBIT) and a 1 percentage point increase in the weighted cost of capital, as variances of this magnitude are realistically possible. In our experience, greater variances than this are unlikely.
The impairment tests carried out gave no indication of any impairment.

4.2 Financial assets

The table below gives a breakdown of non-current financial assets.

Financial Assets	**2018 €'000**	**2017 €'000**
Loan to employees	102	52
Loans to third parties	93	43
Other shareholdings	65	1,270
Loans to third parties Loans to companies with which an investment relationship exists	30	63
	290	**1,428**

As at 31 December 2017, other long-term equity investments had essentially comprised shares in finconomy AG, which is now accounted for under the equity method due to the acquisition of further shares during the reporting year.

Because the above parties have been granted the option of making unscheduled repayments on the loans at any time, the carrying amounts of these loans at the balance sheet date do not differ significantly from their fair values. No specific write-downs have been re cognised. There are no material overdue receivables.

4.3 Equity-accounted investments

In the consolidated financial statements, four joint ventures (2017: four) and four associates (2017: one) are accounted for using the equity method. They are FINMAS GmbH, Berlin (Hypoport's interest: 50 per cent), Hypoport on-geo GmbH, Berlin (Hypoport's interest: 50 per cent), LBL Data Services B.V., Amsterdam (Hypoport's interest: 50 per cent), Expertise Management & Holding GmbH (Hypoport's interest: 50 per cent), BAUFINEX GmbH, Schwäbisch Hall (Hypoport's interest: 30 per cent), finconomy AG, Munich (Hypoport's interest: 25 per cent), Genoport Kreditmanagement GmbH, Berlin (Hypoport's interest: 35 per cent) and IMMO Check Gesellschaft für Informationsservice mbH, Bochum (Hypoport's interest: 33.33 per cent). All of these interests are held directly by the Group.

Investments accounted for using the equity method	2018 €'000	2017 €'000
Investments accounted for using the equity method as of the beginning of the year	1,051	576
Additions	3,958	220
Reclassification	1,230	0
Proportional net income	261	255
Investments accounted for using the equity method as of the end of the year	**6,500**	**1,051**

The additions relate to BAUFINEX GmbH and Genoport Kreditmanagement GmbH as well as the acquisition of further shares in finconomy AG. There are no obligations or contingent liabilities relating to the investments in joint ventures. The following table shows the aggregate income-statement and balance-sheet data for the equity-accounted investments.

Financial information on companies for using the equity method (Hypoport stake)	2018 €'000	2017 €'000
Income statement information		
Revenue	6,322	5,370
Selling expenses	– 4,112	– 4,063
Personnel expenses	– 1,156	– 601
Other operating expenses	– 1,193	– 424
Net income	261	255
Balance sheet information		
Noncurrent assets	3,258	167
There of property, plant and equipment	7	3
Current assets	3,585	1,462
Thereof cash and cash equivalents	2,580	789
Total assets	**6,843**	**1,629**
Equity	5,027	587
Noncurrent liabilities	0	0
Current liabilities	1,816	1,042
Thereof financial liabilities	0	0
Total equity and liabilities	**6,843**	**1,629**

4.4 Inventories

In the case of trade receivables it is assumed that their carrying amount (net of any impairment losses) corresponds to their fair value.

Inventories	2018 €'000	2017 €'000
Unfinished products	780	0
	780	**0**

4.5 Trade receivables

Trade receivables	2018 €'000	2017 €'000
Trade receivables from		
third parties	54,220	48,945
joint ventures	1,316	195
	55,536	**49,140**

In the case of trade receivables it is assumed that their carrying amount (net of any impairment losses) corresponds to their fair value.

The table below shows impairment losses on receivables

Impairments of Trade Receivables	2018 €'000	2017 €'000
Balance as at 1 January	242	117
Addition to impairment of receivables	134	127
Irrecoverable receivables written off	7	2
Balance as at 31 December	**369**	**242**

Impairment charges of €127 thousand (31 December 2017: €191 thousand) were directly recognised.

The Hypoport Group usually grants its clients a credit period of 30 days, although some companies grant up to 90 days. The table below gives a breakdown of its overdue, but not impaired, receivables by age.

Past-Due Trade Receivables	2018 €'000	2017 €'000
1 to 90 days	884	417
90 to 180 days	98	151
180 to 360 days	1,101	294
More than 360 days	383	126
Total	**2,466**	**988**

4.6 Current income tax assets and other assets

The breakdown of current income tax assets and other assets is as follows:

Current other assets	2018 €'000	2017 €'000
Financial assets		
Advance payment for company acquisition	196	8,000
Trade secutities	187	993
	383	8,993
Non-financial assets		
Advance payment of commissions	770	484
Advances	1,117	954
Prepaid expenses	609	127
Current income tax assets	327	210
VAT credits	196	38
Other	728	573
	3,747	2,386
	4,130	**11,379**

The following asset amounts are only recoverable after one year and are therefore reported as non-current assets:

Non-current other assets	2018 €'000	2017 €'000
Advance payment of commissions	878	1,148
Rent deposits	187	139
	1,065	**1,287**

Specific write-downs of €971 thousand (2017: €831 thousand) were recognised. There are no material overdue receivables.

4.7 Deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities (including comparison with prior-year figures) is as follows:

Deferred tax assets	2018 €'000	2017 €'000
Deferred tax assets		
In respect of tax loss carryforwards	3,950	1,240
Rental and lease obligations	8	14
Consolidation	638	509
Offsetting	8	14
	4,588	**1,749**

Deferred tax liabilities	2018 €'000	2017 €'000
Deferred tax liabilities		
Intangible assets	8,182	3,334
Property, plant and equipment	9	12
Receivables	3,368	3,676
Other temporary differences	219	23
Offsetting	8	14
	11,770	**7,031**

4.8 Cash and cash equivalents

The breakdown of cash and cash equivalents (including comparison with prior-year figures) is as follows:

Cash and cash equivalents	2018 €'000	2017 €'000
Cash at banks	31,753	14,326
Cash on hand	8	7
	31,761	**14,333**

4.9 Subscribed capital

In settlement of the share component as part of the acquisition of FIO SYSTEMS AG, the Management Board of Hypoport AG decided on 25 April 2018 – with the consent of the Supervisory Board – to make partial use of the authorised capital pursuant to section 4 (5) of the statutes of Hypoport AG in order to increase the Company’s subscribed capital from €6,194,958.00 to €6,493,376.00 (an increase of €298,418.00) by way of an issue of 298,418 new no-par-value registered shares in Hypoport AG in return for non-cash contributions. Shareholders’ pre-emption rights were disapplied.

The Company's subscribed capital as at 31 December 2018 therefore amounted to €6,493,376.00 (31 December 2017: €6,194,958.00) and was divided into 6,493,376 (31 December 2017: 6,194,958) fully paid-up registered no-par-value shares. The Annual Shareholders' Meeting held on 4 May 2018 voted to carry forward Hypoport AG's distributable profit of €66,911,576.96 to the next accounting period.

4.10 Authorised capital

The Annual Shareholders' Meeting held on 5 May 2017 voted to set aside the unused authorisation granted on 1 June 2012 and to issue a new authorisation. The Management Board was authorised – subject to the consent of the Supervisory Board – to increase the Company's subscribed capital by up to a total of €3,097,479.00 by issuing new registered no-par-value shares for cash or non-cash capital contribution on one or more occasions on or before 4 May 2022. Following the capital increase of €298,418.00 carried out in 2018 for the purpose of acquiring the shares in FIO SYSTEMS AG, the authorisation now applies to the remaining maximum amount of €2,799,061.00. The Management Board can decide – subject to the consent of the Supervisory Board – to disapply the shareholders' statutory pre-emption rights.

4.10 Treasury shares

Hypoport held 245,406 treasury shares as at 31 December 2018 (equivalent to €245,406.00, or 3.8 per cent, of the subscribed capital of Hypoport AG), which are intended to be issued to employees or used to purchase companies. The change in the balance of treasury shares and the main data relating to transactions in 2018 are shown in the following table:

Change in the balance of treasury shares in 2018	Number of shares	Proportion of subscribed capital %	Cost of purchase €	Sale price €	Gain or loss on sale €
Opening balance as at 1 January 2018	**248,572**	**4.012**	**9,865,351.40**		
Dissemination in Januar 2018	1,669	0.027	18,150.15	234,826.30	216,676.16
Dissemination in Februar 2018	23	0.000	243.80	2,929.70	2,685.90
Dissemination in März 2018	31	0.001	328.60	3,932.90	3,604.30
Dissemination in April 2018	36	0.001	381.60	4,902.00	4,520.40
Capital increase May 2018	298,418	4.596	0.00	0.00	0.00
Dissemination in Mai 2018	298,468	4.596	530.00	47,317,366.96	7,609.36
Dissemination in Juni 2018	8	0.000	84.80	1,283.12	1,198.32
Dissemination in Juli 2018	10	0.000	106.00	1,668.00	1,562.00
Dissemination in September 2018	448	0.007	4,748.80	76,333.60	71,584.80
Dissemination in Oktober 2018	80	0.001	848.00	14,496.00	13,648.00
Dissemination in November 2018	11	0.000	116.60	1,834.80	1,718.20
Dissemination in Dezember 2018	800	0.012	8,387.04	121,120.00	112,732.96
Balance as at 31.12.2018	**245,406**	**3.779**	**9,831,426.02**	47,780,693.38	

The release of treasury shares was recognised directly in equity and offset against retained earnings.

4.12 Reserves

The breakdown of reserves can be found in the attached consolidated statement of changes in equity. Capital reserves include the premium from the capital increase carried out in 2001 (€400 thousand), the premium from the issuance of shares under the 2002–2004 employee share ownership programme from 2006 to 2009 (€1.187 million), amounts equivalent to the par value of the treasury shares recalled in 2006 (€99 thousand), an amount equivalent to the imputed share of subscribed capital for the treasury shares recalled in 2007 (€247 thousand), the premium from the issuance of new shares in 2018 (€46.9 million) and income from the transfer of shares to employees (€1.834 million, of which €861 thousand relates to 2018).

Retained earnings include the profits generated by the entities included in the consolidated financial statements prior to the first-time consolidation on 1 January 2004, the capital gains on the sale of treasury shares, the losses on the recall of treasury shares and three negative goodwill amounts arising from business combinations. These negative goodwill amounts are reported under retained earnings, because profits had been retained after the acquisition but before the date of first-time consolidation.

All the remaining adjustments made under the first-time adoption of IFRS on 1 January 2004 and recognised directly in equity, together with a statutory reserve of €7 thousand (2017: €7 thousand), are also reported under this item.

4.13 Non-controlling interests and financial information for non-controlling interests in subsidiaries

Total non-controlling interests amounted to €314 thousand as at 31 December 2018 (31 December 2017: €306 thousand), of which €214 thousand (31 December 2017: €206 thousand) related to the non-controlling interest in the equity of Starpool Finanz GmbH (non-controlling interest of 49.975 per cent), €100 thousand (31 December 2017: €100 thousand) to GENOPACE GmbH (non-controlling interest of 49.975 per cent) and €0 thousand (31 May 2018: €8 thousand) to Basler Service GmbH (non-controlling interest of 30.0 per cent).

There is a control and profit-and-loss transfer agreement between Hypoport AG and GENOPACE GmbH, as a result of which the entire net loss for 2018 of GENOPACE GmbH amounting to €1.088 million (2017: loss of €339 thousand) remained within the Group.

The aggregate financial information for Starpool Finanz GmbH, the main packager providing sales support for the Group's platform partners on an earnings-neutral basis, is presented below.

Summarised balance sheet Starpool Finanz GmbH	2018 €'000	2017 €'000
Current		
Assets	13,393	10,950
Liabilities	(13,682)	(11,022)
Total current assets	(289)	(72)
Non-current		
Assets	717	484
Liabilities	(0)	(0)
Total non-current liabilities	717	484
Net assets	**428**	412

Summarised statement of comprehensive income Starpool Finanz GmbH	2018 €'000	2017 €'000
Revenue	33,751	26,364
Pre-tax profit	64	18
Income tax expense	(48)	(12)
Post-tax profit	16	6
Other comprehensive income	0	0
Total comprehensive income	16	6
Total comprehensive income attributable to non-controlling interest	8	3
Dividends received attributable to non-controlling interest	0	0

Summarides cash flow statement Starpool Finanz GmbH	2018 €'000	2017 €'000
Cash flow	224	80
Change in working capital	6,973	(4,714)
Cash flows from operating activities	7,197	(4,634)
Cash flows from investing activities	(441)	(304)
Cash flows from financing activities	0	0
Net change in cash and cash equivalents	6,756	(4,938)
Cash and cash equivalents at the beginning of the period	236	5,174
Cash and cash equivalents at the end of the period	6,992	236

The information listed above relates to amounts before the elimination of intercompany profits and losses.

4.14 Financial liabilities

The table below gives a breakdown of financial liabilities.

Some of the financial liabilities are subject to fixed interest rates. Others are subject to variable interest linked to the Euribor rate plus a bank margin. The interest rates varied between 1.65 per cent and 3.45 per cent (2016: between 1.75 per cent and 4.20 per cent). These interest rates are the normal market rates for the financial liabilities and the companies concerned. The table below shows the cash changes to financial liabilities at the balance sheet date.The Hypoport Group has various credit lines with domestic banks. The table below shows all overdraft facilities and the amounts utilised at the relevant balance sheet dates.
The Hypoport Group has various credit lines with domestic banks. The table below shows all overdraft facilities and the amounts utilised at the relevant balance sheet dates.

Financial liabilities	2018 €'000	2017 €'000
Non-current		
Liabilities to banks		
Loans	70,063	12,416
Mortgage	777	800
Other liabilities		
Rental and lease obligations	116	144
	70,956	13,360
Current		
Liabilities to banks		
Loans	9,715	2,901
Mortgage	23	0
Other liabilities		
Rental and lease obligations	42	41
	9,780	2,942
	80,736	16,302

Some of the financial liabilities are subject to fixed interest rates. Others are subject to variable interest linked to the Euribor rate plus a bank margin. The interest rates varied between 1.65 per cent and 2.60 per cent (2017: between 1.65 per cent and 3.45 per cent). These interest rates are the normal market rates for the financial liabilities and the companies concerned. The table below shows the cash changes to financial liabilities at the balance sheet date. The average interest rate on the overdraft facilities utilised was 3.79 per cent (2016: 3.79 per cent).

The table below shows the interest-rate risk and agreed interest refix dates associated with financial liabilities at the balance sheet date.

Reconciliation of financial liabilities (€'000)	2017	Cash changes	Non-cash-changes			2018
			Acquisitions	Changes in fair value	Reclassification maturities	
Non-current loans	12,416	70,508	1,093	-	– 13,954	70,063
Mortgage	800	-	-	-	– 23	777
Other non-current financial liabilities	144	– 28	-	-	0	116
Current loans	2,901	– 7,274	134	-	13,954	9,715
Current account	0	-	-	-	23	23
Other current financial liabilities	41	1	-	-	0	42
	16,302	**63,207**	**1,227**	**0**	**0**	**80,736**

The Hypoport Group has various credit lines with domestic banks. The table below shows all overdraft facilities and the amounts utilised at the relevant balance sheet dates.

Credit line	2018 €'000	2017 €'000
Credit line	1,500	1,500
Amount utilised	0	0
Credit line available	**1,500**	**1,500**

The average interest rate on the overdraft facilities utilised was 3.79 per cent (2017: 3.79 per cent).

The table below shows the interest-rate risk and agreed interest refix dates associated with financial liabilities at the balance sheet date.

Maturities of contractual cash flows from financial liabilities	2018 €'000	2017 €'000
6 months or less	5,136	1,868
6 to 12 months	4,601	1,034
1 to 5 years	35,028	6,954
More than 5 years	35,812	6,262
	80,577	**16,118**

The table below gives a breakdown of the residual maturities of non-current financial liabilities.

Maturities of non-current financial liabilities	2018 €'000	2017 €'000
Between 1 and 2 years	9,405	2,159
Between 2 and 5 years	25,741	4,939
More than 5 years	35,811	6,262
	70,957	**13,360**

The carrying amounts and fair values of non-current financial liabilities are shown below.

Carrying amounts and fair values of non-current financial liabilities	Carrying amount 2018 €'000	Carrying amount 2017 €'000	Fair value 2018 €'000	Fair value 2017 €'000
Liabilities to banks	70,840	13,216	73,111	12,719
Rental and lease obligations	116	144	116	144
	70,956	**13,360**	**73,227**	**12,863**

The fair values of non-current financial liabilities are based on discounted cash flows, which were calculated using interbank swap rates plus a risk and liquidity margin. The stated carrying amounts of current financial liabilities are roughly the same as their fair values.

4.15 Other liabilities

The breakdown of other liabilities is as follows:

Current other liabilities	2018 €'000	2017 €'000
Tax liabilities		
Value-added tax	783	509
Wage tax and church tax	1,409	909
	2,192	**1,418**
Personnel		
Financial assets		
Bonuses	4,724	4,241
Outstanding holiday entitlements	1,019	968
Wages and salaries	1,055	937
Non-financial assets		
Employers' liability insurance association	294	227
Disabled persons levy	125	59
Social security contributions	200	204
Partial retirement	326	10
	7,743	**6,646**

Other		
Financial assets		
Outstanding invoices	515	1,100
Commissions to be passed on	37	207
Year-end costs	226	193
Share repurchase	2,750	0
Non-financial assets		
Advance payment of commissions	406	0
Deferred income	947	324
Sundry	807	382
	5,688	**2,206**
	15,623	**10,270**

The following liability amounts are only recoverable after one year and are therefore reported as non-current liabilities:

Non-current other liabilities	2018 €'000	2017 €'000
Rent deposits	7,400	0
	7,400	**0**

4.16 Provisions

The changes in provisions in the year under review were as follows:

Provisions	01.01.2018 €'000	Utilisation €'000	Additions €'000	31.12.2018 €'000
Non-current provisions				
Cancellations	87	87	87	87
	87	**87**	**87**	**87**
Current provisions				
Litigation	36	36	149	149
Cancellations	18	18	101	101
Other	20	20	0	0
Übrige	21	21	0	0
	95	**95**	**250**	**250**

The provisions for cancellations relate to the probable repayment of commissions to insurers owing to policyholders' withdrawal.

5. Cash flow statement disclosures

Cash flows from investing and financing activities are determined directly on the basis of the cash inflows and outflows. In contrast, cash flow from operating activities is determined indirectly from the net profit (loss) for the year. This indirect method of determining the cash flows takes into account changes in the balance sheet items in connection with operating activities and adjusts them for the effect of currency translation and changes to the entities included in the consolidation.

Apart from income tax payments, interest receipts and payments are also assigned to the cash flows from operating activities because they are primarily used to finance operating activities. Investing activities include additions to property, plant and equipment, financial assets and intangible assets, as well as additions in respect of the capitalisation of development costs. Cash and cash equivalents, as reported in the cash flow statement, comprises all liquid funds recognised on the balance sheet, i.e. cash on hand and at banks.

The composition and reconciliation of cash and cash equivalents with the balance sheet is explained in note 4.8.

6. Segment reporting

The Hypoport Group prepares its segment reporting by segment in line with its internal organisational and reporting structure. This organisational structure breaks the Group down into four target-group-oriented segments (Credit Platform, Private Clients, Real Estate Platform and Insurance Platform) and one function-oriented segment (Administration). The target-group-oriented segments bring together different business lines with similar opportunities and risks.

The Credit Platform segment focuses on financial product distributors and product suppliers. The core product in this segment is the EUROPACE marketplace, which was originally introduced in 1999. Independent distributors use EUROPACE to process their financing transactions with the product suppliers they represent.

The Private Clients segment offers mortgage finance, personal loans, insurance, current accounts and deposit accounts through two distribution channels (online and site-based sales). All property-related activities of the Hypoport Group, with the exception of loan brokerage for private clients, are grouped together in the Real Estate Platform segment with the aim of digitalising the sale, valuation and management of properties. This segment also supports issuers with the provision of information technology and a range of services.

The Insurance Platform segment brings together all of the Hypoport Group's activities relating to insurance technology. It includes firms whose technology provides solutions for certain aspects of the insurance platform or that, as providers of processing services, promote business on the insurance platform.

Holding company expenses in respect of management, administration, accounting and human resources are reported under the heading ‘Reconciliation’, which also includes any consolidation effects.

The disclosures for the individual segments are all based on the same standard accounting policies applicable to the consolidated amounts in the consolidated financial statements. Earnings at segment level (EBIT) and total revenue, which represent the aggregate business performance of the individual operating segments, are the key performance indicators.

Where a segment comprises several companies, the effects of intercompany transactions are eliminated in the course of consolidation. The supply of goods and services between segments is always invoiced at market prices. In cost transfers within the Group, the direct costs actually incurred are transferred between the relevant entities.

The segment disclosures are derived directly from the internal reporting used by the top level of operating decision-makers in the Company for management purposes. Financial liabilities and the corresponding interest expense and similar charges are not determined for individual segments for internal control purposes. Financial liabilities and the corresponding interest expense and similar charges are shown in the reconciliation table.Segment assets are deemed to comprise direct operating receivables and non-current assets used for the relevant segment’s operating activities.

Segment liabilities comprise the trade payables and provisions attributable to the operating activities concerned. The following table shows revenue from contracts with customers, broken down by the timing of revenue recognition.

Time reference of revenue recognition (€'000)	Credit Platform		Private Clients		Real Estate Platform		Insurance Platform		Recon-ciliation		Group	
	2018	2017*	2018	2017*	2018	2017*	2018	2017*	2018	2017*	2018	2017*
Goods and services transferred at a given time	114,709	83,550	86,355	74,856	22,593	20,764	18,407	9,573	429	456	242,493	189,199
Goods and services transferred over a period of time	0	0	0	0	11,500	0	11,965	5,656	0	0	23,465	5,656
Total	**114,709**	**83,550**	**86,355**	**74,856**	**34,093**	**20,764**	**30,372**	**15,229**	**429**	**456**	**265,958**	**194,855**

* The comparative prior-year figures have been adjusted and are explained in section 2.1 of the notes to the consolidated financial statements "Comparative figures for 2017"

The reported revenue of €266.0 million (2017: €194.9 million) included €5.1 million (2017: €5.0 million) generated by customers domiciled in European countries other than Germany, and the remaining revenue was generated by customers in Germany.

Within the Group, one product partner generated revenue of €54.9 million (2017: two product partners generated €51.6 million and €21.3 million respectively). In the Credit Platform operating segment, one product partner generated revenue of €40.8 million (2017: one product partner generated €34.5 million). In the Private Clients operating segment, three product partners generated revenue of €14.1 million, €13.2 million and €9.6 million respectively (2017: two product partners generated €17.1 million and €14.5 million respectively). In the Real Estate Platform operating segment, one product partner had generated revenue of €2.8 million in 2017.

2018 (€'000)	Credit Platform	Private Clients	Real Estate Platform	Insurance Platform	Recon-ciliation	Group
Segment revenue in respect of third parties	**114,709**	**86,355**	**34,093**	**30,372**	**429**	**265,958**
2017*	83,550	74,856	20,764	15,229	456	194,855
Segment revenue in respect of other segments	**885**	**167**	**0**	**487**	**– 1,539**	**0**
2017*	655	185	10	992	– 1,842	0
Total segment revenue	**115,594**	**86,522**	**34,093**	**30,859**	**– 1,110**	**265,958**
2017*	84,205	75,041	20,774	16,221	– 1,386	194,855
Gross profit	**60,692**	**29,544**	**32,935**	**16,611**	**398**	**140,180**
2017*	42,915	27,841	20,525	10,626	376	102,283
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	**29,547**	**11,321**	**8,122**	**– 1,010**	**– 8,892**	**39,088**
2017*	19,192	13,050	4,620	32	– 6,770	30,124
Segment earnings before interest and tax (EBIT)	**26,129**	**10,757**	**5,992**	**– 2,681**	**– 10,907**	**29,290**
2017*	18,870	9,882	3,834	– 1,208	– 8,062	23,316
Segment assets	**69,930**	**22,852**	**129,926**	**73,932**	**7,575**	**305,618**
2017*	55,167	18,580	29,936	32,836	4,461	140,980
Segment liabilities	**25,515**	**6,199**	**4,590**	**19,398**	**96,432**	**152,134**
2017*	22,298	5,586	2,447	3,508	24,235	58,074
Segment capital expenditure	**8,422**	**653**	**3,402**	**4,251**	**3,254**	**19,982**
2017*	6,706	597	1,412	2,556	1,304	12,575
Segment depreciation/amortisation expense, impairment losses	**3,418**	**564**	**2,130**	**1,671**	**2,015**	**9,798**
2017*	2,573	927	776	1,240	1,292	6,808
Significant non-cash expenses	**3,220**	**1,794**	**2,332**	**986**	**23**	**8,355**
2017*	3,179	2,114	1,565	910	23	7,791

* The comparative prior-year figures have been adjusted and are explained in section 2.1 of the notes to the consolidated financial statements "Comparative figures for 2017"

Of the total non-current assets of €220.973 million (31 December 2017: €72.604 million), €20.548 million (31 December 2017: €16.497 million) was located in European countries other than Germany, €19.188 million (31 December 2017: €15.250 million) of which was located in Ireland. Non-current assets located in Germany totalled €200.425 million (31 December 2017: €56.107 million).

The difference between Group assets and segment assets largely comprises unallocated non-current assets of €3.556 million (31 December 2017: €2.598 million) and deferred taxes of €4.588 million (31 December 2017: €1.749 million). The difference between Group liabilities and segment liabilities mainly relates to financial liabilities of €80.736 million (31 December 2017: €16.302 million), deferred taxes of €11.770 million (31 December 2017: €7.031 million) and income tax liabilities of €3.778 million (31 December 2017: €951 thousand).

The carrying amounts of equity-accounted joint ventures in the Credit Platform segment totalled €6.168 million (2017: €774 thousand) and their contribution to profits amounted to €5 thousand (2017: €236 thousand). In the Real Estate Platform segment, equity-accounted joint ventures had a carrying amount of €332 thousand (2017: €277 thousand) and contributed €256 thousand (2017: €19 thousand) to profits.

7. Other disclosures

7.1 Other financial commitments

At the balance sheet date, there were other financial commitments totalling €15.945 million (31 December 2017: €10.781 million) in respect of non-cancellable rentals, leases and maintenance agreements covering several years. Included in these other financial commitments were commitments of €4.210 million (31 December 2017: €4.233 million) due within one year, €10.101 million (31 December 2017: €5.624 million) due in one to five years and €1.634 million (31 December 2017: €924 thousand) due in more than five years. The cost of rentals and leases (minimum leases) amounted to €5.334 million in 2018 (2017: €4.217 million). Rental income of €479 thousand (2017: €51 thousand) was generated by sub-leases. Rental income of around €500 thousand is expected to be generated by sub-leases in 2019.

The Group has options to extend its main office leases for five years.

7.2 Legal disputes

Neither Hypoport AG nor its subsidiaries are involved in, or were involved in, any legal or arbitration proceedings that could have had a significant impact on the Group's financial position as at 31 December 2018 and no proceedings of this type are foreseen.

As in previous years, appropriate provisions were recognised by each Group company for all potential financial charges arising from legal or arbitration proceedings. Overall, charges of this type are not expected to have any material impact on the Group's future financial position.

7.3 Related parties

IAS 24 requires disclosure of the names of persons or entities that control, or are controlled by, Hypoport AG. Transactions between Hypoport AG and its subsidiaries are eliminated during consolidation and therefore do not have to be reported in this note.

IAS 24 also requires disclosure of the names of persons who can exercise significant influence over the Company. The parties covered by the requirements also include key management personnel, their close family members and other entities via which a named person exercises control or significant influence over Hypoport AG. The parties covered by this requirement during the reporting period were the members of the Group Management Board and Supervisory Board of Hypoport AG and their close family members.

Related party transactions are conducted on an arm's-length basis. The total remuneration for the members of the Group Management Board in 2018 amounted to €1.824 million (2017: €1.654 million); the total remuneration for the members of the Supervisory Board came to €184 thousand (2017: €184 thousand). In all cases, all the benefits were due for payment within one year.

The table below shows the number of shares in Hypoport AG directly or indirectly held by the members of the Group Management Board and Supervisory Board as at 31 December 2018.

	Shares (number) 31 Dec 2018	Shares (number) 31 Dec 2017
Group Management Board		
Ronald Slabke	2,248,381	2,248,381
Stephan Gawarecki	142,800	142,800
Hans Peter Trampe	61,690	108,690
Supervisory Board		
Dr. Ottheinz Jung-Senssfelder	8,500	8,500
Roland Adams	0	0
Dieter Pfeiffenberger	1,000	0

Ronald Slabke, Berlin, holds 34.63 per cent of Hypoport's shares. Of these, the 33.17 per cent of the voting shares held by Revenia GmbH, Berlin, are attributable to him pursuant to section 34 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG). All the shares in Revenia GmbH are held by Ronald Slabke, the Chief Executive Officer of Hypoport AG.

Stephan Gawarecki, Preetz, holds 2.20 per cent of Hypoport's shares. Of these, the 2.20 per cent of the voting shares held by Gawarecki GmbH, Schlesen, are attributable to him pursuant to section 34 (1) sentence 1 no. 1 WpHG.

Hans Peter Trampe, Berlin, holds 0.95 per cent of Hypoport's shares. The companies in the Hypoport Group have not carried out any further disclosable transactions with members of either the Supervisory Board or the Group Management Board or with companies on whose management or supervisory bodies these persons are represented. This also applies to close family members related to these persons.

Revenue of €335 thousand was generated by joint ventures in 2018 (2017: €282 thousand). As at 31 December 2018, receivables from joint ventures amounted to €1.316 million (31 December 2017: €195 thousand) and liabilities to such companies amounted to €551 thousand (31 December 2017: €280 thousand).

7.4 Management Board

The members of the Management Board were as follows:

- Ronald Slabke (Chief Executive Officer), graduate in business administration, Berlin, responsible for the Credit Platform segment and for IT, new markets and strategic investments, member of the supervisory boards of Dr. Klein Privatkunden AG, DR. KLEIN Firmenkunden AG, EUROPACE AG, FIO SYSTEMS AG and Value AG

- Hans Peter Trampe, graduate in business administration, Berlin, responsible for the Real Estate Platform segment, member of the supervisory boards of Dr. Klein Privatkunden AG, FIO SYSTEMS AG and AEW Invest GmbH

- Stephan Gawarecki, graduate in business administration, Preetz, responsible for the Private Clients and Insurance Platform segments and for human resources, finance and administration, member of the supervisory boards of Dr. Klein Privatkunden AG, DR. KLEIN Firmenkunden AG and EUROPACE AG.

The total remuneration for the members of the Management Board in 2018 amounted to €1.824 million (2017: €1.654 million); for further information please refer to the remuneration report in the group management report (I.9).

7.5 Supervisory Board

The following persons were members of the Company's Supervisory Board in 2018:

- Dr Ottheinz Jung-Senssfelder (chairman of the Supervisory Board), lawyer, Erlangen; directorships at other companies: chairman of the supervisory board of BRANDAD Systems AG, Fürth

- Roland Adams (vice-chairman of the Supervisory Board), management consultant, member of the supervisory board of Kretschmar Familienstiftung, Berlin, deputy chairman of the board of directors of Mind Institute SE, Berlin

- Dieter Pfeiffenberger, management consultant, Barsbüttel.

Christian Schröder resigned from the Supervisory Board with effect from 4 May 2018. Dieter Pfeiffenberger was elected to the Supervisory Board of Hypoport AG with effect from 4 May 2018.

The total remuneration for the members of the Supervisory Board in 2018 amounted to €184 thousand (2017: €184 thousand); for further information please refer to the remuneration report in the group management report (I.9).

7.6 Investments pursuant to section 31 (1) (till 2.1.2018 21 (1) WpHG)

Pursuant to section 21 (1a) WpHG, Mr Ronald Slabke, Berlin, Germany, informed us on 1 November 2007 that his voting share in our Company stood at 36.03 per cent on 26 October 2007 (2,177,433 voting rights). Of these, 35.17 per cent of the voting shares held by Revenia GmbH (2,125,825 voting rights) are attributable to him pursuant to section 22 (1) sentence 1 no. 1 WpHG.

Pursuant to section 21 (1) WpHG, Deutsche Postbank AG, Frankfurt am Main, Germany informed us on 17 March 2016 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 5 per cent threshold on 15 March 2016 and stood at 4.99 per cent (309,000 voting rights) on that date.

Pursuant to section 21 (1) WpHG, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany informed us on 17 March 2016 that its voting share in Hypoport AG, Berlin, Germany had exceeded the 3 per cent threshold on 14 March 2016 and stood at 3.727 per cent (230,883 voting rights) on that date.

Pursuant to section 21 (1) WpHG, Deutsche Bank AG, Frankfurt am Main, Germany informed us on 8 April 2016 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 5 per cent threshold on 29 March 2016 and stood at 3.034 per cent (187,983 voting rights) on that date. All the voting rights are fully attributable to Deutsche Bank AG via its direct subsidiary Deutsche Postbank AG pursuant to section 22 (1) sentence 1 no. 1.

Pursuant to section 21 (1) WpHG, Deutsche Postbank AG, Bonn, Germany informed us on 6 April 2017 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 4 April 2017 and stood at 2.93 per cent (181,600 voting rights) on that date.

Pursuant to section 21 (1) WpHG, Mr Stephan Gawarecki, Preetz, Germany, informed us on 4 August 2016 that his voting share in our Company had fallen below the 3 per cent threshold on 2 August 2016 and that he had a total of 2.31 per cent (142,800 voting rights) at his disposal. These voting rights are fully attributable to him via Gawarecki GmbH pursuant to section 22 (1) sentence 1 no. 1 WpHG.

Pursuant to section 33 (1) WpHG, Mr Nicolas Schulmann, Leipzig, Germany, informed us on 28 May 2018 that his voting share in our Company stood at 4.595 per cent on 22 May 2018 (298,418 voting rights). Of these, 4.299 per cent of the voting shares held by Exformer GmbH (279,203 voting rights) are attributable to him pursuant to section 34 (1) sentence 1 no. 1 WpHG.

Pursuant to section 21 (1) WpHG, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany informed us on 23 September 2016 that its voting share in Hypoport AG, Berlin, Germany had exceeded the 5 per cent threshold on 22 September 2016 and stood at 5.09 per cent (315,252 voting rights) on that date.

Pursuant to section 21 (1) WpHG, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany informed us on 7 August 2017 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 5 per cent threshold on 7 August 2017 and stood at 4.93 per cent (305,094 voting rights) on that date.

Pursuant to section 21 (1) WpHG, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany informed us on 27 October 2017 that its voting share in Hypoport AG, Berlin, Germany had exceeded the 5 per cent threshold on 20 October 2017 and stood at 5.25 per cent (325,094 voting rights) on that date.

Pursuant to section 21 (1) WpHG, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany informed us on 27 December 2017 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 5 per cent threshold on 22 December 2017 and stood at 4.96 per cent (307,421 voting rights) on that date.

Pursuant to section 33 (1) WpHG, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany informed us on 29 January 2018 that its voting share in Hypoport AG, Berlin, Germany had exceeded the 5 per cent threshold on 25 January 2018 and stood at 5.19 per cent (321,200 voting rights) on that date.

Pursuant to section 33 (1) WpHG, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany informed us on 2 February 2018 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 5 per cent threshold on 30 January 2018 and stood at 4.86 per cent (301,200 voting rights) on that date.

Pursuant to section 33 (1) WpHG, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany informed us on 19 March 2018 that its voting share in Hypoport AG, Berlin, Germany had exceeded the 5 per cent threshold on 15 March 2018 and stood at 5.003 per cent (309,921 voting rights) on that date.

Pursuant to section 21 (1) WpHG, Hypoport AG, Berlin, Germany informed us on 16 November 2016 that its voting share in Hypoport AG, Berlin, Germany had exceeded the 3 per cent threshold on 9 November 2016 and stood at 3.01 per cent (186,253 voting rights) on that date.

Pursuant to section 21 (1) WpHG, Sparta AG, Hamburg informed us on 27 April 2015 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 22 April 2015 and stood at 2.99 per cent (equivalent to 185,000 voting rights) on that date.

Pursuant to section 21 (1) WpHG, Kretschmar Familienstiftung, Berlin, whose Chief Executive Officer is Professor Thomas Kretschmar, informed us on 9 December 2015 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 9 December 2015 and stood at 2.863 per cent (equivalent to 177,366 voting rights) on that date.

Pursuant to section 21 (1) WpHG, Wallberg Invest S.A., Luxembourg, Luxembourg informed us on 5 October 2015 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 30 September 2015 and stood at 2.47 per cent (equivalent to 152,921 voting rights) on that date. Pursuant to section 21 (1) WpHG, FAS S.A., Luxembourg, Luxembourg informed us on 7 October 2015 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 30 September 2015 and stood at 2.47 per cent (equivalent to 152,921 voting rights) on that date. The 2.47 per cent (equivalent to 152,921 voting rights) is attributable to the company pursuant to section 22 (1) sentence 1 no. 1 WpHG. Pursuant to section 21 (1) WpHG, Mr Marcel Ernzer, Luxembourg also informed us on 7 October 2015 that his voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 30 September 2015 and stood at 2.47 per cent (equivalent to 152,921 voting rights) on that date. The 2.47 per cent of the voting rights (equivalent to 152,921 voting rights) are attributable to Mr Ernzer pursuant to section 22 (1) sentence 1 no. 1 WpHG.

Pursuant to section 21 (1) WpHG, Deutsche Balaton Aktiengesellschaft, Heidelberg, Germany informed us on 10 June 2015 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 9 June 2015 and stood at 2.98 per cent (equivalent to 184,844 voting rights) on that date. Pursuant to section 21 (1) WpHG, VV Beteiligungen Aktiengesellschaft, Heidelberg, Germany also informed us on 10 June 2015 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 9 June 2015 and stood at 2.98 per cent (equivalent to 184,844 voting rights) on that date. The 2.98 per cent of the voting rights (equivalent to 184,844 voting rights) are attributable to the company pursuant to section 22 (1) sentence 1 no. 1 WpHG. Pursuant to section 21 (1) WpHG, Delphi Unternehmensberatung Aktiengesellschaft, Heidelberg, Germany also informed us on 10 June 2015 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 9 June 2015 and stood at 2.98 per cent (equivalent to 184,844 voting rights) on that date. The 2.98 per cent of the voting rights (equivalent to 184,844 voting rights) are attributable to the company pursuant to section 22 (1) sentence 1 no. 1 WpHG. Pursuant to section 21 (1) WpHG, Mr Wilhelm Konrad Thomas Zours, Germany also informed us on 10 June 2015 that his voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 9 June 2015 and stood at 2.98 per cent (equivalent to 184,844 voting rights) on that date. The 2.98 per cent of these voting rights (equivalent to 184,844 voting rights) are attributable to Mr Zours pursuant to section 22 (1) sentence 1 no. 1 WpHG.

Pursuant to section 21 (1) WpHG, KBC Asset Management NV, Brussels, Belgium informed us on 31 May 2017 that its voting share in Hypoport AG, Berlin, Germany had exceeded the 3 per cent threshold on 23 May 2017 and stood at 3.06 per cent (189,697 voting rights) on that date.

Pursuant to section 33 (1) WpHG, KBC Asset Management NV, Brussels, Belgium informed us on 25 April 2018 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 20 April 2018 and stood at 2.98 per cent (184,670 voting rights) on that date.
Pursuant to section 21 (1) WpHG, Wasatch Advisors Holdings, Inc., Salt Lake City, Utah, United States of America informed us on 7 August 2017 that its voting share in Hypoport AG, Berlin, Germany had exceeded the 3 per cent threshold on 7 August 2017 and stood at 3.20 per cent (198,061 voting rights) on that date.

This information was taken from the most recent notification received by the Company from each party subject to disclosure requirements. All published notifications from investors in the reporting year and other years are available on the Hypoport Group's website at https://www.hypoport.com/investor-relations/corporate-governance/. It should be noted that the details of shareholding percentages and number of voting rights may now be out of date.

7.7 Share-based payment

The Company's employees receive a certain number of shares in Hypoport AG that is determined by their period of service as well as shares amounting to €360.00 if the Company achieves certain targets. The total related expense recognised in 2018 was €343 thousand (2017: €337 thousand). Total liabilities in relation to share-based remuneration amounted to €661 thousand (2017: €480 thousand).

7.8 Auditors' fees and services

The total fee incurred for services rendered by the auditors BDO AG Wirtschaftsprüfungsgesellschaft in 2018 amounted to €125 thousand (2017: €114 thousand) and comprised €122 thousand for audits of financial statements (2017: €108 thousand) and €3 thousand for other services (2017: €6 thousand).

7.9 Average number of persons employed during the financial year

In 2018, the Company employed an average of 1,356 (2017: 917) people in addition to the members of the Management Board.

The table below gives a breakdown of the average numbers of employees by segment.

Average number of persons employed during the financial year	31 Dec 2018 Number	%	31 Dec 2017 Number	%	Change Number	%
Credit Platform *	342	**25**	290	32	52	18
Private Clients *	258	19	206	22	52	25
Real Estate Platform *	380	28	176	19	204	116
Insurance Platform	250	18	140	15	110	79
Holding	126	9	105	12	21	20
	1,356		**917**		**439**	**48**

* The comparative prio-year figures have been adjusted due to reclassification of segment reporting

7.10 Financial risk management

As a result of its business activities, the Hypoport Group is exposed to various financial risks; these include market risk, credit risk, liquidity risk and interest-related cash flow risk. It does not use any derivative financial instruments to hedge against specific risks.

The Hypoport Group is exposed to only a very limited currency risk because only very small amounts of its assets and liabilities are denominated in currencies other than the Company's functional currency.

If the exchange rate of the euro to the US dollar had been 10 per cent higher or lower on 31 December 2018, and assuming that all other variables had remained constant, the Hypoport Group's net profit (loss) for the year would have been €0 thousand (31 December 2017: €0 thousand) higher or lower.

If the exchange rate of the euro to the pound sterling had been 10 per cent higher or lower on 31 December 2018, and assuming that all other variables had remained constant, the Hypoport Group's net profit (loss) for the year would have been €0 thousand (31 December 2017: €0 thousand) higher or lower.

The Hypoport Group's credit risk stems primarily from its trade receivables, advance commissions, and other financial assets. In 2018, it recognised impairment losses of €323 thousand (2017: €916 thousand) to cover the probability of irrecoverable receivables. Such receivables are estimated by the management of the Hypoport Group on the basis of past experience and current economic conditions.

The credit risk relating to cash and cash equivalents is limited because these are all held at investment-grade banks. There is no significant concentration of credit risk in the Group because this risk is spread across a large number of counterparties and clients. The maximum credit risk is shown by the carrying amount of each financial asset reported on the balance sheet.

The main source of liquidity risk lies in the rapid expansion of the Group. The risks associated with the expansion of the Group are monitored by the Management Board and currently are not material given the high level of liquidity and excellent equity ratio in the Group.

The table below gives a breakdown of the contractual residual maturities of the Hypoport Group's financial liabilities. It shows the non-discounted cash flows of financial liabilities based on the earliest date on which the Hypoport Group can be obliged to pay. The table contains payments of both interest and principal.

€'000	Maturities					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Fixed-rate financial liabilities	649	2,523	7,915	38,843	36,725	**86,655**
2017	27	1,404	1,760	7,853	6,556	**17,600**
Rental and lease obligations	4	7	34	100	18	**163**
2017	4	8	29	124	20	**185**
2018	653	2,530	7,949	38,943	36,743	**86,818**
2017	31	1,412	1,789	7,977	6,576	**17,785**

Because the Hypoport Group does not hold any significant interest-bearing assets, its net profit (loss) for the year and its operating cash flow are largely immune to changes in market interest rates.

The Group's interest-rate risk stems from non-current, interest-bearing liabilities. Floating-rate liabilities expose the Group to interest-related cash flow risks. Its financial risk policy requires that the vast majority of liabilities it assumes be subject to fixed interest rates. In 2018 and 2017, only its unutilised credit lines carried floating interest rates.

7.11 Additional information on financial instruments

The table below shows the previous categories of financial instruments in the Hypoport Group and the categories to which they are now assigned.

IAS 39	IFRS 9
Loans and receivables: in particular trade receivables, cash	Amortized cost
Other financial liabilities (liabilities measured at amortized cost): in particular liabilities to banks, trade payables, other liabilities	Other financial commitments
At fair value: other participations	FVTPL The OCI option is not choosen.

Exposures subject to the expected credit loss model pursuant to IFRS 9 do not exist in the Group. The Hypoport Group now has only one insignificant other long-term equity investment (acquisition cost: €13 thousand); all other long-term equity investments are fully consolidated or accounted for under the equity method.

The table below shows the carrying amounts and fair values of individual financial assets and liabilities for each category of financial instrument and reconciles these amounts to the corresponding balance sheet items. Because the balance sheet items ‘Other receivables’ and ‘Other liabilities’ contain financial instruments as well as non-financial assets and non-financial liabilities, these amounts are reconciled in the column ‘Non-financial assets/liabilities’.

Financial instruments 2018 €'000	Measured at amortised cost		Measured at fair value	Non-financial assets/liabilities	
	Carrying amount on balance sheet at 31 Dec 2018	Pro forma: fair value	Carrying amount	Carrying amount	Carrying amount on balance sheet
Trade receivables	55,536	-	-	-	55,536
Loans and receivables	55,536	55,536	-	-	55,536
Financial assets	290	-	-	-	290
Loans and receivables	290	290	-	-	290
Other assets	383	-	-	4,203	4,586
Loans and receivables	383	383	-		383
Non-financial assets				4,203	4,203
Cash and cash equivalents	31,761	-	-	-	31,761
Loans and receivables	31,761	31,761	-	-	31,761
Total financial assets	**-**	**-**	**-**	**-**	**87,970**
Thereof: loans and receivables	-	-	-	-	87,970
Financial liabilities	80,736	-	-	-	80,736
Measured at amortised cost	80,736	83,007	-	-	80,736
Trade payables	31,992	-	-	-	31,992
Measured at amortised cost	31,992	31,992	-	-	31,992
Other liabilities	10,326	-	-	5,297	15,623
Measured at amortised cost	10,326	10,326	-	-	10,326
Non-financial liabilities	-	-	-	5,297	5,297
Total financial liabilities	**-**	**-**	**-**	**-**	**123,054**
Thereof: measured at amortised cost	-	-	-	-	123.054

Financial instruments 2017 €'000	Measured at amortised cost		Measured at fair value	Non-financial assets/liabilities	
	Carrying amount on balance sheet at 31 Dec 2017	Pro forma: fair value	Carrying amount	Carrying amount	Carrying amount on balance sheet
Trade receivables	49,140	-	-	-	49,140
Loans and receivables	49,140	49,140	-	-	49,140
Financial assets	1,427	-	-	-	1,427
Loans and receivables	1,427	1,427	-	-	1,427
Other assets	8,993	-	-	3,546	12,539
Loans and receivables	8,993	8,993	-		8,993
Non-financial assets				3,546	3,546
Cash and cash equivalents	14,333	-	-	-	14,333
Loans and receivables	14,333	14,333	-	-	14,333
Total financial assets	**-**	**-**	**-**	**-**	**73,893**
Thereof: loans and receivables	-	-	-	-	73,893
Financial liabilities	16,302	-	-	-	16,302
Measured at amortised cost	16,302	15,805	-	-	16,302
Trade payables	23,058	-	-	-	23,058
Measured at amortised cost	23,058	23,058	-	-	23,058
Other liabilities	7,646	-	-	2,624	10,270
Measured at amortised cost	7,646	7,646	-	-	7,646
Non-financial liabilities	-	-	-	2,624	2,624
Total financial liabilities	**-**	**-**	**-**	**-**	**47,006**
Thereof: measured at amortised cost	-	-	-	-	47,006

In accordance with level two of the measurement hierarchy specified by IFRS 13, the fair values of receivables, loans and primary liabilities are calculated as the present value of future cash inflows and outflows. These cash flows are discounted using an interest rate prevailing at the balance sheet date and factor in the respective maturities of assets and liabilities as well as the credit rating of Hypoport AG. If a market value or market price is available, this is recognised as the fair value.

Because most trade receivables, trade payables, other receivables, other liabilities, and cash and cash equivalents have short maturities, their carrying amounts at the balance sheet date do not differ significantly from their fair values.

The table below breaks down the income, expenses, gains and losses resulting from financial instruments into the following categories:

Financial instruments 2018 €'000	Loans and receivables	Held-to-maturity investments	Fair value/ held for trading	Liabilities measured at amortised cost	2018
Interest and similar income	518	-	-	-	518
Interest expense and similar charges	-	-	-	–1,354	–1,354
Impairment losses	–323	-	-	-	–323
Net result	**195**	**0**	**0**	**–1,354**	**–1,159**

Financial instruments 2017 €'000	Loans and receivables	Held-to-maturity investments	Fair value/ held for trading	Liabilities measured at amortised cost	2017
Interest and similar income	274	-	-	-	274
Interest expense and similar charges	-	-	-	–878	–878
Impairment losses	–916	-	-	-	–916
Net result	**–642**	**0**	**0**	**–878**	**–1,520**

7.12 Capital risk management

Hypoport AG's statutes do not specify any capital requirements. The Hypoport Group pursues two main objectives in terms of its capital management: firstly, to ensure that the Company continues to operate as a going concern so that it can continue to generate returns for its shareholders and provide its other stakeholders with the services they require; and secondly, to maintain the optimum capital structure so that it can lower its cost of capital and meet the minimum capital requirements resulting from its borrowings. The financial covenants agreed for a loan were complied with.

The Hypoport Group monitors its capital in terms of its level of gearing, which is the ratio of net debt to equity. Net debt consists of total financial liabilities minus cash and cash equivalents. Equity comprises the total shares in issue plus reserves.

The table below shows the Company's gearing as at 31 December 2018 and 31 December 2017:

Company's gearing	2018 €'000	2017 €'000
Financial liabilities	80,736	16,302
Minus cash and cash equivalents	31,761	14,333
Net debt	48,975	1,969
Equity	153,484	82,906
Gearing	32%	2%

7.13 Exemption from disclosure requirements under section 264 (3) HGB

The fully consolidated German subsidiaries listed below have met the conditions specified by section 264 (3) HGB and are therefore exempted from the requirements to disclose their separate financial statements documentation, undergo an audit and prepare a management report:

- ASC Assekuranz-Service Center GmbH, Bayreuth, Germany
- ASC Objekt GmbH, Bayreuth, Germany
- BAUFINEX Service GmbH, Berlin, Germany
- DR. KLEIN Firmenkunden AG, Lübeck, Germany
- Dr. Klein Privatkunden AG, Lübeck, Germany
- Dr. Klein Ratenkredit GmbH, Lübeck, Germany
- Europace AG, Berlin, Germany
- FIO SYSTEMS AG, Leipzig, Germany
- GENOPACE GmbH, Berlin, Germany
- Hypoport Grundstücksmanagement GmbH, Berlin, Germany
- Hypoport InsurTech GmbH, Berlin, Germany
- Hypoport Systems GmbH, Berlin, Germany
- Hypservice GmbH, Berlin, Germany
- Primstal - Alte Eiweiler Strasse 38 Objektgesellschaft mbH, Nonnweiler, Germany

- Qualitypool GmbH, Lübeck, Germany
- Smart InsurTech AG, Regensburg, Germany
- Value AG, Berlin, Germany
- Vergleich.de Gesellschaft für Verbraucherinformation mbH, Berlin, Germany
- VS Direkt Versicherungsmakler GmbH, Bayreuth, Germany
- Winzer - Kneippstrasse 7 Objektgesellschaft mbH, Berlin, Germany.

7.14 Declaration of compliance with the German Corporate Governance Code

Hypoport AG has issued its corporate governance declaration, including the declaration of conformity required by section 161 of the German Stock Corporation Act (AktG). The declaration can be viewed online at www.hypoport.com/investor-relations/corporate-governance.

7.15 Events after the reporting period

No material events have occurred since the balance sheet date.

Berlin, 8 March 2019

Hypoport AG – The Management Board

Ronald Slabke | Stephan Gawarecki | Hans Peter Trampe

Consolidated statement of changes in non-current assets 2018

	Cost				
	Balance 1 Jan 2018 €'000	Additions €'000	Disposals €'000	Reclassifi-cation €'000	Changes in consolidation €'000
I. Intangible assets					
1. Patents, licences, trademarks and similar rights and assets, including licences for such rights and assets					
1.1 Software	11,931	1,780	199	40	8,239
1.2 Development costs	62,896	10,875		764	3,739
2. Goodwill	24,765	0	0	0	115,695
3. Advance payments and development costs in progress	569	1,247	0	-804	0
	100,161	**13,902**	**199**	**0**	**127,673**
II. Property, plant and equipment					
1. Land, leasehold improvements and buildings, including buildings on land owned by others	879	460	0	909	1,640
2. Office furniture and equipment	12,216	3,754	3,296	0	1,254
3. Advanced payments and constructions in progress	9	605	3	-909	1,077
	13,104	**4,819**	**3,299**	**0**	**3,971**
	113,265	**18,721**	**3,498**	**0**	**131,644**

	Cumulative depreciation, amortisation and impairment				Carrying amount	
Balance 31 Dec 2018 €'000	Balance 1 Jan 2018 €'000	Additions €'000	Disposals €'000	Balance 31 Dec 2018 €'000	Balance 31 Dec 2018 €'000	31 Dec 2017 €'000
21,791	5,731	2,210	199	7,742	14,049	6,200
78,274	38,459	4,700	0	43,159	35,115	24,437
140,460	0	0	0	0	140,460	24,765
1,012	0	0	0	0	1,012	569
241,537	**44,190**	**6,910**	**199**	**50,901**	**190,636**	**55,971**
3,888	39	79	0	118	3,770	840
13,928	8,618	2,808	3,281	8,145	5,783	3,598
779	0	0	0	0	779	9
18,595	**8,657**	**2,887**	**3,281**	**8,263**	**10,332**	**4,447**
260,132	**52,847**	**9,797**	**3,480**	**59,164**	**200,968**	**60,418**

Consolidated statement of changes in non-current assets 2017	Cost				
	Balance 1 Jan 2017 €'000	Additions €'000	Disposals €'000	Reclassifi-cation €'000	Changes in consolidation €'000
I. Intangible assets					
1. Patents, licences, trademarks and similar rights and assets, including licences for such rights and assets					
1.1 Software	6,419	1,121	11	149	4,253
1.2 Development costs	55,061	7,309		526	0
2. Goodwill	18,587	6,178	0	0	0
3. Advance payments and development costs in progress	675	569	0	-675	0
	80,742	**15,177**	**11**	**0**	**4,253**
II. Property, plant and equipment					
1. Land, leasehold improvements and buildings, including buildings on land owned by others	21	858	0	0	0
2. Office furniture and equipment	10,134	2,709	676	0	49
3. Advanced payments and constructions in progress	0	9	0	0	0
	10,155	**3,576**	**676**	**0**	**49**
	90,897	**18,753**	**687**	**0**	**4,302**

	Cumulative depreciation, amortisation and impairment				Carrying amount	
Balance 31 Dec 2017 €'000	Balance 1 Jan 2017 €'000	Additions €'000	Disposals €'000	Balance 31 Dec 2017 €'000	Balance 31 Dec 2017 €'000	31 Dec 2016 €'000
11,931	4,431	1,311	11	5,731	6,200	1,988
62,896	34,651	3,808	0	38,459	24,437	20,410
24,765	0	0	0	0	24,765	18,587
569	0	0	0	0	569	675
100,161	**39,082**	**5,119**	**11**	**44,190**	**55,971**	**41,660**
879	21	18	0	39	840	0
12,216	7,503	1,671	556	8,618	3,598	2,631
9	0	0	0	0	9	0
13,104	**7,524**	**1,689**	**556**	**8,657**	**4,447**	**2,631**
113,265	**46,606**	**6,808**	**567**	**52,847**	**60,418**	**44,291**

Report of the supervisory board

The Supervisory Board hereby reports on the discharge of its responsibilities in the 2018 financial year.

In 2018, the Supervisory Board continued to apply due care and diligence in discharging the responsibilities incumbent upon it under the law, the Company's statutes, its rules of procedure and the German Corporate Governance Code. The Supervisory Board supported the Management Board in its running of the Company. This support function was based on the detailed written and oral reports submitted by the Management Board, which informed the Supervisory Board in a regular, comprehensive and timely fashion about the Company's strategic planning and budgeting, changes in its business performance and financial position, its strategic development, the risk situation, risk management and relevant compliance matters, important transactions and the current position of the Company and the Hypoport Group. The Supervisory Board was informed at regular intervals either during or in advance of Supervisory Board meetings. The Management Board and the Supervisory Board were also in regular contact outside the meetings, so the Supervisory Board was kept abreast of particularly important events at all times. The Supervisory Board also obtained information about key developments for itself and supported the Management Board in an advisory capacity. All decisions and actions of fundamental importance that required approval were discussed with the Supervisory Board at an early stage and submitted to the Supervisory Board for approval.

The Supervisory Board held five scheduled meetings in 2018. In addition, three Supervisory Board meetings were held by telephone. Eight further resolutions were adopted in writing (by email) at the request of the Supervisory Board chairman following detailed preparation and dissemination of information in each case. All members of the Supervisory Board attended every meeting and took part in the other resolutions adopted outside meetings.

No members of the Supervisory Board were subject to conflicts of interest.

Key points of the Supervisory Board's deliberations

The Supervisory Board's deliberations centred primarily on matters concerning the corporate strategy and business activities of the Company and the Hypoport Group, important transactions such as acquisitions, the effectiveness of the internal control and risk management system, and decisions and action taken by the Management Board that required approval. Furthermore, the Supervisory Board examined the Group's structure.

At the meeting on **30 January 2018,** the Management Board set out the operating policy, the strategic planning, and the basis and assumptions for the Company's multi-year planning – including a breakdown by segment – and provided specific explanations in respect of individual Group companies that are of particular importance. The Supervisory Board's questions were answered comprehensively and it then noted with approval the plans that had been presented.

Following a suggestion from the Supervisory Board that the senior management of the main subsidiaries present their respective companies and business strategies to the Supervisory Board, the members of the management board of the subsidiary Dr. Klein Firmenkunden AG reported on the business strategy, growth strategy and planned further developments, particularly regarding digitalisation strategies.

The Supervisory Board approved the 2018 declaration of conformity with the recommendations in the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (AktG) as presented. It also approved the proposed further adjustment of the deadline for achieving the target quota of women and the new target for the quota of women pursuant to section 111 (5) AktG. At this meeting, the Supervisory Board also gave approval for further loans to be taken out in accordance with the documents presented to it. These loans will be used to fund the Company's growth.

In a written resolution adopted on **5 March 2018,** the Supervisory Board consented to BDO B.V., Amsterdam, continuing to provide permitted non-audit services in connection with general tax advice and the preparation of tax returns for Hypoport B.V., Amsterdam.

On **16 March 2018,** after making appropriate preparations and discussing the draft agenda for the 2018 Annual Shareholders' Meeting, the Supervisory Board adopted a written resolution on convening the Annual Shareholders' Meeting on 4 May 2018 and on the motions for this meeting, with the exception of the motions for agenda item 2 (appropriation of profit) and agenda item 6 (Supervisory Board election), which were approved at the meeting on 20 March 2018.

A representative of the Company's auditor, BDO AG Wirtschaftsprüfungsgesellschaft, attended the meeting held on **20 March 2018** and presented a comprehensive report on BDO's audit of the separate financial statements for 2017 and the consolidated financial statements for 2017. As required by section 171 AktG, the Supervisory Board reviewed and approved the separate and consolidated financial statements for 2017 as well as both management reports. The Supervisory Board also agreed to the Management Board proposing to the Annual Shareholders' Meeting that the Company's full distributable profit be carried forward to the next accounting period.

The individual components of the Management Board's updated remuneration were presented during the meeting before being unanimously approved by the Supervisory Board.

The Supervisory Board examined the report that was presented on the actual non-audit services performed and it ascertained that the transparency was ensured in this context. It noted the report with approval. The Supervisory Board also discussed its own report on the 2017 financial year and voted to adopt it. Furthermore, it examined the Group's non-financial report for 2017 and concluded that the statements that it examined were consistent, in all material respects, with the underlying criteria. The Supervisory Board also noted with approval the documentation relating to the compliance management system.

At the meeting on **20 March 2018,** the Management Board also reported on the fourth quarter of 2017 and on the integration of the companies acquired for the insurance platform.

The Management Board provided details of two plans regarding business expansion, which the Supervisory Board then approved after an in-depth discussion.

Changes on the Supervisory Board were also discussed. Mr Christian Schröder had stated that he would step down from the Supervisory Board with effect from the end of the Annual Shareholders' Meeting of the Company on 4 May 2018. In view of this, the Supervisory Board resolved to propose to the Annual Shareholders' Meeting that it appoint Mr Dieter Pfeiffenberger, Barsbüttel, for the remainder of Mr Christian Schröder's term of office.

On **9 April 2018,** the Supervisory Board held a meeting by telephone in which the Management Board also participated and reported on the plan to acquire Value AG. The Supervisory Board also raised specific questions and discussed them with the Management Board at this meeting. The Supervisory Board approved the acquisition plan.

During the Supervisory Board meeting held by telephone on **25 April 2018,** the Management Board reported extensively on another planned acquisition – FIO SYSTEMS AG – and answered the Supervisory Board's questions. The Supervisory Board approved this acquisition plan and adopted the required resolution on the related non-cash capital increase and amendment to the statute.

At the Supervisory Board meeting held on **4 May 2018** after the Annual Shareholders' Meeting, the Management Board reported on the first quarter of 2018.

The Supervisory Board also examined whether the engagement of the chairman of the Supervisory Board as an external advisor on a transaction and, subsequently, his membership of the supervisory board of the acquisition target would create a situation in which he was representing conflicting interests. The Supervisory Board came to the conclusion that this was not the case and that there was no conflict of interests.

The Supervisory Board approved the schedule for 2019 by means of a written resolution on **18 June 2018.**

At another Supervisory Board meeting held by telephone on 18 June 2018, the Management Board explained the intended purchase of ASC Assekuranz Service-Center GmbH and ASC Objekt GmbH to the Supervisory Board. The Supervisory Board and Management Board held an in-depth discussion on aspects such as the business model of ASC Assekuranz Service-Center GmbH by itself and in the context of the existing insurance platform, the potential risks presented by the acquisition and the revenue and earnings performance of the companies in question. The Supervisory Board consented to the purchase of all of the shares in ASC Assekuranz Service-Center GmbH and ASC Objekt GmbH.

On **21 August 2018,** the Supervisory Board adopted three written resolutions on transactions for which the Management Board requires the Supervisory Board's consent. The Management Board provided the Supervisory Board with detailed explanations of these transactions. These resolutions related to consent for entering into office leases for the Company and to the exercising of shareholder rights.

At the Supervisory Board meeting held on **4 September 2018,** the Management Board reported on the second quarter of 2018 and on specific developments and trends in the individual business units, particularly the Insurance Platform segment. Another focus was the presentation of the business model of Qualitypool GmbH.

The Management Board and Supervisory Board scrutinised the Group's structure and management, planned strategies and initiatives of importance to the Group, the financial position and financial performance of key subsidiaries and the financial position of the Group as a whole. The management appointments and the increase in the number of managers as a result of the acquisitions were also discussed.

Internal audit reports on the settlement of travel costs and other expenses and on the rules regarding gifts and hospitality were presented as well. The Supervisory Board welcomed the findings of the reports and the resulting recommendations. The Supervisory Board unanimously approved the 2018/2019 medium-term audit schedule that was presented.

An update of the Hypoport Group's policy on authority levels was presented. Within the scope of its responsibilities, the Supervisory Board resolved unanimously to raise the volume of business for the highest authority level 'Management Board and Supervisory Board of Hypoport AG' from greater than €1 million to greater than €3 million with immediate effect.

On **19 November,** the Supervisory Board adopted a written resolution in which it consented to the extension of the fixed term of Hypoport AG's lease for its Lübeck office in the Hansekontor building and for the rental and refurbishment of additional space in the Hansekontor.

The Company's operating performance in the third quarter of 2018 as well as the latest developments and trends in the business units were discussed extensively with the Management Board at the Supervisory Board meeting held on **7 December 2018.**

At this meeting, the Management Board and Supervisory Board also scrutinised risk management, the risk monitoring system and the internal control system (financial planning and reporting as well as internal audit). The Hypoport Group's five biggest risks were described and discussed.

Another agenda item was the Management Board's report on capital expenditure in 2018 and current borrowing.

After the Management Board members had left the meeting, the Supervisory Board reviewed the effectiveness of its own work over the course of the previous year. This review revealed no shortcomings of any kind.

Following the necessary preparations and discussions, the Supervisory Board adopted a written resolution on **13/14 December 2018** in which it voted to comply with the recommendations of the German Corporate Governance Code and to submit a declaration of conformity in accordance with section 161 AktG for 2019.

No committees

The Supervisory Board of Hypoport AG has not set up any committees because it consists of only three members.

German Corporate Governance Code

In 2018, the Supervisory Board once again discussed the content of the German Corporate Governance Code and adopted the necessary resolutions on compliance with its recommendations and on exceptions where individual recommendations are not followed. Further information on corporate governance at the Company can be found in the corporate governance report. The remuneration report contains detailed information on the level and structure of remuneration for the Supervisory Board and Management Board. The Management Board and Supervisory Board voted to issue the declaration of conformity required by section 161 AktG and have made it permanently available on the Company's website.

The Supervisory Board and Management Board are aware that good corporate governance that safeguards the interests of shareholders and the capital markets is essential for the Company's success. The Management Board and Supervisory Board regard the recommendations and suggestions of the German Corporate Governance Code and the pertinent statutory legislation as an integral part of the function that they perform for the Company. They examine compliance with these standards at regular intervals, thereby ensuring that the Company's shareholders and employees and, not least, the Company itself take due account of the standards.

Separate and consolidated financial statements

The Management Board submitted to the Supervisory Board the 2018 separate financial statements that it had prepared in accordance with the HGB, the 2018 consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), both management reports including the separate non-financial Group report, the proposal for the appropriation of profit and the corresponding independent auditor's reports.

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, the auditors appointed by the Company, audited its separate financial statements, the consolidated financial statements and both management reports for the year ended 31 December 2018 and issued an unqualified opinion in each case. As required by section 171 AktG, the Supervisory Board reviewed and discussed the separate and consolidated financial statements for 2018 and both management reports. At the Supervisory Board meeting held on 20 March 2019 to discuss the Company's financial statements, the auditors reported in person to the Supervisory Board and provided exhaustive answers to the questions put to them. The Supervisory Board also examined the Management Board's proposal for the appropriation of profit.

The Supervisory Board agreed with the auditors' findings. Having completed its own examination, it had no objections to raise. The Supervisory Board reviewed and approved the separate and consolidated financial statements for 2018 prepared by the Management Board. The financial statements for 2018 have thus been adopted. In addition, the Supervisory Board reviewed and approved the separate non-financial Group report for 2018. After itself examining the Management Board's explanation of its proposed appropriation of profit, and after considering all the arguments, the Supervisory Board approved the proposal.

The Supervisory Board would like to thank the Management Board and all employees for their hard work and valuable support.

Berlin, 20 March 2019

Dr Ottheinz Jung-Senssfelder
Chairman of the Supervisory Board

Corporate governance report

The Management Board and Supervisory Board of Hypoport AG are committed to the principles of responsible corporate governance. Hypoport AG is of the firm belief that transparent corporate governance adds value to the Company over the long term. It is also essential if Hypoport AG is to honour the trust placed in it by investors, financial markets, business partners, customers, employees and the public at large. The Management Board and Supervisory Board regard the recommendations and suggestions of the German Corporate Governance Code and the pertinent statutory legislation as an integral part of the function that they perform for the Company. They examine compliance with these standards at regular intervals, thereby ensuring that the Company's shareholders and employees and, not least, the Company itself are fully compliant.

Declaration of conformity with the German Corporate Governance Code

The Management Board and Supervisory Board have carefully examined the German Corporate Governance Code as amended on 7 February 2017, which was published in the German Federal Gazette on 24 April 2017. The declaration of conformity was submitted by the Management Board and Supervisory Board of Hypoport AG on 30 January 2019 and is reproduced below. The declaration of conformity has been made permanently available to the public and can be viewed at www.hypoport.com/investor-relations/corporate-governance.

Declaration of conformity with the recommendations of the German Corporate Governance Code (DCGK) pursuant to section 161 of the German Stock Corporation Act (AktG)

The Management Board and Supervisory Board of Hypoport AG, Berlin, hereby declare the following:

Since the most recent regular declaration of conformity was submitted on 30 January 2018, Hypoport AG has complied – with the exception of the recommendations listed below – with the recommendations made by the German government commission on the German Corporate Governance Code as amended on 5 May 2015, which were publicly announced by the Federal Ministry of Justice in the official section of the German Federal Gazette and published in the German Federal Gazette on 12 June 2015 and, since 25 April 2017, in the version as amended on 7 February 2017, which was published in the German Federal Gazette on 24 April 2017. In future, Hypoport AG will continue to comply with the recommendations made by the German government commission on the German Corporate Governance Code as amended on 7 February 2017 with the exception of the recommendations listed below.

1. Paragraph 3.8 (3) of the German Corporate Governance Code recommends that an appropriate excess be agreed when taking out directors' and officers' liability insurance for members of a supervisory board. The D&O insurance concluded by Hypoport AG for members of its Supervisory Board does not at present specify any excess.

Hypoport AG does not believe that an excess of this type would increase the motivation and sense of responsibility with which the members of its Supervisory Board perform their role. Consequently, Hypoport AG does not intend to change its D&O insurance contracts for members of the Supervisory Board.

2. Paragraph 4.2.3 (2) of the German Corporate Governance Code recommends that the level of remuneration for members of the management board overall and with respect to their variable remuneration components be capped. The existing employment contracts of the members of the Management Board of Hypoport AG contain no such caps on the amount of remuneration.

Hypoport AG is of the view that the existing remuneration structure for members of the Management Board – which is designed to ensure a sustainable corporate culture, comprises both fixed and variable components (with variable remuneration components being assessed over a period of several years) and takes account of both positive and negative developments and trends – is, on the whole, appropriate without the imposition of any caps on the amount of remuneration and, even in its existing form, does not encourage individuals to take inappropriate risks. Moreover, the Company is of the view that the existing remuneration structure has proved itself over a period of several years to be appropriate and suited to furthering the Company's interests. Even if no caps are imposed on the amount of remuneration, the specific way in which this remuneration system is designed should ensure that the existing remuneration structure does not create incentives that are contrary to or incompatible with the sustainable corporate culture of Hypoport AG. For these reasons the Company is of the view that it is not necessary to amend the Management Board members' existing employment contracts. On an ongoing basis and, in particular, in connection with the extension of existing Management Board members' employment contracts, however, the Supervisory Board of Hypoport AG will carefully and properly examine and then decide whether it should in future comply with the recommendation made in paragraph 4.2.3 (2) of the German Corporate Governance Code – including with respect to the imposition of a cap on the amount of remuneration – or whether the existing remuneration structure should be retained without any such cap being imposed.

3. Paragraph 5.1.2 of the German Corporate Governance Code recommends, among other things, that an age limit be specified for members of the management board. Paragraph 5.4.1 makes the same recommendation for members of the supervisory board. No age limit has been specified for members of either the Management Board or the Supervisory Board of Hypoport AG.

Hypoport AG believes that setting an age limit would be an inappropriate general restriction on the Supervisory Board's selection of suitable Management Board members and would restrict shareholders in their selection of Supervisory Board members, because a director's experience and personal and professional skills, rather than his or her age, are the relevant factors for recruiting members of the Management Board or Supervisory Board.

4. Paragraph 5.3.1 of the German Corporate Governance Code recommends that supervisory boards set up properly qualified committees in line with the specific circumstances of the company concerned and the number of persons on its supervisory board. Accordingly, paragraph

5.3.2 of the German Corporate Governance Code recommends that an audit committee be set up and paragraph 5.3.3 recommends that a nominations committee be formed. The Supervisory Board of Hypoport AG has not set up any committees.

Because the Supervisory Board consists of only three members, as specified in the Company's statutes, all aspects of its work are carried out by the entire Supervisory Board. Consequently, Hypoport AG does not consider it necessary to form committees. The Supervisory Board in particular believes that the formation of committees would unnecessarily impede its work because it has such a small number of members.

5. Paragraph 5.4.1 (2) of the German Corporate Governance Code recommends that the supervisory board set specific targets for its composition and draw up a skills profile for the supervisory board as a whole. With respect to its composition, the supervisory board should, as appropriate to the company's particular situation, take account of the company's international activities, potential conflicts of interest, a specific age limit for members of the supervisory board, a specific time limit on membership of the supervisory board and diversity. Paragraph 5.4.1 (3) states that the supervisory board should take these targets into account when proposing candidates for election and, at the same time, fulfil the requirements of the skills profile for the supervisory board as a whole. Progress towards implementation should be published in the corporate governance report. To date, the Supervisory Board of Hypoport AG has not set such targets for its composition and has not drawn up a skills profile.

The current members of the Company's Supervisory Board were elected by the 2015 Annual Shareholders' Meeting in accordance with the proposals made by the Supervisory Board. Each was elected by a large majority. Their term of appointment is due to end in 2020. The Supervisory Board is of the opinion that its current composition takes full and proper account of the Company's particular situation and believes that this is corroborated by the election results for the Supervisory Board candidates that it had proposed. In view of the skills and expertise of its members, the Supervisory Board as a whole also completely fulfils the professional requirements that arise from the business activities of Hypoport AG and its specific requirements. The Supervisory Board is therefore of the opinion that specific written targets for its composition and the development of a separate skills profile are inappropriate at the present time and offer no additional benefit. Such binding targets would risk unduly restricting its flexibility to elect suitable candidates of either sex; nor does it appear appropriate to set specific targets at this point, as the terms of appointment of the current members still have until 2020 to run. Due to the size of the Supervisory Board, the Supervisory Board also believes that each vacant position should be filled first and foremost on the basis of candidates' professional suitability and skills, taking due account of the Company's particular situation. Consequently, the Supervisory Board was and still is of the view that there is currently no need to set the specific targets for its composition or draw up a separate skills profile as recommended by paragraph 5.4.1 (2) of the German Corporate Governance Code. Nonetheless, the Supervisory Board will continuously and properly examine whether to comply with the recommendation in paragraph 5.4.1 (2) and (3) of the German Corporate Governance Code in future or whether to retain the current model.

6. Paragraph 7.1.2 sentence 2 of the German Corporate Governance Code recommends that the management board discuss interim financial information with the supervisory board prior to publication. During the reporting period, Hypoport AG refrained from discussing the report with the Supervisory Board and, in future, will continue to refrain from such discussions before publication.

In Hypoport AG's view, the priority for interim financial reporting is the provision of comprehensive information to the capital markets without delay. Discussing the reports with the Supervisory Board beforehand may lead to delays. The Management Board will of course keep the Supervisory Board fully informed about Hypoport AG's business performance during the regular meetings.

Disclosures of corporate governance practices

Management Board and Supervisory Board

The Management Board is responsible for running the Company. Its remit includes formulating the Company's targets, objectives and strategy; managing and monitoring its business activities; and establishing and monitoring an effective risk management system. The statutes of Hypoport AG specify that its Management Board should comprise a minimum of two persons. Apart from this stipulation, it is the responsibility of the Supervisory Board to determine the number of members on the Management Board, which currently consists of three members. The Management Board informs the Supervisory Board in a regular, comprehensive and timely fashion about the Company's strategic planning and budgeting, changes in its business performance and financial position, its strategic development, its risk management, important transactions, and the current position of the Company and the Hypoport Group.
The Supervisory Board of Hypoport AG consists of three members. The chairman of the Supervisory Board is elected from among the members of this body. There was a change on the Supervisory Board in 2018. Mr Christian Schröder stepped down at the end of the 2018 Annual Shareholders' Meeting. The Annual Shareholders' Meeting elected Mr Dieter Pfeiffenberger as a member of the Supervisory Board. All of the current members of the Supervisory Board have been elected for the period up to the end of the Annual Shareholders' Meeting that votes on the formal approval of the actions of the Supervisory Board for the 2019 financial year. The Supervisory Board of Hypoport AG has not yet set any targets for its composition.

The Supervisory Board appoints the members of the Management Board. It monitors the Management Board and advises it on the running of the Company. Material decisions taken by the Management Board must be approved by the Supervisory Board. The Supervisory Board meets at least four times a year and, if necessary, meets without the participation of the Management Board or individual members of the Management Board. The Supervisory Board reviews and approves the separate and consolidated financial statements prepared by the Management Board, thereby adopting the separate financial statements.

Informative corporate communications

Open and informative corporate communications form an integral part of good corporate governance. This requires all content to be clearly expressed and readily understandable and, in particular, all target groups to have equal access to the information provided by the Company. Hypoport AG therefore attaches great importance to the dissemination of uniform, comprehensive and timely information. Information on the Company's business situation and financial results is published in its annual, half-yearly and quarterly reports. Information is also published in the form of ad-hoc announcements and press releases. In addition, all reports, notifications, presentations, statements and other releases are made permanently available in the Press and Investor Relations sections of the Company's website. The scheduled dates of major recurring events – i.e. the dates on which the annual and interim reports are published and the date on which the Annual Shareholders' Meeting is held – are disclosed in a financial calendar, which is published sufficiently far in advance of these dates and is made available on the Company's website.

Furthermore, Hypoport AG maintains an insider list in the manner prescribed by article 18 of Regulation (EU) No. 596/2014 (Market Abuse Regulation, MAR). The persons concerned have been, and are, informed about their legal obligations and the potential sanctions in this connection.

Financial reporting and auditing of financial statements

Since 2005 the Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Once the consolidated financial statements have been prepared by the Management Board, they are audited by the independent auditors and then reviewed and approved by the Supervisory Board. The Supervisory Board also reviews and approves the separate financial statements prepared by the Management Board, which are thus adopted. The consolidated financial statements are published within 90 days after the end of the financial year.

It has been agreed with the Company's independent auditors that the chairman of the Supervisory Board should be notified immediately of any reasons for exclusions or exemptions or of any misrepresentations in the declaration of conformity that come to light during the course of the audit. The independent auditors notify the Supervisory Board chairman immediately of any matters or events of material importance to the Supervisory Board's work that arise during the course of the audit.

Management Board and Supervisory Board shareholdings and directors' dealings

The members of the Management Board and Supervisory Board hold a considerable number of shares in Hypoport AG. The table below shows the numbers of shares in Hypoport AG directly or indirectly held by the members of the Management Board and Supervisory Board as at 31 December 2018.

Group Management Board	Shares (number)
Ronald Slabke	2,248,381
Stephan Gawarecki	142,800
Hans Peter Trampe	61,690
Supervisory Board	
Dr. Ottheinz Jung-Senssfelder	8,500
Roland Adams	0
Dieter Pfeifenberger	1,000

In accordance with article 19 (3) MAR, directors' dealings are published at www.hypoport.com/investor-relations/corporate-governance as soon as notification has been received.

A list of all the directors' dealings published in 2018 can also be found on the Company's website at www.hypoport.com/investor-relations/corporate-governance.

The modus operandi of the Management Board and Supervisory Board

The Supervisory Board has appointed a chairman of the Management Board. The Supervisory Board approved the latest version of the rules of procedure for the Management Board on 9 December 2016. These rules of procedure govern the internal workings of the Management Board, the allocation of its responsibilities and its cooperation with the Supervisory Board.

As specified by the Management Board's rules of procedure and schedule of responsibilities, each member of the Management Board has his own area of responsibility. However, the members of the Management Board are collectively responsible for the overall day-to-day management of the Hypoport Group. Moreover, certain material acts can only be carried out on the basis of a decision taken by the Management Board as a whole. The Management Board is quorate if all members of the Management Board participate in voting. Decisions are taken by a simple majority of the votes cast. In practice, the Management Board often takes decisions by reaching a consensus.

The Company's statutes stipulate that if only one person has been appointed to the Management Board, Hypoport AG is represented in and out of court by this one person; if two or more persons have been appointed to the Management Board, the Company is represented either by two Management Board members jointly or by one Management Board member in conjunction with one person with full commercial power of attorney (Prokurist). If two or more persons have been appointed to the Management Board, the Supervisory Board can authorise one or more Management Board members to represent the Company on their own. The Supervisory Board can exempt members of the Management Board from the restrictions under section 181 of the German Civil Code (BGB) within the limits specified by section 112 of the German Stock Corporation Act (AktG). To date, the Supervisory Board has not given individual power of representation to any member of the Management Board.

The Supervisory Board discharges the responsibilities incumbent upon it under the law, the Company's statutes, its rules of procedure and the German Corporate Governance Code. The Supervisory Board regularly advises the Management Board on the running of the Company and monitors its actions. This advisory and monitoring function is based on detailed written and oral reports submitted by the Management Board, which inform the Supervisory Board in a regular, comprehensive and timely manner about the Company's planning and budgeting, its business performance, its strategic development, its risk management, important transactions, and the current position of the Company and the Hypoport Group. Decisions of fundamental importance are discussed with and submitted to the Supervisory Board for approval.

The provisions of section 11 (3) of the statutes state that the Supervisory Board is quorate if all its members participate in voting. The Supervisory Board provides itself with rules of procedure pursuant to section 9 (3) of the statutes. The currently applicable rules of procedure were issued on the basis of a resolution adopted by the Supervisory Board on 5 February 2019. The Supervisory Board has not set up any committees at present because it consists of only three members.

The members of the Supervisory Board are elected for the period up to the end of the Annual Shareholders' Meeting that votes on the formal approval of the acts of management for the fourth financial year after the term of appointment commences. The Annual Shareholders' Meeting may stipulate a shorter term of appointment. The next elections to the Supervisory Board are likely to be held at the Annual Shareholders' Meeting in June 2020.

Setting targets for the proportion of women on the Management Board and Supervisory Board and in managerial positions

The Supervisory Board, in accordance with section 111 (5) AktG, and the Management Board, in accordance with section 76 (4) AktG, have decided on the following targets for the proportion of women on the Supervisory Board and Management Board and at the two management levels below the Management Board:

Targets for the Management Board and Supervisory Board

In a resolution dated 30 January 2018, the Supervisory Board set targets of 0 per cent for the proportion of women on the two boards. The new deadline for achieving the targets is 30 June 2022.

Targets for senior management levels
In a resolution dated 29 January 2018, the Management Board set targets for the quota of women at 14 per cent for the first level below the Management Board and 33 per cent for the second management level below the Management Board. In addition, the first level below the Management Board was redefined and now includes the roles Head of People & Organisation and Head of Hypoport Solutions. The second level encompasses the group of team leaders. The new deadline for achieving the targets is 30 June 2022.

Diversity concept for the composition of the Management Board and Supervisory Board
Hypoport AG's strategy for the composition of the Management Board and Supervisory Board is that the most suitable person for the particular position should be selected for posts on the Management Board and Supervisory Board. The Company does not seek to comply with strict age limits or fixed quotas. The professional and personal suitability of the candidate are the decisive criteria. More information about how members of the two boards are chosen can be found in the declaration of conformity pursuant to section 161 AktG, which is reproduced above, and in the information on the setting of targets for the proportion of women on the Management Board and Supervisory Board and in managerial positions.

Shareholders and the Annual Shareholders' Meeting

The shareholders of Hypoport AG exercise their rights at the Company's Annual Shareholders' Meeting. This meeting provides the Company's shareholders with a forum in which to exercise their voting rights, obtain information and conduct a dialogue with the Management Board and Supervisory Board. The Annual Shareholders' Meeting is held within the first six months of each financial year. The chairman of the Supervisory Board chairs the Annual Shareholders' Meeting. The Annual Shareholders' Meeting decides on all matters assigned to it by law.
Hypoport organises and runs its Annual Shareholders' Meetings in such a way that all shareholders are informed in a timely, comprehensive and effective manner both prior to and during the meeting. The aim is to make it as easy as possible for shareholders to participate in the meeting. All documentation to be made available is published on the Company's website as required by law. Shareholders who are unable to attend the Annual Shareholders' Meeting in person have the option of appointing in writing or by email a bank, a shareholder association or another person as a proxy – or of having an employee of Hypoport AG appointed by the Company as a proxy – to exercise their voting rights in accordance with their instructions. Furthermore, the Management Board is authorised to enable shareholders to cast their vote in writing or by email (postal vote) without attending the Annual Shareholders' Meeting.

Berlin, March 2019

Hypoport AG
Management Board and Supervisory Board

Report on the audit of the consolidated financial statements and group management report

Audit opinions

We have audited the consolidated financial statements of Hypoport AG, Berlin/Germany, and its subsidiaries (the Group) – comprising the consolidated balance sheet as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January 2017 to 31 December 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Hypoport AG for the financial year from 1 January 2017 to 31 December 2017. In accordance with the German statutory provisions, we have not audited the content of the parts of the group management report stated in the 'Other information' section of our auditors' report.
In our opinion, based on the findings of our audit:

- The enclosed consolidated financial statements comply, in all material respects, with IFRS, as adopted by the EU, and the additional German statutory provisions pursuant to section 315e (1) HGB and give a fair presentation of the Group's financial position as at 31 December 2017 and its financial performance in the financial year from 1 January 2017 to 31 December 2017 in accordance with these requirements and

- The enclosed group management report as a whole provides a suitable view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with the German statutory provisions and suitably presents the opportunities and risks of future development. Our audit opinion on the group management report does not encompass the content of the parts of the group management report stated in the 'Other information' section.

In accordance with section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations about the propriety of the consolidated financial statements and group management report.

Basis for audit opinions

We conducted our audit of the consolidated financial statements and group management report in accordance with section 317 HGB, Regulation (EU) No 537/2014 ('EU Audit Regulation') and the German generally accepted standards for the auditing of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility according to these provisions and standards is described in more detail in the 'Auditors' responsibility for the audit of the consolidated financial statements and group management report' section of our auditors' report. We are independent of the Group companies pursuant to the provisions of European law and German commercial law and the rules governing our profession and we have fulfilled our other German professional obligations in accordance with these requirements.

Auditor's report

Report on the audit of the consolidated fiancial statements and of the group management report

Opinions

We have audited the consolidated financial statements of Hypoport AG, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2018, to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Hypoport AG for the financial year from January 1, 2018, to December 31, 2018. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the chapter "other information".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2018, and of its financial performance for the financial year from January 1, 2018, to December 31, 2018, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those parts of the group management report listed in the chapter "other information".

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of Eu-

ropean law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.
In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

ey audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2018, to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.
We identified the following matters as key audit matters:

1. IT risks in connection with revenue recognition
2. First-time consolidation of the entities acquired in 2018
3. Impairment of goodwill

1. IT risks in connection with revenue recognition

Issue

The Hypoport Group is a technology-based financial service provider with business units that are engaged in the distribution of financial services, facilitated or supported by information technology (IT). The revenue reported in AG's consolidated financial statements relates to a high volume of IT-based transactions. Given the very high volume of data to be processed and the great complexity of the IT systems in use, we believe there is a particular risk in relation to the correct recognition and timing of revenue.
 AG's disclosures on revenue can be found in note 2.18 of the notes to the consolidated financial statements.

Audit response

We assessed whether the IT systems used in revenue recognition are suitable for properly recording transactions in accordance with the Group's rules on revenue recognition. Our audit approach comprised not only the structural audit but also functional audits of relevant controls as well as ad-hoc and analytical audit procedures. In particular, we assessed whether the IT control system is appropriately designed in respect of the IT systems used for invoicing and their interfaces to the relevant general ledger. To audit the correct functioning of the IT control system, we conducted control tests of the control activities implemented in the processes. We consulted internal IT specialists for these audit procedures. We carried out random checks and were able to satisfy ourselves of the correct timing of revenue recognition.

2. First-time consolidation of the entities acquired in 2018

Issue

In 2018, AG acquired the majority of the shares in four material companies and added them to its basis of consolidation. The total purchase consideration for the acquisitions was €130 million. The acquired assets and liabilities, with the exception of deferred taxes, were recognised at fair value on the date of acquisition. Taking account of the share of the acquired net assets attributable to Hypoport AG, which came to €14 million, the goodwill acquired amounted to €116 million. The first-time consolidation of the acquirees was a key audit matter as a large number of assumptions had to be made when measuring the assets and liabilities for the purpose of the purchase price allocation. AG's disclosures on acquisitions in 2018 can be found in note 1.7 of the notes to the consolidated financial statements.

Audit approach

During our audit of the accounting for the first-time consolidation of the acquirees, we initially inspected and verified the contractual agreements for each acquisition and compared the purchase consideration paid in return for receiving the shares against the documentary evidence provided to us in respect of the payments made. We checked the completeness of the assets and liabilities identified for the purpose of the purchase price allocation. We then verified the calculation of the fair value of each of these assets and liabilities. To this end, we satisfied ourselves of the appropriateness of the measurement methods, assessed the inputs used – including expected cash receipts/payments and the discount rate used – and checked whether the necessary assumptions were plausible. We also used checklists to verify the completeness of the disclosures required by IFRS 3.

3. Impairment of goodwill

Issue

The Company reported goodwill totalling €141 million under the 'Intangible assets' line item on the balance sheet as at 31 December 2018 in its consolidated financial statements (46 per cent of total assets). This goodwill must be tested for impairment annually and on an ad-hoc basis. Assessing impairment requires the Company's officers to make many assumptions. The assessment is based on the present values of the future cash flows of the cash-generating unit to which the goodwill has been allocated. Future cash flows are derived from the budget accounts prepared by the Company's officers. In this process, expectations about future market developments, increases in revenue and changes in costs are taken into consideration. The present values are determined using discounted cash flow models. They are heavily influenced by the Company's officers' estimates of future cash inflows and by the discount rate used. The impairment of goodwill was a key audit matter for us during our audit because of the uncertainty attaching to assumptions and estimates and due to the substantial amount of goodwill reported on the balance sheet. AG's disclosures on goodwill can be found in note 4.1 of the notes to the consolidated financial statements.

Audit response

We reviewed the Company's officers' estimates regarding the impairment of goodwill. Firstly, we assessed the appropriateness of the measurement method used for the impairment test. We then critically examined the assumptions on which the planning was based and checked whether they were plausible. To this end, we examined the planning process, assessed actual performance relative to plan and checked the available planning for consistency, taking account of economic conditions in the market. As even minor changes to the discount rate used can have a material impact on the recoverable amount calculated for a cash-generating unit, we consulted our measurement specialists for an assessment of the discount rate. They used market data to verify the appropriateness of the inputs used, e.g. market risk premiums and beta factors. We also used checklists to verify the completeness of the disclosures required, including the sensitivity analyses.

Other information

The executive directors are responsible for the other information. The other information comprises:

- the non-financial statement included in section I.11 of the group management report,
- the statement on corporate governance included in section I.11 of the group management report and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor’s report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibility of the company’s officers and the supervisory board for the consolidated financial statements and group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.
We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal ans regulatory requiements

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on May 4, 2018. We were engaged by the supervisory board on June 25, 2018.

We have been the group auditor of the Hypoport AG without interruption since the financial year 2008. We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagements
The German Public Auditor responsible for the engagement is Dr. Ralf Wißmann.

Lübeck, 19 March 2019

BDO AG
Wirtschaftsprüfungsgesellschaft

Lüthje
Wirtschaftsprüfer
(German Public Auditor)

Dr. Wißmann
Wirtschaftsprüfer
(German Public Auditor)

Single-entity financial statements

of Hypoport AG 2018 (abridget version)

The single-entity financial statements and the management report of Hypoport AG have been prepared in accordance with German generally accepted accounting principles (German Commercial Code [HGB]) and the provisions of the German Stock Corporation Act (AktG).

The balance sheet and the income statement meet the classification criteria prescribed in sections 266 and 275 HGB. The income statement is presented under the nature-of-expense method pursuant to section 275 (2) HGB.

The full version of the single-entity financial statements, which have received the unqualified opinion of Hypoport AG's auditors, is published in the electronic Federal Gazette under no. HRB 74559 B.

Income statement for the year ended 31 December 2018

	2018 €'000	2017 €'000
Revenue	4,663	5,911
Other operating income	468	315
Personnel expenses	– 8,566	– 6,764
Depreciation, amortisation and write-downs on intangible fixed assets and on property, plant and equipment	– 301	– 98
Other operating expenses	– 6,257	– 4,586
Income from long-term equity investments	4,999	4,007
Income from profit transfer agreements	32,221	20,731
Income from loans from financial assets	797	0
Other interest and similar income	146	384
Depreciation on financial assets	– 63	0
Expense in respect of loss transfers	– 8.526	– 2,054
Interest expense and similar charges	– 1,115	– 393
Profit from ordinary activities	**18,466**	**17,453**
Income taxes	0	– 2,738
Other taxes	– 3,850	– 4
Deferred taxes	– 5	– 420
Net profit for the year	**14,025**	**14,291**
Profit brought forward	66,912	52,576
Settlement purchase of treasury shares	30	45
Distributable profit	**80.967**	**66,912**

Balance sheet as at 31 December 2018

Assets	31.12.2018 €'000	31.12.2017 €'000
Fixed assets		
Intangible assets	298	370
Property, plant and equipment	288	277
Financial assets	180,999	30,636
	181,585	**31,283**
Current assets		
Trade receivables	0	4
Receivables from affiliated companies	46,149	61,919
Receivables from other long-term investees and investors	1,130	146
Other assets	379	201
Cash and cash equivalents	1,205	1,108
	48,863	**63,378**
Prepaid expenses	**224**	**213**
	230,672	**94,874**
Equity and liabilities		
Equity		
Subscribed capital	6,493	6,195
Treasury shares	– 245	– 249
Issued capital	*6,248*	*5,946*
Capital reserves	50,677	2,905
Retained earnings	7	7
Distributable profit	80,967	66,912
	137,899	**75,770**
Provisions	**2,852**	**1,938**
Liabilities		
Liabilities to banks	78,248	15,317
Liabilities to affiliated companies	305	131
Liabilities to companies with which an investment relationship exists	9,831	764
Other liabilities	251	254
	88,635	**16,466**
Deferred tax liabilities	**1,286**	**700**
	230,672	**94,874**

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DEUTSCHE BÖRSE
PRIME STANDARD