HYPOPORT

Hypoport AG annual report for 2017

Berlin, 26 March 2018

Key performance indicators

Financial performance (€'000)	01.01. – 31.12.2016	01.01. – 31.12.2017	Change
Revenue	156,636	194,855	24 %
Gross profit	85,198	102,283	20 %
Earnings before interest, tax, depreciation and amortisation (EBITDA)	28,321	30,124	6 %
Earnings before interest and tax (EBIT)	23,236	23,316	0 %
EBIT margin (EBIT as a percentage of gross profit)	27.3	22.8	−16 %
Net profit (loss) for the year	18,074	18,425	2 %
attributable to Hypoport AG shareholders	18,041	18,422	2 %
Earnings per share (€)	3.00	3.10	3 %

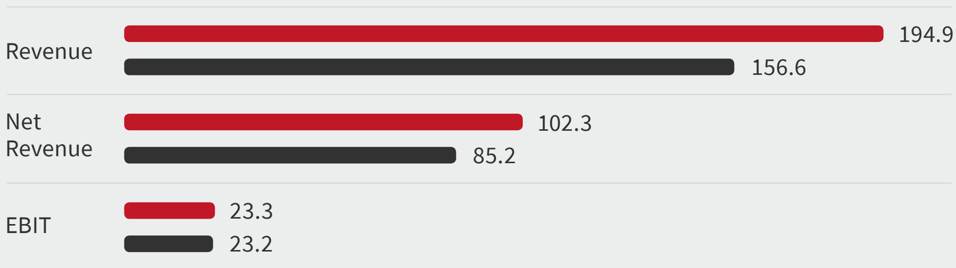
Financial position (€'000)	31.12.2016	31.12.2017	Change
Current assets	57,230	68,376	19 %
Non-current assets	54,868	72,604	32 %
Equity	64,133	82,906	29 %
attributable to Hypoport AG shareholders	63,830	82,600	29 %
Equity ratio (%)	57.2	58.8	3 %
Total assets	112,098	140,980	26 %

Share performance		
Number of shares	31 December 2017	6,194,958
High in 2017	13 October 2017	€160.95
Low in 2017	2 January 2017	€77.48
Market capitalisation	29 December 2017	€900.4 million
Trading volume	daily average for 2017	25,164 shares

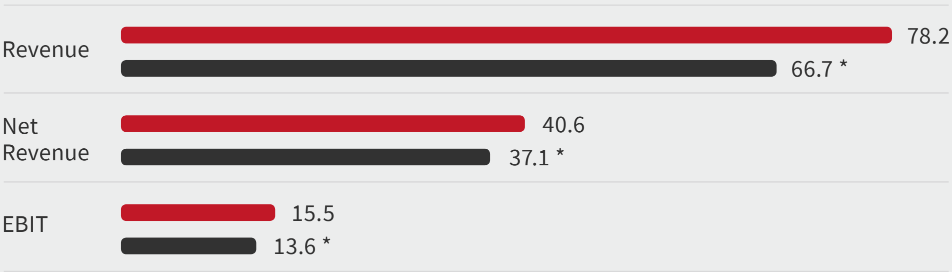
Revenue, Net Revenue and EBIT (€ million)

2017 2016

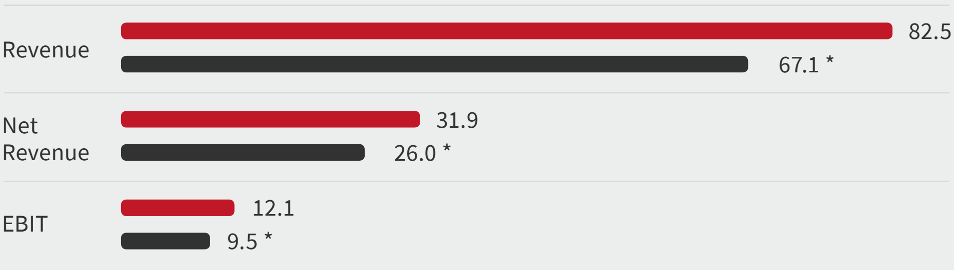
Hypoport Group



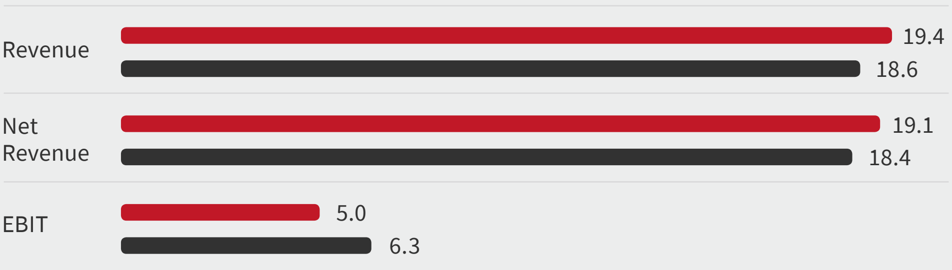
Credit Platform



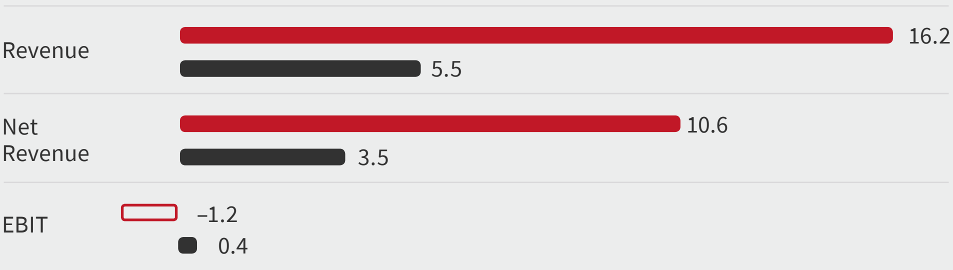
Private Clients



Institutional Clients



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 2016"

Contents

Letter to the shareholders

Dear shareholder,

The Hypoport Group again saw buoyant growth in 2017. Over the course of the year, we also expanded our sales and IT resources, thereby laying the foundations for maintaining our rapid pace of growth in the years to come.

Our integrated business models covering the three sectors of lending, real estate and insurance are delivering continual growth – despite the stagnant market – because our partners appreciate our dynamism and innovation. We are therefore a driving force for the future development of these sectors in Germany.

In our Credit Platform business unit, we generated revenue of €78.2 million, which equates to year-on-year growth of 17 per cent. This was mainly driven by the rise in the volume of transactions on the EUROPACE B2B financial marketplace and the above-average growth of the FINMAS and GENOPACE sub-marketplaces. In recent years, we have progressively expanded our sales capacity for all EUROPACE target groups, enlarged the team that works on the ongoing development of EUROPACE and significantly increased our range of products for our partners in the area of property valuation. Despite this considerable investment for the future, the earnings before interest and tax (EBIT) posted by the companies in the segment advanced by 14 per cent to €15.5 million (2016: €13.6 million).

In the Private Clients business unit, there was a further increase in the number of loan brokerage advisors from 524 to 562. We received numerous accolades for our advisory services. We were particularly pleased to be the overall winner, for the fourth time in succession, of the German Fairness Prize awarded by the German Institute for Service Quality (DISQ) and news channel n-tv. But these awards are not the only proof that our capital investment in the quality of advice is paying off. There was also an impressive 23 per cent increase in revenue compared with 2016. Overall, the Private Clients business unit achieved revenue of €82.5 million. As a result, EBIT was up by 28 per cent to €12.1 million.

While the Credit Platform and Private Clients business units performed very well in 2017, the picture was more mixed at our third property-related business unit, Institutional Clients. In the first half of 2017, business performance was very encouraging both in terms of the volume of transactions brokered and with regard to commission on the transactions. However, the situation was gloomier in the second half of the year. This was due to the lack of stimulus from interest rates and the uncertainty surrounding targets for public-sector house-building following the German general election and the subsequent difficulty in forming a government. These factors caused corporate clients to adopt a wait-and-see stance, which led not only to reduced revenue but also to revenue attracting lower commission. As a consequence, revenue in the

Institutional Clients business unit rose by just 4 per cent to €19.4 million in 2017. As we are significantly expanding our key account management and, in parallel, investing more heavily in the digitalisation of business processes with borrowers and lenders in this business unit, EBIT fell by 21 per cent to €5.0 million.

Our Insurance Platform business unit, which has existed since the start of 2017, performed very well last year. In the first six months, it focused heavily on acquiring software companies that provide the technological core of the insurance platform. The platform then made its market debut in July under the name Smart InsurTech (SmIT). The customer relationships with insurance brokers that were already in place at the acquired software companies were intensified in the second half of the year. Our end-to-end range of IT applications and outsourcing services is winning over the market. At the same time, we are making our platform available to fledgling B2C insurtech companies, among which there is high demand for our comprehensive back-office solution equipped with APIs for their own customer front ends. As a result, revenue more or less tripled, from €5.5 million to €16.2 million. The Insurance Platform business unit reported start-up losses of €1.2 million in its first year due to expansion of IT development capacity and acquisition expenses.

Despite the Insurance Platform business unit's start-up losses and the unexpectedly weak performance of the Institutional Clients business unit in the second half of the year, the Hypoport Group's EBIT of €23.2 million was at the same record level achieved in the previous year (2016: €23.2 million). Unfortunately, this meant that we did not reach the target of a double-digit increase in earnings that we had set ourselves for 2017. Nonetheless, Hypoport's growth continues unabated, as can be seen from the substantial 24 per cent rise in revenue last year. This is a great result, particularly as the overall market for mortgage finance contracted by 2.2 per cent. The Hypoport Group's total revenue amounted to €194.9 million in the reporting year (2016: €156.6 million).

We anticipate that revenue will continue to increase in the next few years, resulting in a return to a sharp rise in earnings as early as this year. This is due to a number of factors. In 2017, we impressively demonstrated that the Credit Platform and Private Clients business units can grow profitably even when faced with a slight market decline. Independent advice is becoming increasingly important to consumers, and EUROPACE is the leading technology for the provision of advice. Using EUROPACE, FINMAS and GENOPACE, market participants can consistently maintain or achieve a path of growth for their business, even in a market that is not growing. The addition of new contractual partners (up by 26 per cent for EUROPACE, 27 per cent for FINMAS and 31 per cent for GENOPACE) shows that more and more market participants understand this. The Private

Clients business unit, with its Dr. Klein brand, benefits from the high quality of advice and the sustained trend among consumers for comparing mortgage products from various banks through neutral advisors. These developments are set to continue, so we predict that the Credit Platform and Private Clients business units will again see their revenue and earnings go up sharply in 2018.

We will continue with our existing programme of capital expenditure on the digitalisation of processes in the Institutional Clients business unit in 2018 as a way of reducing the traditionally strong volatility in this business unit over the medium term. In the Insurance Platform business unit too, we will invest further in organic growth and, provided we identify suitable companies, growth by acquisition. Given the opportunities for huge efficiency increases for the insurance platform's potential customers (large distribution organisations and insurance brokers), we anticipate substantial revenue growth of at least 50 per cent in 2018 for the Insurance Platform business unit.

We can look back on a successful 2017 and we have laid the foundations for profitable growth in 2018 and beyond. Therfore we anticipate growth in double figures for 2018, with revenue of €220 million to €240 million and EBIT of €26 million to €31 million. I look forward to continuing on this journey with you and my colleagues, who now number more than 1,000 and who help to drive our success day after day.

Kind regards,

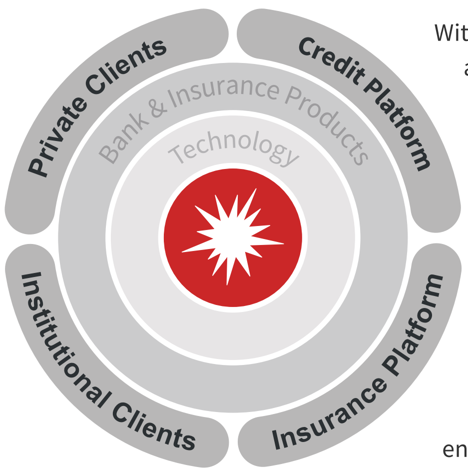
Ronald Slabke
Chief Executive Officer

Group Management Report
Business report

1. Business and economic conditions

Business model and strategy

The Hypoport Group is a technology-based financial service provider. The Group's parent company is Hypoport AG, which is headquartered in Berlin, Germany. The subsidiaries are divided into four mutually supporting business units: Credit Platform, Private Clients, Institutional Clients and Insurance Platform. All four units are engaged in the distribution of financial services, facilitated or supported by technology (fintech).



Within the Hypoport Group, Hypoport AG performs the role of a strategic and management holding company with corresponding central functions. Hypoport AG's objectives are the advancement and expansion of its family 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 as well as into the budget for the next financial year. 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 business unit

The Hypoport Group, together with its subsidiaries Hypoport Mortgage Market Ltd. (mortgage loans, building finance) and EUROPACE AG (personal loans, credit insurance), operates the EUROPACE B2B financial marketplace, the largest transaction platform for the sale of financial products for private clients in Germany. A fully integrated system links more than 500 partners – banks, insurers and financial product distributors. Around 40,000 users executed transactions via EUROPACE in 2017, generating a volume of more than €48 billion.

GENOPACE GmbH is a joint venture aimed at establishing a financial marketplace within the cooperative banking sector. In addition to the cooperative banks (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, WL BANK 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 Deutsche Postbank AG – provides small and medium-sized financial product distributors with the EUROPACE marketplace plus packaging services.

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

Operating across Germany, Hypservice GmbH provides mortgage valuation services to help banks, insurers and building finance associations make their lending decisions.

Private Clients business unit

As a provider of financial services for private clients, the Hypoport Group is represented in the market by its subsidiaries Dr. Klein Privatkunden AG and Vergleich.de Gesellschaft für Verbraucherinformation mbH. The main focus of the Private Clients unit is the sale of mortgage finance to consumers. The Private Clients unit also offers its 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 a franchise system of highly qualified financial advisors in face-to-face meetings. In each case, the advisor selects 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 private clients 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 Spain.

Institutional Clients business unit

The Institutional Clients unit, operating under the Dr. KLEIN Firmenkunden AG brand, has been a major financial service partner to housing companies and commercial property investors since 1954. This business unit provides its institutional clients in Germany with a fully integrated service comprising expert advice and customised solutions in the areas of financial management, portfolio management, and insurance for business customers.

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

Insurance Platform business unit

In the new Insurance Platform business unit, Smart InsurTech GmbH, together with the subsidiaries NKK Programm Service AG, INNOSYSTEMS GmbH, maklersoftware.com GmbH, IWM Software AG and Volz Software GmbH, develops and operates software solutions for the sale and management of insurance products.
The Insurance Platform business unit also includes Qualitypool GmbH, Volz Vertriebsservice GmbH and INNOFINANCE GmbH, which provide support services to small and medium-sized financial product distributors in relation to the brokerage of insurance policies.

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 eurozone economy proved to be very robust in 2017, even though the ongoing lack of clarity about how the UK will leave the EU and the rise of populist and anti-EU parties meant there was still a lot of social and political uncertainty. In the first three quarters of 2017, according to the European Central Bank (ECB), the economy within the euro area expanded by 2.1 per cent, 2.4 per cent and 2.8 per cent respectively against the prior-year quarter, indicating that growth for the year as a whole will be higher than in 2016 (1.8 per cent). As the rate of inflation in the eurozone was below the ECB's target of 2.0 per cent and even fell slightly from 1.8 per cent (Q1 2017) to 1.4 per cent (Q4 2017), the ECB decided to leave the key interest rate at 0.0 per cent and the rate on the deposit facility for banks at minus 0.4 per cent. A rise in the key interest rate appears very unlikely for as long as inflation falls short of the target of "below, but close to, 2 per cent".

In 2017, Germany's gross domestic product expanded by 2.2 per cent, its fastest rate of growth since 2011. This was driven by consumer and government spending. Foreign trade also increased substantially on the prior year. The good economic situation was reflected in the labour market too: the unemployment rate stood at 5.7 per cent in 2017, which is the lowest it has been since the reunification of Germany.

Sectoral performance

The subsidiaries within the Hypoport Group are assigned to the four segments Credit Platform, Private Clients, Institutional Clients and Insurance Platform. The companies within the first three segments are primarily involved in the brokerage of financial products for (residential) mortgage finance and are therefore active in the German housing market. The Credit Platform and Private Clients business units offer direct and indirect financial services for consumers, whereas the Institutional Clients business unit targets companies in the housing and real-estate sectors. The newest segment, Insurance Platform, offers software solutions for insurance brokers and is therefore active in the German insurance market.

Financial services for residential property

The market for residential mortgage finance is – in addition to consumers' general willingness to spend – influenced by a range of industry-specific factors. The following three factors are the most important:

- Regulatory requirements for brokers and suppliers of finance products ('regulations'),
- Operational trends (e.g. availability of land for development, capacity within the construction industry),
- General level of interest rates.

Regarding 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 key 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 second factor, the operational performance of the housing market, continues to fall well short of expectations because of the lack of supply. In the first eleven months of 2017, the number of planning approvals for new-build housing (excluding refugee accommodation) fell by 2.1 per cent year on year, from 263,939 to 258,311 – a particularly worrying statistic given that Germany currently needs to build around 400,000 homes a year to keep up with demand.

Furthermore, individual political parties announced, some during the German election campaign and the lengthy coalition talks that followed, that they would introduce subsidies and tax relief or would reduce fees in order to stimulate house-building and ease the situation for buyers. This may have led institutional market participants and consumers to hold back from applying for financing and for building permits until the election promises were delivered upon.

New orders in the housing construction industry (volume index) also saw a modest year-on-year fall in the period January to November 2017, by 0.7 per cent, though it should be remembered that there is a natural time lag between the aforementioned planning approvals being issued and the resultant orders being placed. The increase in the value index, which was up by 2.2 per cent, was due solely to the rising price of multi-storey buildings.

The forecast of the Central Association of the German Construction Sector and the Main Association of the German Construction Industry for 2017 as a whole is for around 300,000 completions of new homes (including residential homes). Although this represents an increase of 8 to 10 per cent on 2016, years of underinvestment in new housing mean that it is still not enough.

The third factor, the level of interest rates, played a particularly important role in the second half of 2017. The average Dr. Klein interest rate for ten-year mortgage bonds rose in the first half of 2017 with minor fluctuations, before holding steady at 1.65 per cent from the third quarter to the end of the year. Although short-term changes in interest rates tend not to affect consumers' decisions all that much – being able to secure the right property at the right time for a fair price is more important for them – the Institutional Clients business is heavily affected by even small rate rises.

According to Deutsche Bundesbank, the interaction of these three factors caused the overall market volume for mortgage finance to decline by 2.2 per cent year on year in 2017 – a clear signal that the housing sector is not overheating as many observers claim. The affected subsidiaries in the Credit Platform, Private Clients and Institutional Clients business units therefore had to set a course for growth in a contracting market.

Insurance market

Premium income in the insurance industry rose by a modest 1.9 per cent compared with the prior year in 2017. According to the German Insurance Association (GDV), the premium income collected by its 450 or so members totalled €197.7 billion (2016: €194.2 billion). Whereas life insurance products lost further appeal due to low interest rates and new legislation, generating premium income of €90.7 billion (2016: €90.76 billion), premium income from private health insurance rose to €38.8 billion (2016: €37.3 billion) and premium income from non-life insurance went up to €68.2 billion (2016: €66.30 billion).

In February 2017, the European Insurance and Occupational Pensions Authority (EIOPA) published its advice for the insurance industry on implementation of the Insurance Distribution Directive (IDD). This EU directive was transposed into national law by the two chambers of the German parliament, the Bundestag and Bundesrat, at the end of June 2017. The law came into force on 28 February 2018 and strengthens Germany's existing model of the co-existence of fee-based advice and commission-based sales. At the same time, the new legislation entails more administrative effort for the insurance sector and thus greater cost pressures.

Business performance

Hypoport's consolidated revenue rose by 24 per cent to €156.6 million in 2017 (2016: €194.9 million) and achieved the guidance of a growth which is just into double figures. At €23.3 million, the Hypoport Group's earnings before interest and tax (EBIT) slightly exceeded the record achieved in the prior year (2016: €23.2 million), but fell short of the forecast increase in the low double-digit percentage range.

Whereas revenue and EBIT increased significantly in the Credit Platform and Private Clients business units, the Institutional Clients business unit failed to meet expectations. This was primarily due to customers holding back because of a lack of stimulus from interest rates and because of uncertainty surrounding the housing sector in the wake of the German election and the subsequent difficulties in forming a government. Net profit for the year was adversely affected not only by this unexpected trend in the Institutional Clients business unit but also by expected start-up losses in the new Insurance Platform business unit and it therefore held steady at the prior-year level.

The revenue and selling expenses stated below for the individual business units include revenue with other segments of the Hypoport Group and associated selling expenses. The Hypoport Group restructured its segment reporting with effect from 1 January 2017 and now has four (previously three) business units with different target groups. 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 2016' of the notes to the consolidated financial statements.

Credit Platform business unit

In the Credit Platform business unit, the volume of transactions across all products amounted to €48.2 billion in 2017 (2016: €44.7 billion), an increase of 8 per cent. In terms of the individual product segments, the volume attributable to mortgage finance went up by 7 per cent to €38.0 billion (2016: €35.4 billion) – despite a 2.2 per cent decline in the market as a whole. It has again been shown that the use of EUROPACE is leading to substantial efficiency gains for contractual partners, which are able to increase their volume of business despite a static market environment. Building finance and personal loans – the two much smaller product segments – also registered increases in their volume of transactions. The volume of transactions in the building finance segment advanced by 9 per cent from €7.0 billion to €7.6 billion. In the personal loans product segment, the volume of transactions rose by 15 per cent to €2.7 billion (2016: €2.3 billion).

The sub-marketplaces for the Savings Banks Finance Group (FINMAS) and for institutions in the cooperative financial network (GENOPACE) grew at an exceptionally strong rate. With both organisations serving as product suppliers, the Savings Banks Finance Group increased its transaction volume by 54 per cent to €5.5 billion (2016: €3.6 billion), while the cooperative financial network achieved a transaction volume of €3.3 billion (2016: €2.7 billion; up by 19 per cent) over the same period.

Further inroads were also made in savings bank and cooperative bank sales. In 2017, FINMAS expanded the volume of business brokered by the Savings Banks Finance Group on EUROPACE by 68 per cent to a total of €2.5 billion (2016: €1.5 billion). The volume of transactions brokered via GENOPACE rose by 17 per cent to €1.2 billion in the same period (2016: €1.0 billion).

The success of FINMAS in increasing transaction volume on the broker and product supplier side of the marketplace can be explained by the fact that further contractual partners have been secured and that several savings banks are now using EUROPACE more intensively in their sales channels. The enormous gains in efficiency are being recognised more and more within the organisation and resulting in relevant projects.

Last year, GENOPACE focused on signing up new banks, which saw it increase the number of contractual partners by 31 per cent to 228 (31 December 2016: 174). The number of partners using FINMAS was up by 27 per cent to 183 at the same balance sheet date (31 December 2016: 144). The number of contractual partners on the main EUROPACE marketplace totalled 501 (31 December 2016: 399), an increase of 26 per cent.

The expansion of the service offering to include property valuation services gained momentum. More than 100 banks were signed up as partners over the course of the year. Start-up losses in connection with the expansion of the product range reduced segment earnings by €0.7 million.

Revenue and earnings

In 2017, revenue in the Credit Platform business unit rose by 17 per cent to €78.2 million (2016: €66.7 million). Gross profit minus selling expenses was up by 9 per cent to €40.6 million (2016: €37.1 million). As a result of this increase, earnings before interest and tax (EBIT) climbed by 14 per cent to €15.5 million (2016: €13.6 million). Because the Credit Platform business unit also includes subsidiaries whose purpose is to provide services for EUROPACE, its operating performance can be seen from the EBIT margin, which is based on gross profit. This increased slightly from 36 per cent in 2016 to 38 per cent last year.

Financial figures Credit Platform	2016*	2017	Change
Transaction volume (billion €)			
Total	44.7	48.2	8%
thereof Mortgage finance	35.4	38.0	7%
thereof Personal loan	2.3	2.7	15%
thereof Building finance	7.0	7.6	9%
Partners (number)			
EUROPACE (incl. GENOPACE und FINMAS)	399	501	26%
GENOPACE	174	228	31%
FINMAS	144	183	27%
Revenue and earnings (million €)			
Revenue	66.7	78.2	17%
Gross profit	37.1	40.6	9%
EBIT	13.6	15.5	14%

* 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 2016"

Private Clients business unit

The Private Clients business unit concentrated on signing up customers and offering initial advice on financial products. The number of mortgage advisors grew significantly, climbing by 7 per cent to 562 (31 December 2016: 524 advisors), ensuring that the high level of demand – both now and in the future – can be met with a high standard of advice.

In 2017, stable consumer demand coupled with a rise in the number of advisors resulted in the volume of new loans brokered increasing by a substantial 17 per cent. The overall volume stood at €5.4 billion (2016: €4.6 billion). A detailed look at the individual product segments shows that all three product segments contributed to the growth: the volume in the mortgage finance product segment advanced from €4.3 billion to €4.8 billion, an increase of 13 per cent, while the much smaller building finance agreement product segment almost doubled in size, from €0.06 billion to €0.12 billion. There was also strong growth in the personal loans product segment, which was up by 66 per cent from €0.3 billion to €0.4 billion. With competition in the online personal loans business being so fierce, this growth was driven mainly by profitable face-to-face advisory services and cooperation with other branch-based financial service providers.

Revenue and earnings

In 2017, revenue in the Private Clients business unit rose by a substantial 23 per cent to €82.5 million (2016: €67.1 million). In the Private Clients business unit, selling expenses consist of commission paid to distribution partners (e.g. advisors in the franchise system) and the cost of acquiring leads. Gross profit comprises the difference between the commission paid by product suppliers (revenue) and these selling expenses. In 2017, selling expenses rose in line with revenue, increasing by 23 per cent to €50.6 million (2016: €41,1 million). Gross profit went up by 23 per cent to €31.9 million (2016: €26.0 million) as a result and this led to earnings before interest and tax (EBIT) rising by 28 per cent from €9.5 million to €12.1 million. The operating performance of the Private Clients business unit can thus be seen from the EBIT margin, which is based on gross profit and increased slightly from 36 per cent in 2016 to 38 per cent last year.

Financial figures Private Clients	2016*	2017	Change
Transaction volume (billion €)			
Financing total	4.58	5.37	17%
thereof Mortgage finance	4.3	4.8	13%
thereof Personal loan	0.250	0.416	66%
thereof Building finance	0.064	0.122	90%
Number of franchise advisors (financing)	524	562	7%
Insurance policies under management	31.12.2016*	31.12.2017	
Insurance policies u. m. (total)	68.9	63.2	−8%
Insurance policies u. m. (life insurance)	38.6	34.0	−12%
Insurance policies u. m. (private health insurance)	14.4	13.7	−5%
Insurance policies u. m. (SHUK)	15.8	15.4	−3%
Number of franchise advisors (insurance)	171	127	-26%
Revenue and earnings (million €)	2016*	2017	
Revenue	67.1	82.5	23%
Gross profit	26.0	31.9	23%
EBIT	9.5	12.1	28%

* 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 2016"

Institutional Clients business unit

In the Institutional Clients business unit, the volume of new loans brokered for corporate clients in 2017 was €2.2 billion (2016: €1.9 billion), an increase of 15 per cent. The relative lack of stimulus from interest rates in the second half of 2017 and the uncertainty surrounding the construction of social housing (in particular the type and scope of its funding) in the next legislative period caused corporate clients to adopt a wait-and-see stance. At €139 million, the volume of loan renewals business, which is sensitive to interest rates, fell well short of the prior-year level (2016: €224 million). However, the volume of new loans brokered rose by 22 per cent to €2.0 billion (2016: €1.7 billion).

Revenue and earnings

In the Institutional Clients business unit, customer reticence in the second half of 2017 resulted in fewer transactions. Consequently, the total revenue for the year of €19.4 million was only a modest 4 per cent higher than the prior year (2016: €18.6 million). The reported variable selling expenses in the Institutional Clients business unit are traditionally low because only key account managers on the payroll are used. Gross profit therefore amounted to €19.1 million, a rise of 4 per cent (2016: €18.4 million). The expansion of our key account team and the digitalisation of the Institutional Clients business unit led to a substantial increase in expenses and caused EBIT to fall by 21 per cent to €5.0 million (2016: €6.3 million).

Financial figures Institutional Clients	2016	2017	Change
Transaction volume (million €)			
Brokered loans (total)	1,891	2,172	15%
thereof New business	1,668	2,034	22%
thereof Renewals	224	139	−38%
Consulting revenue (million €)	4,9	5,0	3%
Revenue and earnings (million €)			
Revenue	18.6	19.4	4%
Gross profit	18.4	19.1	4%
EBIT	6.3	5.0	−21%

Insurance Platform business unit

Our Insurance Platform business unit, which has existed since the start of 2017, went through two different phases last year. In the first half of 2017, the focus fell heavily on the integration of the software company acquisitions that form the technological core of the insurance platform. Then, in July, the unified platform was launched on the market under the name Smart InsurTech (SmIT). This meant it was possible to focus on acquiring further software companies and on expanding relationships with existing customers in the second half of the year.

Revenue and earnings

Revenue in the Insurance Platform business unit more or less tripled, from €5.5 million to €16.2 million, primarily because of the acquisitions. There was a parallel rise in gross profit, which increased from €3.5 million to €10.6 million. The Insurance Platform business unit reported start-up losses of €1.2 million in its first year of existence (2016: EBIT of €0.4 million), which resulted from the creation of IT development capacity and from expenses related to due diligence for and the completion of acquisitions.

Financial figures Insurance Platform	2016	2017	Change
Revenue and earnings (million €)			
Revenue	5.5	16.2	>100%
Gross profit	3.5	10.6	>100%
EBIT	0.4	−1.2	>−100%

2. Financial performance

Against the backdrop of the operating performance described above and despite the contraction of the market, EBITDA increased by 6 per cent to €30.1 million (2016: €28.3 million) and EBIT nudged up to €23.3 million (2016: €23.2 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, 46 per cent of total development costs were capitalised (2016: 62 per cent).
Other operating income mainly comprised income of €1.884 million from other accounting periods (2016: €904 thousand), income of €1.033 million from the reversal of provisions (2016: €748 thousand) and income of €798 thousand from employee contributions to vehicle purchases (2016: €725 thousand).

Personnel expenses went up because the average number of employees during the period advanced from 709 to 917 (primarily as a result of acquisitions) and because of salary increases.

The rise in other operating expenses essentially relates to operating expenses of €8.6 million (2016: €6.3 million) and administrative expenses of €9.4 million (2016: €8.0 million).

Of the depreciation/amortisation expense and impairment losses of €6.8 million (2016: €5.1 million), €3.8 million (2016: €3.1 million) was attributable to capitalised development costs.

The net finance costs mainly comprised interest expense and similar charges of €0.4 million (2016: €0.3 million), which stemmed from bank loans totalling €16.1 million (2016: €10.5 million). The Hypoport Group's average finance costs fell again in 2017.

Financial performance	2017 €'000	2016 €'000	Change €'000
Revenue	194,855	156,636	38,219
Commissions and lead costs	−92,572	−71,438	−21,134
Gross Profit	102,283	85,198	17,085
Own work capitalised	6,985	5,662	1,323
Other operating income	4,517	3,066	1,451
Personnel expenses	−58,562	−46,359	−12,203
Other operating expenses	−25,354	−19,327	−6,027
Income from companies accounted for using the equity method	255	81	174
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**30,124**	**28,321**	**1,803**
Depreciation, amortisation expense and impairment losses	−6,808	−5,085	−1,723
Earnings before interest and tax (EBIT)	**23,316**	**23,236**	**80**
Net finance costs	−327	−401	74
Earnings before tax (EBT)	**22,989**	**22,835**	**154**
Current income taxes	−4,746	−1,922	−2,824
Deferred taxes	182	−2,839	3,021
Net profit for the year	**18,425**	**18,074**	**351**

3. Net assets

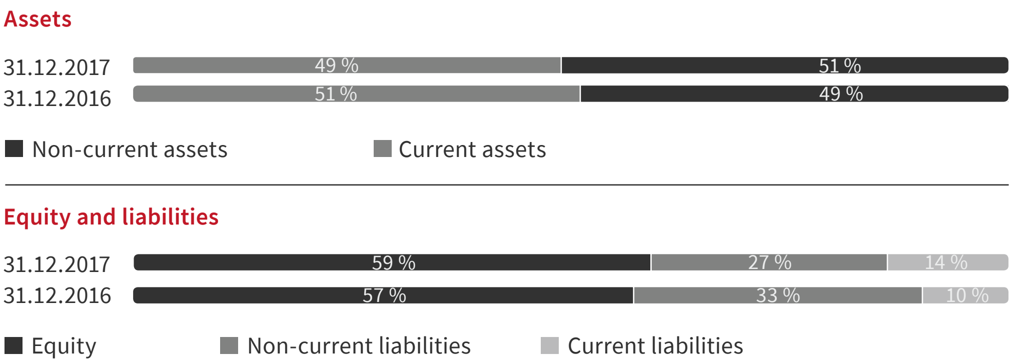
The following information on the structure of the Hypoport Group's assets, equity and liabilities as at 31 December 2017 is based on the balance sheet figures aggregated according to liquidity. Receivables and liabilities falling due less than twelve months after the balance sheet date are reported as 'current', while all others – unless shown separately – are reported as 'non-current'.

Assets	2017 €'000	2017 %	2016 €'000	2016 %	Change €'000
Intangible assets	55,971	**39.7**	41,660	37.2	14,311
Property plant and equipment	4,447	3.2	2,631	2.3	1,816
Investments accounted for using the equity method	1,428	0.7	1,089	1.0	339
Financial assets	1,050	1.0	576	0.5	474
Trade receivables	6,671	4.7	6,475	5.8	196
Other assets	1,287	0.9	1,850	1.7	−563
Deferred tax assets	1,750	1.2	587	0.5	1,163
Non-current assets	**72,604**	**51.5**	**54,868**	**48.9**	**17,736**
Trade receivables	42,664	30.3	31,686	28.3	10,978
Other current items	11,252	8.0	3,031	2.7	8,221
Income tax assets	127	0.1	102	0.1	25
Cash and cash equivalents	14,333	10.2	22,411	20.0	−8,078
Current assets	**68,376**	**48.5**	**57,230**	**51.1**	**11,146**
Total assets	**140,980**	**100.0**	**112,098**	**100.0**	**28,882**

Equity and Liabilities	2017 €'000	2017 %	2016 €'000	2016 %	Change €'000
Subscribed capital	6,195	4.4	6,195	5.5	0
Treasury shares	−249	−0.2	−253	−0.2	4
Reserves	76,654	54.4	57,888	51.7	18,766
	82,600	58.6	63,830	56.9	18,770
Non-controlling interest	306	0.2	303	0.3	3
Equity	**82,906**	**58.8**	**64,133**	**57.2**	**18,773**
Financial liabilities	13,360	9.5	6,270	5.6	7,090
Provisions	87	0.1	87	0.1	0
Other liabilities	0	0.0	10	0.0	−10
Deferred tax liabilities	7,031	5.0	4,784	4.3	2,247
Non-current liabilities	**20,478**	**14.6**	**11,151**	**9.9**	**9,327**
Provisions	95	0.1	154	0.1	−59
Financial liabilities	2,942	2.1	4,441	4.0	−1,499
Trade payables	23,338	16.7	18,776	16.7	4,562
Current income tax liabilities	951	0.7	1,731	1.5	−780
Other liabilities	10,270	7.3	11,712	10.4	−1,442
Current liabilities	**37,596**	**26.7**	**36,814**	**32.8**	**782**
Total equity and liabilities	**140,980**	**100.0**	**112,098**	**100.0**	**28,882**

The Hypoport Group's consolidated total assets as at 31 December 2017 amounted to €141.0 million, which was a 26 per cent increase on the total as at 31 December 2016 (€112.1 million).

Balance sheet structure



Non-current assets totalled €72.6 million (31 December 2016: €54.9 million). They largely consisted of goodwill of €24.8 million (31 December 2016: €18.6 million) and development costs for the financial marketplaces of €24.7 million (31 December 2016: €21.1 million).

Current other assets essentially comprised the downpayment of €8.0 million of the purchase price for IWM Software AG and prepaid expenses of €1.0 million (31 December 2016: €0.9 million).

The equity attributable to Hypoport AG shareholders as at 31 December 2017 had grown by €18.8 million, or 29.4 per cent, to €82.6 million. The equity ratio increased from 57.2 per cent to 58.8 per cent as a result of the net profit reported for the year.

Other current liabilities mainly comprised bonus commitments of €4.2 million (31 December 2016: €4.7 million) and tax liabilities of €1.4 million (31 December 2016: €1.3 million).

Total financial liabilities went up, primarily because there were scheduled repayments of eight bank loans totalling €5.2 million while two new loans amounting to €10.0 million were taken out.

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	31.12.2017 €'000	31.12.2016 €'000	Change €'000
Current liabilities	37,596	36,814	782
Cash and cash equivalents	14,333	22,411	−8,078
	23,263	14,403	8,860
Other current assets	54,043	34,819	19,224
Surplus cover	**30,780**	**20,416**	**10,364**

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

Cover ratio	31.12.2017 €'000	31.12.2016 €'000	Change €'000
Non-current assets	72,604	54,868	17,736
Equity	82,906	64,133	18,773
	−10,302	−9,265	−1,037
Non-current liabilities	20,478	11,151	9,327
Surplus cover	**30,780**	**20,416**	**10,364**

182 per cent (31 December 2016: 155 per cent) of the current liabilities of €37.6 million (31 December 2016: €36.8 million) are covered by current assets. 114 per cent (31 December 2016: 117 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.

	31.12.2017	31.12.2016
Return on investment = EBIT / (equity + non-current liabilities)	22.6%	30.9%
Cash flow (CF) return on equity = CF from operating activities / equity	10.0%	27.5%
EBIT margin = EBIT / gross profit	22.8%	27.3%
Tier-1 liquidity = cash and cash equivalents / current liabilities	38.1%	60.9%
Equity ratio = equity / total equity and liabilities	58.8%	57.2%
Gearing = liabilities / total equity and liabilities	41.2%	42.8%
Tier-1 capital ratio = equity / (Intangible assets + Property, plant and equipment)	137.2%	144.8%

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 decreased by €1.5 million to €24.3 million (2016: €25.8 million). The total net cash generated by operating activities in 2017 amounted to €8.3 million (2016: €17.6 million). The cash used for working capital rose by €7.9 million to €16.1 million (2016: €8.2 million).

The net cash outflow of €21.2 million for investing activities (2016: €12.6 million) consisted primarily of increased capital expenditure of €11.1 million on non-current intangible assets (2016: €7.7 million) and €9.6 million for various acquisitions (2016: €4.9 million).

The net cash of €4.9 million provided by financing activities (2016: net cash used of €7.4 million) related to two new loans amounting to €10.0 million (2016: one loan of €4.0 million) and scheduled loan repayments of €5.2 million (2016: €4.5 million).

Cash and cash equivalents as at 31 December 2017 totalled €14.3 million, which was €8.1 million lower 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 €10.8 million (31 December 2016: €12.7 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 2016: €3.6 million) due within one year, €5.6 million (31 December 2016: €7.9 million) due in one to five years and €0.9 million (31 December 2016: €1.3 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 only partly met our expectations. As a result of the increase in revenue, the financial performance can be described as good. 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 2017 was spent on the acquisitions of maklersoftware.com GmbH (insurance software), INNOSYSTEMS GmbH (insurance software) and INNOFINANCE GmbH (financial services for insurers) and the refinement of the EUROPACE financial marketplaces. There was also capital expenditure in connection with the insurance platform and with 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 2017, Hypoport AG held 248,572 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.

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 Financial Service Providers business unit, 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 business, 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 27 per cent compared with the end of 2016 to 1,009 people, primarily because of the acquisitions (31 December 2016: 797 employees). The average number of people employed in 2017 was 917, which was a year-on-year increase of 29 per cent (2016: 709 people).

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

	31.12.2017		31.12.2016		Change	
Employees	**Number**	**%**	**Number**	**%**	**Number**	**%**
Credit Platform *	366	36	301	38	65	22
Private Clients *	241	24	240	30	1	0
Institutional Clients	106	11	91	11	15	16
Insurance Platform*	183	18	76	10	107	141
Holding	113	11	89	11	24	27
	1,009		**797**		**212**	**27**

* 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. 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 Christian Schröder. 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 2017 was composed of a basic salary, variable year-end remuneration and fringe benefits. Fringe benefits are essentially the use of a company car and insurance cover.

The adjustment of the change in basic salary and the level of variable annual remuneration are determined annually on the basis of Group 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 2017.

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.
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 2017 totalled €1,654 thousand and was broken down as follows

Board of Management Remuneration €'000	Fixed remuneration 2017	Fixed remuneration 2016	Variable remuneration 2017	Variable remuneration 2016	Fringe benefits 2017	Fringe benefits 2016	Total remuneration 2017	Total remuneration 2016
Ronald Slabke	425	325	96	311	23	16	544	652
Hans Peter Trampe	425	325	96	311	22	22	543	658
Stephan Gawarecki	425	325	96	311	46	54	567	690
Thilo Wiegand*	0	162	0	156	0	68	0	386
Total	**1,275**	**1,137**	**288**	**1,089**	**91**	**160**	**1,654**	**2,386**

* Mr. Thilo Wiegand resigned from the Board of Management of Hypoport AG with effect from 30 June 2016.

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 2017 presented in accordance with the German Corporate Governance Code (DCGK).

Remuneration and Benefits Granted €'000	Ronald Slabke Chairmann Joined Dec. 21, 2001				Hans Peter Trampe Institutional Clients Joined Jun. 1, 2010			
	Target value 2016	Target value 2017	Minimum value 2017	Maximum value 2017	Target value 2016	Target value 2017	Minimum value 2017	Maximum value 2017
Fixed remuneration	325	425	425	425	325	425	425	425
Fringe benefits	16	23	23	23	22	22	22	22
Total	**341**	**448**	**448**	**448**	**347**	**447**	**447**	**447**
Variable remuneration	311	96	0	425	311	96	0	425
Aggregate remuneration	**652**	**544**	**448**	**873**	**658**	**543**	**447**	**872**

Remuneration and Benefits Granted €'000	Stephan Gawarecki Private Clients Joined Jun. 1,2010				Thilo Wiegand* Financial Service Providers Joined Jun. 1, 2008			
	Target value 2016	Target value 2017	Minimum value 2017	Maximum value 2017	Target value 2016	Target value 2017	Minimum value 2017	Maximum value 2017
Fixed remuneration	325	425	425	425	162	0	0	0
Fringe benefits	54	46	46	46	68	0	0	0
Total	**379**	**471**	**471**	**471**	**230**	**0**	**0**	**0**
Variable remuneration	311	96	0	425	156	0	0	0
Aggregate remuneration	**690**	**567**	**471**	**896**	**386**	**0**	**0**	**0**

* Mr. Thilo Wiegand resigned from the Board of Management of Hypoport AG with effect from 30 June 2016.

Allocation of Remuneration in/for 2016 and 2017 €'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		Thilo Wiegand* Financial Service Providers Joined Jun. 1, 2008	
	2017	2016	2017	2016	2017	2016	2017	2016
Fixed remuneration	425	325	425	325	425	325	0	162
Fringe benefits	23	16	22	22	46	54	0	68
Total	**448**	**341**	**447**	**347**	**471**	**379**	**0**	**230**
Variable remuneration	311	204	311	204	311	204	0	204
Aggregate remuneration	**759**	**545**	**758**	**551**	**782**	**583**	**0**	**434**

* Mr. Thilo Wiegand resigned from the Board of Management of Hypoport AG with effect from 30 June 2016.

The remuneration for members of the Supervisory Board is stipulated in the Company's statutes 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 their 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 2017 totalled €184 thousand and was broken down as follows:

Remuneration of the Members of the Supervisory Board €'000	Fixed remuneration		Variable remuneration		Fringe benefits		Total remuneration	
	2017	2016	2017	2016	2017	2016	2017	2016
Dr. Ottheinz Jung-Senssfelder	80	**30**	0	**10**	1	**2**	81	**42**
Roland Adams	60	**23**	0	**7**	2	**2**	62	**32**
Christian Schröder	40	**15**	0	**5**	1	**1**	41	**21**
Total	**180**	**68**	**0**	**22**	**4**	**5**	**184**	**95**

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 €6,194,958.00 at the end of 2017. It is divided into 6,194,958 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 management report was prepared: Ronald Slabke, Berlin, holds 36.29 per cent of Hypoport's shares. Of these, the 34.77 per cent of the voting shares held by Revenia GmbH, Berlin, are attributable to him pursuant to section 22 (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

There are no material agreements between Hypoport AG and third parties that either become effective, are amended or end in the event of a change of control resulting from a takeover bid.

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.

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 we are exposed, we have described below the types of risk that we consider to be material at present.

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 property 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 2018 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 500 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, this would reduce the revenue generated by the transaction-based business models of our 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 manage-

ment 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 business units. 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 business units. 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

Hypoport 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 Group. The danger of important product suppliers ceasing operations and the long-term level of interest rates are the most important risks. The cumulative expected value of the ten biggest risks is €3.5 million. At present we have not identified any additional risks that might jeopardise the Group 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 2016, i.e. it is still considered to be low. No significant risks that could have a material effect on the continued existence of 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.

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. At the end of 2017, according to various studies, the housing shortfall stood at around one million homes. 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 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 insurance 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 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

General forecasts for the macroeconomic performance of the eurozone and Germany are subject to uncertainties related to the currently unpredictable nature of US economic policy, the Brexit negotiations and geopolitical conflicts. Nevertheless, after the significant 2.2 per cent increase in gross domestic product in 2017, leading economic research institutes and Deutsche Bundesbank expect GDP to increase by between 2.0 per cent and 2.6 per cent in 2018. Real wages in Germany are expected to grow again in 2018 due to the low level of unemployment and stable rate of inflation.

Whereas the US central bank has been slowly raising the key interest rate since 2016, the ECB is unlikely to hike interest rates in the near future because of the persistently low level of inflation. The ECB's gradual reduction in bond buying could cause interest rates to rise, but only slightly. No jumps are expected. It is therefore likely that interest rates on mortgages and building loans will increase gradually over an extended period of time.

The German construction industry is proving to be very robust and it expects approximately 320,000 new homes to be completed in 2018. The willingness of the housing industry and consumers to turn to mass-scale housing is supporting this trend. However, the 320,000 new homes that are anticipated will not even come close to meeting the excess demand of around one million homes.

Support from the state – such as the designation of more land for development, incentives and subsidies to drive the consolidation of existing homes, reductions in real estate transfer tax rates and the simplification of approvals and the awarding of contracts – could help to counteract the steadily growing shortage of homes. However, there is no certainty at all that such measures will be introduced, particularly in light of how difficult it has been to form a government in Germany in the months since the election in September 2017.

Against this backdrop, and despite the prevailing global uncertainties, it is clear that the business activities of Hypoport AG and its subsidiaries related to the sale of financial services, facilitated or supported by technology, continue to take place in a positive economic environment in Germany. For the four business units, this means the following:

The Credit Platform business unit is focusing on further increasing its market share through quantitative and qualitative expansion of its base of contractual partners. The sub-marketplaces for the savings banks and cooperative banking sectors will play a particularly crucial role here. It also aims to increase the depth of services provided to individual customers – thus strengthening customer loyalty – by offering new products and additional services, including in the business with property valuation.

The Private Clients business unit is concentrating on signing up customers for financial products. It takes an end-to-end, integrated approach when handling customer enquiries. Recruiting and training new advisors will be key to the further expansion of the business unit. This strategy, combined with increasing economies of scale, is having a positive impact on revenue and earnings.

The Institutional Clients business unit predicts a rise in the implementation of projects for new housing, which is likely to have a positive effect on business performance. Traditionally, the

Institutional Clients business unit has been the most volatile at Hypoport in terms of the amount of revenue it generates. This is because the closing of the loans brokered – which are usually of a large volume – is difficult to control. Partly in order to reduce this volatility, the business unit intends to generate further growth by offering additional products and digitalising its customer processes.

The newest business unit, Insurance Platform, was created in 2017 to lay the foundations for establishing a market standard for software solutions used by insurance brokers. Revenue in this business unit has already risen substantially thanks to acquisitions and the integration of various companies, and we are expecting another strong increase in 2018.

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 €13.8 million in 2018. Most of this has been earmarked for the expansion and refinement of the EUROPACE, GENOPACE and FINMAS financial marketplaces, for further digitalisation of the Institutional Clients business unit and for driving growth in the Insurance Platform unit. 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 2018. 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 performances of the individual business units are expected to vary slightly in 2018, partly because of potential acquisitions. Assuming that the German economy performs well, and there is no significant turmoil in the real-estate and insurance markets, we expect the Hypoport Group as a whole to achieve a double digit growth rate with a revenue of €220 million to €240 million and an EBIT of €26 million to €31 million in the current year.

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, 09 March 2018
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, 09 March 2018
Hypoport AG – The Management Board

Ronald Slabke | Stephan Gawarecki | Hans Peter Trampe

Shares and Investor Relations

Share price performance

The shares of Hypoport AG started the year at €77.48 on 2 January 2017, which was also their lowest daily closing price of the entire year. The share price rose to almost €90 in mid-January then remained within a narrow range of between €80 and €90 until mid-April 2017. Supported by the Company's reports of good transaction volumes on EUROPACE and good revenue and earnings for the Hypoport Group in the first quarter, the shares climbed rapidly between mid-April and early June 2017 to reach an interim high of €132.90 at the start of June 2017. Following this sharp increase, the share price then fell slightly as a result of profit-taking but held steady within a range of around €115 to €130 until mid-September. The shares began to break out of this corridor from the middle of September, climbing sharply to reach €160.95 in mid-October. This was the highest price of the year. As a reaction to this increase and the fairly weak earnings in the third quarter, the share price dropped to around €120 in the days that followed before going back up to close at €145.35 on 29 December 2017.

Hypoport shares thus rose by around 88 per cent in 2017, comfortably exceeding the capital markets' growth rates (DAX +11 per cent, SDAX +23 per cent). In terms of free float market capitalisation, which is relevant to the SDAX ranking, the shares were still positioned in the bottom half of the SDAX at the end of 2017 – despite the figure rising to approximately €530 million.

There were six notifiable changes to the shareholder structure in 2017. At the start of April 2017, Postbank informed us that its voting share in Hypoport AG had fallen from the previous 4.99 per cent to 2.93 per cent. In May 2017, KBC Asset Management notified us that it now held a 3.06 per cent stake in Hypoport AG as a result of acquiring shares. At the beginning of August 2017, Union Investment told us that its voting share in Hypoport was 4.93 per cent. Also at that time, the US investor WA Holdings Inc. notified us that it had acquired a stake of 3.20 per cent in Hypoport AG. At the end of October 2017, Union Investment told us that it directly held 5.25 per cent of Hypoport shares. According to a notification from Union Investment, this stake stood at 4.96 per cent at the end of December.

Performance of Hypoport shares (daily closing prices, Xetra, €) in 2017

Earnings per share

Earnings per share for 2017 came to €3.10 (2016: €3.00).

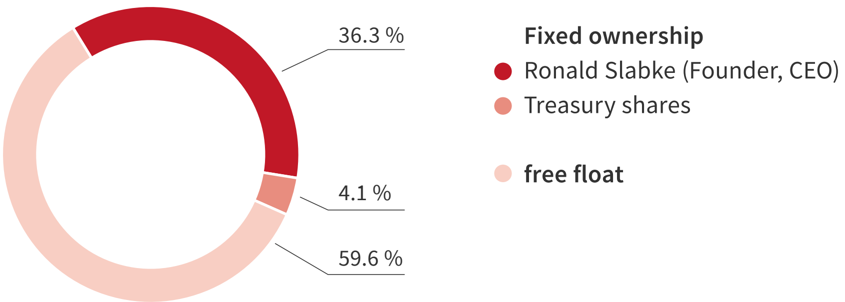
Trading volumes

At 25,164 shares, the average trading volume remained very high in 2017 and was in the top half of the SDAX. The highest average daily turnover was in the fourth quarter (32,788 shares), while the lowest was in the first quarter (18,411 shares). The average daily trading volumes in the second quarter (25,742 shares) and third quarter (23,994 shares) were on a par with the average volume for the year as a whole.

Shareholder structure

The free float in Hypoport's shares amounts to 59.6 per cent. The Hypoport Group holds 4.1 per cent of shares in treasury.

Breakdown of shareholders as at 31 December 2017



Research

In 2017, Hypoport shares were covered by five analysts (Berenberg, equinet Bank, ODDO BHF, Warburg Research and GBC AG). At the end of the year, all five analysts recommended the shares as a 'buy', with the target prices ranging from €139 to €164 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. The designated sponsor for Hypoport AG is Oddo Seydler Bank AG, 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	€ 6,194,958.00
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 2 January 2017	€ 77.48 (XETRA)
Share price as at 29 December 2017	€ 145.35 (XETRA)
High in 2017	€ 160.95 (13 October 2017)
Low in 2017	€ 77.48 (2 January 2017)
Market capitalisation	€ 900.4 million (29 December 2017)
Trading volume	25,164 shares (daily average for 2017)

Consolidated financial statements

IFRS consolidated income statement for the year ended 31 December 2017

	Notes	2017 €'000	2016 €'000
Revenue	(3.1)	194,855	156,636
Commissions and lead costs	(3.2)	−92,572	−71,438
Gross profit		**102,283**	**85,198**
Own work capitalised	(3.3)	6,985	5,662
Other operating income	(3.4)	4,517	3,066
Personnel expenses	(3.5)	−58,562	−46,359
Other operating expenses	(3.7)	−25,354	−19,327
Income from companies accounted for using the equity method	(3.8)	255	81
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**30,124**	**28,321**
Depreciation, amortisation expense and impairment losses	(3.6)	−6,808	−5,085
Earnings before interest and tax (EBIT)		**23,316**	**23,236**
Financial income	(3.9)	551	227
Finance costs	(3.9)	−878	−628
Earnings before tax (EBT)		**22,989**	**20,835**
Income taxes and deferred taxes	(3.10)	−4,564	−4,761
Net profit for the year		**18,425**	**18,074**
attributable to non−controlling interest	(4.12)	3	33
attributable to Hypoport AG shareholders	**(3.11)**	**18,422**	**18,041**
Earnings (loss) per share (€)	**(3.11)**	**3.10**	**3.00**

Consolidated statement of comprehensive income for the period 1 January to 31 December 2017

	2017 €'000	2016 €'000
Net profit (loss) for the year	18,425	18,074
Total income and expenses recognized in equity*)	0	0
Total comprehensive income	18,425	18,074
attributable to non-controlling interest	3	33
attributable to Hypoport AG shareholders	18,422	18,041

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

IFRS consolidated balance sheet as at 31 December 2017

Assets	Note	31.12.2017 €'000	31.12.2016 €'000
Non-current assets			
Intangible assets	(4.1)	55,971	41,660
Property, plant and equipment	(4.1)	4,447	2,631
Financial assets	(4.2)	1,428	1,089
Investments accounted for using the equity method	(4.3)	1,050	576
Trade receivables	(4.4)	6,671	6,475
Other assets	(4.5)	1,287	1,850
Deferred tax assets	(4.6)	1,750	587
		72,604	**54,868**
Current assets			
Trade receivables	(4.4)	42,469	31,613
Trade receivables from joint ventures	(4.4)	195	73
Other assets	(4.5)	11,252	3,031
Current income tax assets	(4.5)	127	102
Cash and cash equivalents	(4.7)	14,333	22,411
		68,376	**57,230**
		140,980	**112,098**

Equity and Liabilities			
Equity			
Subscribed capital	(4.8)	6,195	6,195
Treasury shares	(4.10)	−249	−253
Reserves	(4.11)	76,654	57,888
Equity attributable to non-controlling interests	(4.12)	306	303
		82,906	**64,133**
Non-current liabilities			
Financial liabilities	(4.13)	13,360	6,270
Provisions	(4.15)	87	87
Other liabilities	(4.14)	0	10
Deferred tax liabilities	(4.5)	7,031	4,784
		20,748	**11,151**
Current liabilities			
Provisions	(4.15)	95	154
Financial liabilities	(4.13)	2,942	4,441
Trade payables		23,058	18,707
Trade payables from joint ventures		280	69
Current income tax liabilities		951	1,731
Other liabilities	(4.14)	10,270	11,712
		37,596	**36,814**
		140,980	**112,098**

Consolidated statement of changes in equity for 2016 and 2017

2016 €'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 2016	6,039	2,345	44,007	52,391	270	52,661
Sale of own shares	4	260	42	306	0	306
Purchase of own shares	−101	0	−6,807	−6,908	0	−6,908
Total comprehensive income	0	0	18,041	18,041	33	18,074
Equity as at 31 Dec 2016	**5,942**	**2,605**	**55,283**	**63,830**	**303**	**64,133**

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
Purchase of own shares	4	300	44	348	0	348
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**

Consolidated cash flow statement for the period 1 January 2017 to 31 December 2017

	2017 €'000	2016 €'000
Earnings before interest and tax (EBIT)	23,316	23,236
Non-cash income / expense	−526	−718
Interest received	364	18
Interest paid	−415	−363
Income taxes paid	−3,648	−1,749
Current tax	−1,098	−1,336
Change in deferred taxes	−182	1,676
Income from companies accounted for using the equity method	−254	−81
Depreciation and amortisation expense, impairment losses / reversals of impairment losses on non-current assets	6,808	5,085
Gains / losses on the disposal of	−53	−3
Cash flow	**24,312**	**25,765**
Increase / decrease in current provisions	−59	41
Increase / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	−17,232	−6,701
Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	1,236	−1,493
Change in working capital	**−16,055**	**−8,153**
Cash flows from operating activities	**8,257**	**17,612**
Payments to acquire property, plant and equipment / intangible assets	−11,092	−7,671
Cash outflows for acquisitions less acquired cash	−9,562	−4,856
Proceeds from the disposal of financial assets	15	10
Purchase of financial assets	−546	−33
Cash flows from investing activities	**−21,185**	**−12,550**
Purchase of own shares	0	−6,908
Proceeds from drawdown of loans under finance facilities	10,000	4,000
Redemption of bonds and loans	−5,150	−4,500
Cash flows from financing activities	**4,850**	**−7,408**
Net change in cash and cash equivalents	−8,078	−2,346
Cash and cash equivalents at the beginning of the period	22,411	24,757
Cash and cash equivalents at the end of the period	**14,333**	**22,411**

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 74559B. 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 2017 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 business units 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, the associate and the parent company, is the same as the calendar year.

The Hypoport Group's presence in the financial services market is based on various business models.

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 2017 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 2017:

- Disclosure Initiative (Amendments to IAS 7: Statement of Cash Flows)

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12: Income Taxes)

DISCLOSURE INITIATIVE (AMENDMENTS TO IAS 7: STATEMENT OF CASH FLOWS)
The amendments should enable the users of financial statements to better evaluate changes in financial liabilities. To this end, it is necessary to disclose additional information on cash and non-cash changes to financial liabilities whose cash inflows and outflows are classified as cash flows from financing activities. To satisfy the new disclosure requirements, Hypoport is presenting a reconciliation between the opening and closing balances for liabilities that have changed as a result of financing activities.

RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES (AMENDMENTS TO IAS 12: INCOME TAXES)
These amendments relate to the recognition of deferred tax assets on unrealised losses on available-for-sale financial assets. They clarify that tax assets must be recognised on deductible temporary differences arising from unrealised losses on debt instruments held if the entity has the ability and intention to hold these instruments to maturity. Moreover, they clarify that the question of whether deferred tax assets are usable depends on there being taxable profit before reversal of the deductible differences if sufficient, adequate deferred tax liabilities are not available. They have not had any impact on Hypoport's 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:

- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (effective for annual periods beginning on or after 1 January 2019, not endorsed by the European Commission)

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IAS 28 and IFRS 10) (first-time adoption has been postponed for an undefined period of time)

- Transfers of Investment Property (Amendments to IAS 40) (from 1 January 2018, not endorsed)

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) (1 January 2018, not endorsed)

- Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4: Insurance Contracts) (1 January 2021, endorsed)

- IFRS 9: Financial Instruments (1 January 2018, endorsed)

- Prepayment Features with Negative Compensation (Amendments to IFRS 9) (1 January 2019, not endorsed)

- IFRS 14: Regulatory Deferral Accounts (1 January 2016, not proposed for endorsement)

- IFRS 15: Revenue from Contracts with Customers and Clarifications to IFRS 15 (1 January 2018, both endorsed)

- IFRS 16: Leases (1 January 2019, endorsed)

- IFRS 17: Insurance Contracts (1 January 2021, not endorsed)
- IFRS 22: Foreign Currency Transactions and Advance Consideration (1 January 2018, not endorsed)
- IFRIC 23: Uncertainty over Income Tax Treatments (1 January 2019, not endorsed)
- 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)

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.

AMENDMENTS TO IAS 28: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AND IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS
The amendments published in September 2014 clarify how the sale or contribution of assets by an investor to an associate or joint venture must be recognised. The originally envisaged date of first-time adoption for annual periods beginning on or after 1 January 2016 was postponed indefinitely by means of an amendment in December 2015. A new date will be set by the IASB. It is not possible to assess the impact on the presentation of financial position and financial performance because the amendments have to be applied to future transactions on a prospective basis.

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 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. These amendments are not expected to have any material impact on Hypoport's financial statements.

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.

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 IASB has set 1 January 2018 as the mandatory date for first-time adoption. The impact on the presentation of the Group's financial position and financial performance is still being assessed but, based on the findings so far, is not expected to be material.

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. Hypoport does not currently expect any material impact.

IFRS 14: REGULATORY DEFERRAL ACCOUNTS
This standard published in January 2014 allows companies adopting IFRS for the first time to continue to report price-regulated sales transactions in accordance with the accounting principles they previously applied. This standard is of no relevance to the Hypoport 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 come into effect on 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 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. Based on the Group's assessment of these transactions, no impact on the consolidated financial statements is expected. If the adoption of IFRS 15 does result in adjustment amounts, the Group intends to apply the modified retrospective method in its consolidated financial statements for the transition to IFRS 15. Under this method, the cumulative adjustment amounts are recognised as at 1 January 2018. Consequently, the Group will not apply the requirements of IFRS 15 to every comparative period presented. Based on its findings so far, the Group does not anticipate any impact on the presentation of its financial position or financial performance or on earnings per share.

AMENDMENTS TO IFRS 16: LEASES
IFRS 16 replaces the existing IAS 17 and related interpretations. Lessees no longer need to distinguish between finance leases and operating leases. Instead, accounting is based on the right-of-use approach. Right-of-use assets and lease liabilities have to be recognised by lessees on their balance sheets unless the lease term is less than twelve months or the assets being leased have a low value. Lessor accounting is largely the same as under the old rules, with leases continuing to be classified according to the criteria used in IAS 17. Early adoption is possible, provided IFRS 15 is also applied. IFRS 16 Leases will have a small impact on the components of the consolidated financial statements and on the presentation of the Group's financial position and financial performance:
Balance sheet: Currently, obligations under operating leases have to be disclosed in the notes to the financial statements. In future, the rights and obligations have to be recognised on the balance sheet as right-of-use assets and lease liabilities. Hypoport expects the existing lease liabilities to give rise to a material increase in lease liabilities and non-current assets with effect from the date of first-time adoption. This growth in the assets and liabilities on the balance sheet will cause the equity ratio to decrease. Net financial liabilities will rise in line with the increase in lease liabilities.
Income statement: In future, lessees will recognise depreciation, impairment losses and interest expenses instead of the lease expense in respect of operating leases. This change will lead to a slight improvement in EBITDA and EBIT.
Cash flow statement: The changes to the reporting of operating lease expenses will result in an improvement in cash flows from operating activities and a deterioration in cash flows from financing activities.The most significant impact identified so far is that the Group will recognise new assets and liabilities for its operating leases. As at 31 December 2017, the future minimum lease payments for non-cancellable operating leases (on an undiscounted basis) amounted to €10.8 million. The Group intends to apply the modified retrospective method when it adopts IFRS 16 on 1 January 2019. For this reason, the cumulative effect of applying IFRS 16 will be recognised as an adjustment to the opening balances for retained earnings as at 1 January 2019 and the comparative information will not be restated.

When applying the modified retrospective method to leases that were classified as operating leases under IAS 1, the lessee can elect, for each lease, whether exemptions should be used at the time of transition. The Group is currently ascertaining the potential impact of using these exemptions.

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 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. These amendments are not expected to have any material impact on Hypoport's financial statements.

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. Hypoport will examine the interpretation's impact on the consolidated financial statements in due course. We currently do not expect any material changes.

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.

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. 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. The IASB has also issued further standards and interpretations which, as things stand, have no significant impact on the consolidated financial statements.

1.3 Basis of consolidation

Apart from Hypoport AG as the parent company, the IFRS consolidated financial statements include 25 (2016: 14) domestic and international subsidiaries in which the Company directly or indirectly holds the majority of voting rights, four (2016: three) joint ventures and one (2016: one) associate. The following table shows the entities included in the consolidated financial statements in addition to Hypoport AG: With the exception of FINMAS GmbH, Hypoport on-geo GmbH, LBL Data Services B.V., Expertise Management & Holding GmbH and IMMO Check Gesellschaft für Informationsservice mbH (which are accounted for under the equity method owing to lack of control), all of the major Hypoport Group companies are fully consolidated.

Subsidiary	Holding in %
Dr. Klein Privatkunden AG, Lübeck (ehemals Dr. Klein & Co. AG, Lübeck)	100.00
Dr. Klein Finance S.L.U., Santa Ponça (Mallorca)	100.00
DR. KLEIN Firmenkunden AG, Lübeck	100.00
Europace AG, Berlin	100.00
GENOPACE GmbH, Berlin	50.025
Hypoport B.V., Amsterdam	100.00
Hypoport Grundstücksmanagement GmbH, Berlin	100.00
Hypoport Invest GmbH, Berlin	100.00
Hypoport Mortgage Market Ltd., Westport (Irland)	100.00
Hypoport Systems GmbH, Berlin	100.00
Hypservice GmbH, Berlin	100.00
INNOFINANCE GmbH, Inning am Ammersee	100.00
INNOSYSTEMS GmbH, Inning am Ammersee	100.00
Klosterstraße 71 Objektgesellschaft mbH, Berlin	100.00
maklersoftware.com GmbH, Neßlbach / Winzer	100.00
NKK Consulting Aktiengesellschaft AG, Regensburg	100.00
NKK Programm Service AG, Regensburg	100.00
Qualitypool GmbH, Lübeck	100.00
Smart InsurTech GmbH, Berlin (ehemals Hypoport InsurTech GmbH, Berlin)	100.00
Smart InsurTech Versicherungsservice GmbH, Lübeck	100.00
Starpool Finanz GmbH, Berlin	50.025
Vergleich.de Gesellschaft für Verbraucherinformation mbH, Berlin	100.00
Vergleich.de Versicherungsservice GmbH, Lübeck	100.00
Volz Software GmbH, Hamburg	100.00

Joint ventures	Anteilshöhe 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	
IMMO CHECK Gesellschaft für Informationsservice mbH, Bochum	33.33

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 time of acquisition. 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.

In contrast, it has been decided not to apply IFRS 3 retroactively to business combinations prior to 1 January 2004 in accordance with IFRS 1.15 in conjunction with Annex B. In accordance with IFRS 1, Annex B, B2, (j), the assets and liabilities of the subsidiary in this case have been restated as at 1 January 2004 as if IFRS had been specified for the separate financial statements of the subsidiary. The subsidiary's equity restated in this way has then been used for consolidation purposes. Any positive difference between the parent's share of these restated carrying amounts and the acquisition cost for the subsidiary in the separate financial statements of the parent has been reported as goodwill. Negative differences have been accounted for in consolidated reserves.

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.

Longterm 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, all receivables and payables denominated in foreign currency are measured using the mid rate on the balance sheet date regardless of any existing hedging.

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 measure ment 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 2017.

All of the shares in maklersoftware.com GmbH (insurance software), INNOSYSTEMS GmbH (insurance software) and INNOFINANCE GmbH (financial services for insurers) were acquired on 10 January 2017. By acquiring these two software firms and the financial service provider, the Hypoport Group is significantly bolstering its competitive position in the insurtech market. In addition to the efficient administration of insurance portfolios, the Hypoport Group can now offer market participants proven advisory software and a comprehensive price comparison tool for insurance products.

The consideration transferred for the acquisition of the shares in maklersoftware.com GmbH amounted to €4.0 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. maklersoftware.com GmbH was included in the consolidated financial statements with effect from 1 January 2017. Its activities were allocated to the Insurance Platform business unit.

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

maklersoftware.com initial consolidation	Fair value recog-nises on acquisition €'000
Assets	
Intangible assets	1,996
Property, plant and equipment	1,061
Financial assets	221
Trade receivables	388
Other current items	219
Cash and cash equivalents	17
	3,902
Liabilities	
Financial liabilities	(800)
Trade payables	(114)
Other liabilities	(378)
Deferred tax liabilities	(574)
	(1,866)
Total identifiable net assets at fair value	2,036
Goodwill arising on acquisition (provisional)*	1,964
Purchase consideration transferred	**4,000**
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in Cashflow from investing activities)	17
Cash paid	(4,000)
Net cash outflow	**3,983**

The consideration transferred for the acquisition of the shares in INNOFINANCE GmbH amounted to €2.0 million and consisted entirely of the purchase price paid. The purchase consideration was largely attributable to insurance portfolios and goodwill. The acquisition was accounted for using the acquisition method. INNOFINANCE GmbH was included in the consolidated financial statements with effect from 1 January 2017. Its activities were allocated to the Insurance Platform business unit.

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

INNOSYSTEMS initial consolidation	Fair value recognises on acquisition €'000
Assets	
Intangible assets	1,492
Property, plant and equipment	42
Financial assets	28
Trade receivables	231
Other current items	0
Cash and cash equivalents	2
	1,795
Liabilities	
Financial liabilities	(0)
Trade payables	(38)
Other liabilities	(198)
Deferred tax liabilities	(446)
	(682)
Total identifiable net assets at fair value	1,113
Goodwill arising on acquisition (provisional)*	2,887
Purchase consideration transferred	**4,000**
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in Cashflow from investing activities)	2
Cash paid	(4,000)
Net cash outflow	**3,998**

The consideration transferred for the acquisition of the shares in INNOFINANCE GmbH amounted to €2.0 million and consisted entirely of the purchase price paid. The purchase consideration was largely attributable to insurance portfolios and goodwill. The acquisition was accounted for using the acquisition method. INNOFINANCE GmbH was included in the consolidated financial statements with effect from 1 January 2017. Its activities were allocated to the Insurance Platform business unit.

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

INNOFINANCE initial consolidation	Fair value recognises on acquisition €'000
Assets	
Intangible assets	739
Property, plant and equipment	0
Financial assets	3
Trade receivables	416
Other current items	0
Cash and cash equivalents	41
	1,199
Liabilities	
Financial liabilities	(0)
Trade payables	(52)
Other liabilities	(60)
Deferred tax liabilities	(222)
	(334)
Total identifiable net assets at fair value	865
Goodwill arising on acquisition (provisional)*	1,135
Purchase consideration transferred	**2,000**
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in Cashflow from investing activities)	41
Cash paid	(2,000)
Net cash outflow	**1,959**

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.

Since the time of acquisition, maklersoftware.com GmbH, INNOSYSTEMS GmbH and INNOFINANCE GmbH have contributed a total of €7.1 million to revenue and €0.1 million to net profit for the year.

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 €108 thousand 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.

Dr. Klein Privatkunden AG founded Dr. Klein Finance S.L.U., Santa Ponça, Mallorca, on 23 March 2017. The object of this entity is loan brokerage, investment brokerage, documentation and brokerage activities in connection with purchase agreements and leases for properties of all kinds, brokerage of insurance agreements, management consultancy and business consultancy. This business was allocated to the Private Clients business unit.

On 24 April 2017, DR. KLEIN Firmenkunden AG and Ritterwald Unternehmensberatung GmbH, Berlin, founded Expertise Management & Holding GmbH, Berlin. This company's subscribed capital amounts to €40,000.00 and is fully paid-up. DR. KLEIN Firmenkunden AG's initial capital contribution was €20,000.00. The object of the company is the establishment, acquisition, sale, holding and administration of companies and long-term equity investments. The Hypoport Group's aim in founding the company is to be able to offer loan brokerage and consulting services to the European housing sector. Expertise Management & Holding GmbH is accounted for under the equity method. Its activities were allocated to the Institutional Clients business unit.

On 3 May 2017, Hypoport AG founded Hypoport Grundstücksmanagement GmbH, Berlin, and Klosterstrasse 71 Objektgesellschaft mbH, Berlin. Each company's subscribed capital amounts to €25,000.00 and is fully paid-up. The object of each company is the acquisition, management and sale of land and property. The companies' activities are shown under 'Reconciliation'.

The other acquisitions do not have a material influence on the Group's financial position and financial performance.

1.8 Acquisitions after the reporting period

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 following table provides a preliminary overview of the fair values of IWM Software AG as at the date of first-time consolidation:

IWM initial consolidation	Fair value recognises on acquisition €'000
Assets	
Intangible assets	37
Property, plant and equipment	1,533
Financial assets	0
Trade receivables	524
Other current items	655
Cash and cash equivalents	98
	2,847
Liabilities	
Financial liabilities	(929)
Trade payables	(19)
Other liabilities	(1,118)
Deferred tax liabilities	(0)
	(2,066)
Total identifiable net assets at fair value	781
Goodwill arising on acquisition (provisional)*	7,219
Purchase consideration transferred	**8,000**
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in Cashflow from investing activities)	98
Cash paid	(7,800)
Net cash outflow	**7,702**

The accounting for the business combination, particularly the fair value measurement of the assets and liabilities, had not been completed as at the reporting date. The resulting preliminary goodwill amounted to €7.2 million. Its activities were allocated to the Insurance Platform business unit.

2. Accounting policies

2.1 Comparative figures for 2016

The Hypoport Group restructured its segment reporting with effect from 1 January 2017. Following this restructuring, the Group now has four (previously three) target-group-oriented business units.

The Insurance Platform business unit is new and was created as a result of the acquisitions of maklersoftware.com GmbH, INNOSYSTEMS GmbH and INNOFINANCE GmbH in the first quarter of 2017 and the foundation of Smart InsurTech GmbH (formerly Hypoport InsurTech GmbH) and the acquisition of NKK Programm Service AG in 2016. The new Insurance Platform business unit 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.

As part of the restructuring, the Financial Service Providers business unit was also renamed 'Credit Platform' in order to distinguish it more clearly from the Insurance Platform business unit.

The Private Clients business unit now brings together all business models aimed at end customers. The Institutional Clients business unit continues to provide financial support for institutional clients.

Administrative expenses in respect of management, administration, accounting and human resources are still reported under the heading 'Reconciliation', which also includes any consolidation effects.

The comparative segment reporting figures for 2016 have been restated as follows as a result of the restructuring.

2016 (€'000)	Credit Platform	Private Clients	Institutional Clients	Insurance Platform	Reconciliation	Group
Segment revenue in respect of third parties						
2016 adjusted	65,911	66,898	18,591	5,088	148	**156,636**
2016 as reported	51,897	86,000	18,591	0	148	**156,636**
Change	14,014	-19,102	0	5,088	0	**0**
Segment revenue in respect of other segments						
2016 adjusted	763	210	45	449	-1,467	**0**
2016 as reported	1,750	82	45	0	-1,877	**0**
Change	-987	128	0	449	410	**0**
Total segment revenue						
2016 adjusted	66,674	67,108	18,636	5,537	-1,319	**156,636**
2016 as reported	53,647	86,082	18,636	0	-1,729	**156,636**
Change	13,027	-18,974	0	5,537	410	**0**

2016 (€'000)	Credit Platform	Private Clients	Institutional Clients	Insurance Platform	Recon-ciliation	Group
Gross profit						
2016 adjusted	37,149	26,003	18,422	3,506	118	**85,198**
2016 as reported	37,130	29,528	18,422	0	118	**85,198**
Change	19	-3,525	0	3,506	0	**0**
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)						
2016 adjusted	15,848	10,383	6,943	534	-5,387	**28,321**
2016 as reported	15,354	10,027	6,943	0	-4,003	**28,321**
Change	494	356	0	534	-1,384	**0**
Segment earnings before interest and tax (EBIT)						
2016 adjusted	13,551	9,464	6,343	417	-6,539	**23,236**
2016 as reported	13,024	9,024	6,343	0	-5,155	**23,236**
Change	527	440	0	417	-1,384	**0**
Segment assets						
2016 adjusted	49,203	25,530	23,590	10,526	3,249	**112,098**
2016 as reported	56,146	29,113	23,590	0	3,249	**112,098**
Change	-6,943	-3,583	0	10,526	0	**0**
Segment liabilities						
2016 adjusted	20,875	5,392	2,427	1,690	17,581	**47,965**
2016 as reported	19,959	7,998	2,427	0	17,581	**47,965**
Change	916	-2,606	0	1,690	0	**0**
Segment capital expenditure						
2016 adjusted	4,928	667	722	1,116	731	**8,164**
2016 as reported	6,081	630	722	0	731	**8,164**
Change	-1,153	37	0	1,116	0	**0**
Segment depreciation/amortisation expense, impairment losses						
2016 adjusted	2,297	919	600	117	1,152	**5,085**
2016 as reported	2,330	1,003	600	0	1,152	**5,085**
Change	-33	-84	0	117	0	**0**
Significant non-cash expenses						
2016 adjusted	3,917	1,851	1,512	296	111	**7,687**
2016 as reported	3,973	2,091	1,512	0	111	**7,687**
Change	-56	-240	0	296	0	**0**

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

The ‘Selling expenses’ line item in the consolidated income statement has been renamed ‘Commissions and lead costs’.

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.

In accordance with IFRS 3 and IAS 38, 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.

At the start of the year, the Group reviewed the useful life of the EUROPACE software for personal loans. In the past, the estimated useful life had been assumed to end on 31 December 2020. Based on experience with the previous version, it is now expected that the software can be used until 31 December 2025. The resulting lower amortisation expense in the reporting year was €276 thousand. The impact of this change on the actual and expected amortisation expense for future years is as follows:

Depreciation €'000	2017	2018	2019	2020	2021	later
(Reduction) increase in depreciation expense	(276)	(276)	(276)	(276)	0	1,104

2.3 Property, plant and equipment

Property, plant and equipment is recognised at acquisition 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 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.

2.5 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 that are not publicly traded in an active market, such as trade receivables. 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.

2.6 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.

2.7 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 €1.749 million as at 31 December 2017 (31 December 2016: €587 thousand). In the reporting year, the minimum taxation requirements in Germany resulted in deferred tax assets amounting to €0 thousand (2016: €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.

2.8 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..

2.9 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.

2.10 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.

2.11 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.

2.12 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 as-

sociated 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

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.

2.18 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 i come 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 business unit is as follows:

Revenue	2017 € million	2016 € million
Financial figures Credit Platform	77,5	65,9
Financial figures Private Clients	82,3	66,9
Financial figures Institutional Clients	19,4	18,6
Financial figures Insurance Platform	15,2	5,1
Other	0,4	0,1
	194,8	**156,6**

3.2 Commissions and lead costs

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

Selling expenses	2017 €'000	2016 €'000
Commissions	87,338	66,471
Lead costs	5,234	4,967
	92,572	**71,438**

Commissions include write-offs of €617 thousand (2016: €892 thousand) and income from the reversal of impairment charges of €238 thousand on advances paid for insurance commission (2016: €705 thousand).

3.3 Own work capitalised

Own work capitalised of €6.985 million (2016: €5.662 million) comprises work on the development and enhancement of internally generated financial marketplaces. Of the total development costs of €15.275 million reported for 2017 (2016: €9.192 million), €8.290 million was therefore expensed as incurred (2016: €3.530 million).

3.4 Other operating income

Other operating income mainly comprised income of €1.884 million from other accounting periods (2016: €904 thousand), income of €1.033 million from the reversal of provisions (2016: €748 thousand) and income of €798 thousand from employee contributions to vehicle purchases (2016: €725 thousand).

3.5 Personnel expenses

Personnel expenses are broken down as follows:

Personnel expenses	2017 €'000	2016 €'000
Wages and salaries	50,293	39,832
Social security contributions	7,900	6,232
Post-employment and other employee benefits	369	295
	58,562	**46,359**

The cost of defined-contribution pension plans amounted to €3.774 million (2016: €2.860 million).

3.6 Other operating expenses

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

Other operating expenses	2017 €'000	2016 €'000
Operating expenses	8,596	6,305
Other selling expenses	4,855	3,542
Administrative expenses	9,381	8,007
Other personnel expenses	1,057	802
Other expenses	1,465	671
	25,354	**19,327**

The operating expenses consisted mainly of building rentals of €2.503 million (2016: €2.218 million) and vehicle-related costs of €2.456 million (2016: €1.795 million). The other selling expenses related to advertising costs and travel expenses of €4.855 million (2016: €3.542 million). The administrative expenses largely comprised IT-related costs of €3.878 million (2016: €4.472 million) and legal and consultancy expenses of €2.497 million (2016: €1.322 million). The other personnel expenses mainly consisted of training costs of €725 thousand (2016: €597 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 period 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 associate IMMO Check Gesellschaft für Informationsservice mbH. As in 2016, no impairment losses were recognised in the share of profit (loss) of equity-accounted investments. 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 €6.808 million (2016: €5.085 million), €5.119 million (2016: €3.844 million) was attributable to intangible assets and €1.689 million (2016: €1.241 million) to property, plant and equipment.

3.9 Net finance costs

The breakdown of net finance costs is as follows:

Net finance costs	2017 €'000	2016 €'000
Financial income		
Other interest and similar income	274	227
Income from investments	276	0
Income from other securities and lending of financial assets	1	0
	551	**227**
Finance costs		
Interest expense and similar charges	878	628
	−327	**−401**

The finance costs mainly comprise interest expense and similar charges of €405 thousand (2016: €326 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 €163 thousand (2016: €178 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	2017 €'000	2016 €'000
Income taxes and deferred taxes	4,564	4,761
current income taxes	4,745	1,922
deferred taxes	−181	2,839
in respect of timing differences	848	1,375
in respect of tax loss carryforwards	−1,029	1,464

A current income tax benefit of €2 thousand (2016: €0 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 €13.599 million (2016: €10.199 million) and €13.341 million (2016: €9.569 million) respectively. The loss carryforwards can be carried forward indefinitely in Germany. In 2017, no deferred tax assets were recognised on the losses carried forward for corporation tax and trade tax purposes. These losses amounted to €9.402 million (2016: €9.492 million) and €8.772 million (2016: €8.862 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 2016 and 2017 to the tax expense actually reported for those years.

Reconciliation of Expected to Actual Income Tax Expense	2017 €'000	2016 €'000
Earnings before tax	22,989	22,835
Tax rate to be applied	30.0%	30.0%
Expected tax expense	−6,897	−6,851
Effect of non-deductible expenses	−250	−250
Effect of differing tax rates	2,946	2,145
Deffered taxes of loss carry forwards	0	30
Effect of using the equity method	77	24
Tax expense for previous years	−1	0
Other tax-related effects	−439	141
Current tax expense	−4,564	−4,761
Tax rate for the Group	19.9%	20.8%

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.
There was no dilutive effect in the current reporting period or in the previous year. The weighted number of outstanding shares is calculated on the basis of a daily balance.

Earnings Per Share	2017	2016
Net income for the year (€'000)	18,425	18,074
of which attributable to Hypoport AG stockholders	18,422	18,041
Basic weighted number of outstanding shares ('000)	5,943	6,013
Earnings per share (€)	**3.10**	**3.00**

As a result of the release of treasury shares, the number of shares in issue rose by 4,543, from 5,941,843 as at 31 December 2016 to 5,946,386 as at 31 December 2017.

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 €12 thousand (31 December 2016: €11 thousand) in borrowing costs at an average funding rate of 1.95 per cent (31 December 2016: 2.60 per cent). Most of the intangible assets – with a carrying amount of €24.7 million (31 December 2016: €21.1 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 2017 related to goodwill arising on the first-time consolidation of subsidiaries. The increase resulted mainly from the first-time consolidation of maklersoftware.com GmbH, INNOSYSTEMS GmbH and INNOFINANCE 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 Institutional Clients	Financial figures Insurance Platform	Total
Cost of acquisitions as at 1 January 2017	3,991	7,653	6,943	0	18,587
Reclassification of segment reporting	–3,413	–348	0	3,761	0
Additions	0	0	0	6,178	6,178
Cost of acquisitions as at 31 December 2017	578	7,305	6,943	9,939	24,765

The external revenue growth rates for the detailed planning period 2018 to 2021 used in the discounted cash flow calculations were between 9.9 per cent and 18.1 per cent for the Credit Platform segment (2016: between 11.1 per cent and 30.4 per cent), between 7.0 per cent and 17.3 per cent for the Private Clients segment (2016: between 5.5 per cent and 13.0 per cent), between 5.0 per cent and 9.9 per cent for the Corporate Real Estate Clients segment (2016: between 5.5 per cent and 6.8 per cent) and between 15.6 per cent and 66.9 per cent for the new Insurance Platform segment. 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 2017 was 5.46 per cent (2016: 6.13 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	2017 €'000	2016 €'000
Other shareholdings	1,269	1,040
Loans to companies with which an investment relationship exists	63	34
Loans to employees	52	5
Loans to third parties	43	10
	1,427	**1,089**

Other long-term equity investments essentially comprise shares in finconomy AG (formerly Fundsaccess AG), Munich (13.8 per cent shareholding, equity in 2016: €3.945 million, net profit for 2016: €2.902 thousand).

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 recognised. There are no material overdue receivables.

4.3 Equity-accounted investments

In the consolidated financial statements, four joint ventures (2016: three) and one associate (2016: 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, Berlin (Hypoport's interest: 50 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	2017 €'000	2016 €'000
Investments accounted for using the equity method as of the beginning of the year	576	465
Additions	220	30
Proportional net income	255	81
Investments accounted for using the equity method as of the end of the year	**1,051**	**576**

The additions relate to FINMAS GmbH and Expertise Management & Holding GmbH. 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)	2017 €'000	2016 €'000
Income statement information		
Revenue	5,370	5,683
Selling expenses	−4,063	−4,809
Personnel expenses	−601	−419
Other operating expenses	−424	−277
Income taxes and deferred taxes	−28	−29
Earnings before interest and tax	258	122
Earnings before tax	257	115
Net income	233	81
Balance sheet information		
Noncurrent assets	167	113
There of property, plant and equipment	3	92
Current assets	1,462	1,900
Thereof cash and cash equivalents	789	1,326
Total assets	**1,629**	**2,013**
Equity	587	348
Noncurrent liabilities	0	0
Current liabilities	1,042	1,665
Thereof financial liabilities	0	0
Total equity and liabilities	**1,629**	**2,013**

4.4 Trade receivables

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

Trade receivables	2017 €'000	2016 €'000
Trade receivables from		
third parties	48,945	38,088
joint ventures	195	73
	49,140	**38,161**

The table below shows impairment losses on receivables.

Impairments of Trade Receivables	2017 €'000	2016 €'000
Balance as at 1 January	117	87
Addition to impairment of receivables	127	36
Irrecoverable receivables written off	2	6
Balance as at 31 December	**242**	**117**

Impairment charges of €191 thousand (31 December 2016: €139 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	2017 €'000	2016 €'000
1 to 90 days	417	333
90 to 180 days	151	19
180 to 360 days	294	297
More than 360 days	126	28
Total	**988**	**677**

4.5 Current income tax assets and other assets

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

Current other assets	2017 €'000	2016 €'000
Financial assets		
Advance payment for company acquisition	8,000	0
Trade secutities	993	800
	8,993	800

Non-financial assets		
Advance payment of commissions	484	867
Advances	954	856
Prepaid expenses	127	102
Current income tax assets	210	232
VAT credits	38	22
Other	573	254
	2,386	2,333
	11,379	**3,133**

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

Non-current other assets	**2017 €'000**	**2016 €'000**
Advance payment of commissions	1,148	1,792
Rent deposits	139	58
	1,287	**1,850**

Specific write-downs of €831 thousand (2016: €1.069 million) were recognised. In the year under review, €238 thousand was reversed (2016: €704 thousand). There are no material overdue receivables.

4.6 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	**2017 €'000**	**2016 €'000**
Deferred tax assets		
In respect of tax loss carryforwards	1,240	212
Rental and lease obligations	14	21
Consolidation	509	375
Offsetting	14	21
	1,749	**587**

Deferred tax liabilities	2017 €'000	2016 €'000
Deferred tax liabilities		
Intangible assets	3,334	1,662
Property, plant and equipment	12	15
Receivables	3,676	3,114
Other temporary differences	23	14
Provisions	0	0
Offsetting	14	21
	7,031	**4,784**

4.7 Cash and cash equivalents

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

Cash and cash equivalents	2017 €'000	2016 €'000
Cash at banks	14,326	22,404
Cash on hand	7	7
	14,333	**22,411**

4.8 Subscribed capital

The Company's subscribed capital remains unchanged at €6,194,958.00 (31 December 2016: €6,194,958.00) and is divided into 6,194,958 (31 December 2016: 6,194,958) fully paid-up, registered no-par-value shares.

The Annual Shareholders' Meeting held on 5 May 2017 voted to carry forward Hypoport AG's distributable profit of €52,576,396.46 to the next accounting period.

4.9 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. 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 248,572 treasury shares as at 31 December 2017 (equivalent to €248,572.00, or 4.0 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 2017 are shown in the following table:

Change in the balance of treasury shares in 2017	Number of shares	Proportion of subscribed capital %	Cost of purchase €	Sale price €	Gain or loss on sale €
Opening balance as at 1 January 2017	**253,115**	**4.086**	**9,914,143.86**		
Dissemination in January 2017	15	0.000	163.50	1,173.44	1,009.94
Dissemination in February 2017	24	0.000	261.60	2,030.40	1,768.80
Dissemination in March 2017	108	0.002	1,177.20	9,523.65	8,346.45
Dissemination in April 2017	1,895	0.031	20,114.90	169,792.00	149,677.10
Dissemination in May 2017	81	0.001	850.50	8,351.10	7,500.60
Dissemination in July 2017	17	0.000	180.30	1,748.50	1,568.20
Dissemination in August 2017	16	0.000	170.40	1,433.60	1,263.20
Dissemination in September 2017	5	0.000	53.25	448.00	394.75
Dissemination in October 2017	5	0.000	53.25	448.00	394.75
Dissemination in December 2017	2,377	0.038	25,767.56	325,370.25	299,602.70
Balance as at 31 December 2017	**248,572**	**4.012**	**9,865,351.41**		

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

4.11 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) and income from the issuance of shares to employees (€973 thousand, of which €299 thousand relates to 2017).

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 (2016: €7 thousand), are also reported under this item.

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

Total non-controlling interests amounted to €306 thousand as at 31 December 2017 (31 December 2016: €303 thousand), of which €206 thousand (31 December 2016: €203 thousand) related to the non-controlling interest in the equity of Starpool Finanz GmbH (non-controlling interest of 49.975 per cent) and €100 thousand (31 December 2016: €100 thousand) to GENOPACE GmbH (non-controlling interest of 49.975 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 2017 of GENOPACE GmbH amounting to €339 thousand (2016: loss of €277 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	2017 €'000	2016 €'000
Current		
Assets	10,950	9,738
Liabilities	(11,022)	(9,586)
Total current assets	-722	152
Non-current		
Assets	484	254
Liabilities	(0)	(0)
Total non-current liabilities	484	254
Net assets	**412**	**406**

Summarised statement of comprehensive income Starpool Finanz GmbH	2017 €'000	2016 €'000
Revenue	26,364	23,922
Pre-tax profit	18	101
Income tax expense	–12	–33
Post-tax profit	6	68
Other comprehensive income	0	0
Total comprehensive income	6	68
Total comprehensive income attributable to non-controlling interest	3	33
Dividends received attributable to non-controlling interest	0	0

Summarides cash flow statement Starpool Finanz GmbH	2017 €'000	2016 €'000
Cash flow	80	106
Change in working capital	−4,714	1,349
Cash flows from operating activities	−4,634	1,455
Cash flows from investing activities	(304)	(134)
Cash flows from financing activities	0	0
Net change in cash and cash equivalents	−4,938	1,321
Cash and cash equivalents at the beginning of the period	5,174	3,853
Cash and cash equivalents at the end of the period	236	5,174

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

4.13 Financial liabilities

The table below gives a breakdown of financial liabilities.

Financial liabilities	2017 €'000	2016 €'000
Non-current		
Liabilities to banks		
Loans	12,416	6,067
Mortgage	800	0
Other liabilities		
Rental and lease obligations	144	203
	13,360	6,270
Current		
Liabilities to banks		
Loans	2,901	4,400
Other liabilities		
Rental and lease obligations	41	41
	2,942	4,441
	16,302	10,711

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.

Reconciliation of financial liabilities (€'000)	2016	Cash changes	Acquisi-tions	Changes in fair value	Reclassification maturities	2017
			Non-cash changes			
Non-current loans	6,067	10,000	-	-	-3,651	12,416
Mortgage	0	-	800	-	-	800
Other non-current financial liabilities	203	-59	-	-	-	144
Current loans	4,400	-5,150	-	-	3,651	2,901
Current account	0	-	-	-	-	**0**
Other current financial liabilities	41	-	-	-	-	41
	10,711	**4,791**	**800**	**0**	**0**	**16,302**

Credit line	2017 €'000	2016 €'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 (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.

Maturities of contractual cash flows from financial liabilities	2017 €'000	2016 €'000
6 months or less	1,868	2,198
6 to 12 months	1,034	2,202
1 to 5 years	6,954	4,267
More than 5 years	6,262	1,800
	16,117	**10,467**

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

Maturities of non-current financial liabilities	2017 €'000	2016 €'000
Between 1 and 2 years	2,159	1,952
Between 2 and 5 years	4,939	2,518
More than 5 years	6,262	1,800
	13,360	**6,270**

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 2017 €'000	Carrying amount 2016 €'000	Fair value 2017 €'000	Fair value 2016 €'000
Liabilities to banks	13,216	6,067	12,719	6,071
Rental and lease obligations	144	203	144	203
	13,360	**6,270**	**12,863**	**6,274**

4.14 Other liabilities

The breakdown of other liabilities is as follows:

Current other liabilities	2017 €'000	2016 €'000
Tax liabilities		
Value-added tax	509	487
Wage tax and church tax	909	863
	1,418	**1,350**
Personnel		
Financial assets		
Bonuses	4,241	4,651
Outstanding holiday entitlements	968	704
Wages and salaries	937	866
Non-financial assets		
Employers' liability insurance association	227	190
Disabled persons levy	59	62
Social security contributions	204	142
Partial retirement	10	31
	6,646	**6,646**

Other		
Financial assets		
Outstanding invoices	1,100	848
Commissions to be passed on	207	400
Year-end costs	193	170
Share repurchase	0	1,208
Non-financial assets		
Advance payment of commissions	92	278
Deferred income	324	613
Sundry	290	199
	2,206	**3,716**
	10,270	**11,712**

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

Non-current other liabilities	2017 €'000	2016 €'000
Rent deposits	0	10
	0	**10**

4.15 Provisions

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

Provisions	01.01.2017 €'000	Utilisation €'000	Additions €'000	31.12.2017 €'000
Non-current provisions				
Cancellations	87	87	87	87
	87	**87**	**87**	**87**
Current provisions				
Litigation	54	34	0	20
Cancellations	70	70	36	36
Other	30	0	9	39
	154	**104**	**45**	**95**

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 4.7.

6. Segment reporting

The Hypoport Group prepares its segment reporting by business unit in line with its internal organisational and reporting structure. This organisational structure breaks the Group down into four target-group-oriented business units (Credit Platform, Financial Product Sales – Institutional Clients, Financial Product Sales – Private Clients and Insurance Platform) and one function-oriented business unit (Administration). The target-group-oriented business units bring together different business lines with similar opportunities and risks.
Credit Platform focuses on financial product distributors and product suppliers. The core product in this business unit 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 business unit offers mortgage finance, personal loans, insurance, current accounts and deposit accounts through two distribution channels (online and branch-based sales). The Institutional Clients business unit focuses on the provision of financial support for housing companies, borrowing, management consultancy and support for property transactions and the insurance portfolio. This unit also supports issuers with the provision of information technology and a range of services.
The new Insurance Platform business unit 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.
Administrative 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 business units 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 reported revenue of €194.9 million (2016: €156.6 million) included €5.0 million (2016: €4.8 million) generated by customers domiciled in European countries other than Germany, and the remaining revenue was generated by customers in Germany. Within the Group, two product partners generated revenue of €51.6 million and €21.3 million respectively (2016: two product partners generated €45.4 million and €16.7 million respectively).

In the Credit Platform operating segment, one product partner generated revenue of €34.5 million (2016: one product partner generated €26.3 million). In the Private Clients operating segment, two product partners generated revenue of €17.1 million and €14.5 million respectively (2016: €19.1 million and €12.0 million). In the Institutional Clients operating segment, one product partner generated revenue of €2.8 million (2016: three product partners generated €3.9 million, €1.9 million and €1.9 million respectively).

2017 (€'000)	Credit Platform	Private Clients	Institutional Clients	Insurance Platform	Recon-ciliation	Group
Segment revenue in respect of third parties	**77,527**	**82,273**	**19,370**	**15,229**	**456**	**194,855**
2016*	65,911	66,898	18,591	5,088	148	156,636
Segment revenue in respect of other segments	**655**	**185**	**10**	**992**	**−1,842**	**0**
2016*	763	210	45	449	−1,467	0
Total segment revenue	**78,182**	**82,458**	**19,380**	**16,221**	**−1,386**	**194,855**
2016*	66,674	67,108	18,636	5,537	−1,319	156,636
Gross profit	**40,422**	**31,710**	**19,149**	**10,626**	**376**	**102,283**
2016*	37,149	26,003	18,422	3,506	118	85,198
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	**18,132**	**13,050**	**5,680**	**32**	**−6,770**	**30,124**
2016*	15,848	10,383	6,943	534	−5,387	28,321
Segment earnings before interest and tax (EBIT)	**15,453**	**12,123**	**5,010**	**−1,208**	**−8,062**	**23,316**
2016*	13,551	9,464	6,343	417	−6,539	23,236
Segment assets	**55,971**	**18,580**	**29,132**	**32,836**	**4,461**	**140,980**
2016*	49,203	25,530	23,590	10,526	3,249	112,098
Segment liabilities	**22,456**	**5,586**	**2,289**	**3,508**	**24,235**	**58,074**
2016*	20,875	5,392	2,427	1,690	17,581	47,965
Segment capital expenditure	**6,868**	**597**	**1,250**	**2,556**	**1,304**	**12,575**
2016*	4,928	667	722	1,116	731	8,164
Segment depreciation/amortisation expense, impairment losses	**2,679**	**927**	**670**	**1,240**	**1,292**	**6,808**
2016*	2,297	919	600	117	1,152	5,085
Significant non-cash expenses	**3,238**	**2,114**	**1,506**	**910**	**23**	**7,791**
2016*	3,917	1,851	1,512	296	111	7,687

* 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 2016"

Of the total non-current assets of €72.604 million (31 December 2016: €54.868 million), €16.497 million (31 December 2016: €13.130 million) was located in European countries other than Germany, €15.250 million (31 December 2016: €12.202 million) of which was located in Ireland. Non-current assets located in Germany totalled €56.107 million (31 December 2016: €41.738 million).

The difference between Group assets and segment assets largely comprises unallocated non-current assets of €2.598 million (31 December 2016: €1.795 million) and deferred taxes of €1.749 million (31 December 2016: €587 thousand). The difference between Group liabilities and segment liabilities mainly relates to financial liabilities of €16.302 million (31 December 2016: €10.711 million), deferred taxes of €7.031 million (31 December 2016: €4.784 million) and income tax liabilities of €951 thousand (31 December 2016: €1.731 million).

The carrying amounts of equity-accounted joint ventures in the Credit Platform segment totalled €774 thousand (2016: €338 thousand) and their contribution to profits amounted to €236 thousand (2016: €37 thousand). In the Institutional Clients segment, equity-accounted joint ventures had a carrying amount of €277 thousand (2016: €237 thousand) and contributed €19 thousand (2016: €44 thousand) to profits.

7. Other disclosures

7.1 Other financial commitments

At the balance sheet date, there were other financial commitments totalling €10.781 million (31 December 2016: €12.715 million) in respect of non-cancellable rentals, leases and maintenance agreements covering several years. Included in these other financial commitments were commitments of €4.233 million (31 December 2016: €3.594 million) due within one year, €5.624 million (31 December 2016: €7.869 million) due in one to five years and €924 thousand (31 December 2016: €1.252 million) due in more than five years. The cost of rentals and leases (minimum leases) amounted to €4.217 million in 2017 (2016: €3.233 million). Rental income of €51 thousand (2016: €358 thousand) was generated by sub-leases.

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 2017 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 2017 amounted to €1.654 million (2016: €2.386 million); the total remuneration for the members of the Supervisory Board came to €184 thousand (2016: €95 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 2017.

	Shares (number) 31 Dec 2017	Shares (number) 31 Dec 2016
Group Management Board		
Ronald Slabke	2,248,381	2,248,381
Stephan Gawarecki	142,800	142,800
Hans Peter Trampe	108,690	108,690
Supervisory Board		
Dr. Ottheinz Jung-Senssfelder	8,500	9,500
Roland Adams	0	0
Christian Schröder	14,000	14,700

Ronald Slabke, Berlin, holds 36.29 per cent of Hypoport's shares. Of these, the 34.77 per cent of the voting shares held by Revenia GmbH, Berlin, are attributable to him pursuant to section 22 (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 2.31 per cent of Hypoport's shares. Of these, the 2.31 per cent of the voting shares held by Gawarecki GmbH, Preetz, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 WpHG.

Hans Peter Trampe, Berlin, holds 1.75 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 €282 thousand was generated by joint ventures in 2017 (2016: €200 thousand). As at 31 December 2017, receivables from joint ventures amounted to €195 thousand (31 December 2016: €73 thousand) and liabilities to such companies amounted to €280 thousand (31 December 2016: €69 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 business unit, human resources, IT, finance and administration, new markets and strategic investments, member of the supervisory boards of Dr. Klein Privatkunden AG and Europace AG

- Hans Peter Trampe, graduate in business administration, Berlin, responsible for the Institutional Clients business unit, member of the supervisory board of Europace AG

- Stephan Gawarecki, graduate in business administration, Preetz, responsible for the Private Clients business unit, member of the supervisory board of Europace AG.

The total remuneration for the members of the Management Board in 2017 amounted to €1.654 million (2016: €2.386 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 2017:

- 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

- Christian Schröder, graduate in business administration, auditor, Lübeck.

- The total remuneration for the members of the Supervisory Board in 2017 amounted to €184 thousand (2016: €95 thousand); for further information please refer to the remuneration report in the group management report (I.9).

7.6 Investments pursuant to section 21 (1) WpHG

Pursuant to section 21 (1a) WpHG, Mr Ronald Slabke, 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 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 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 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 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 2017 was €337 thousand (2016: €585 thousand). Total liabilities in relation to share-based remuneration amounted to €480 thousand (2016: €292 thousand).

7.8 Auditors' fees and services

The fees incurred for services rendered by the auditors BDO AG Wirtschaftsprüfungsgesellschaft in 2017 amounted to €108 thousand for audits of financial statements (2016: €103 thousand) and €6 thousand for other services (2016: €6 thousand).

7.9 Average number of persons employed during the financial year

In 2017, the Company employed an average of 917 (2016: 709) people in addition to the members of the Management Board.

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

Average number of persons employed during the financial year	31 Dec 2017 Number	%	31 Dec 2016 Number	%	Change Number	%
Credit Platform *	344	**38**	253	36	91	36
Private Clients *	227	25	243	34	−16	−7
Institutional Clients	101	11	87	12	14	16
Insurance Platform *	140	15	46	6	94	204
Holding	105	11	80	11	25	31
	917		**709**		**208**	**29**

* The comparative prior-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 2017, 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 2016: €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 2017, 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 2016: €0 thousand) higher or lower.

The Hypoport Group's credit risk stems primarily from its trade receivables, advance commissions, and other financial assets. In 2017, it recognised impairment losses of €916 thousand (2016: €1.039 million) 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	27	1,404	1,760	7,853	6,556	**17,600**
2016	23	1,145	3,452	4,525	1,872	**11,017**
Rental and lease obligations	4	8	29	124	20	**185**
2016	4	8	38	162	41	**253**
2017	31	1,412	1,789	7,977	6,576	**17,785**
2016	27	1,153	3,490	4,687	1,913	**11,270**

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 2017 and 2016, only its unutilised credit lines carried floating interest rates.

7.11 Additional information on financial instruments

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 2017 €'000	Measured at amortised cost		Measured at fair value	Non-financial assets/liabilities	
	Carrying amount	Pro forma: fair value	Carrying amount	Carrying amount	Carrying amount on balance sheet at 31 Dec 2017
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

Financial instruments 2016 €'000	Measured at amortised cost		Measured at fair value	Non-financial assets/liabilities	
	Carrying amount	Pro forma: fair value	Carrying amount	Carrying amount	Carrying amount on balance sheet at 31 Dec 2016
Trade receivables	38,161	-	-	-	38,161
Loans and receivables	38,161	38,161	-	-	38,161
Financial assets	1,089	-	-	-	1,089
Loans and receivables	1,089	1,089	-	-	1,089
Other assets	800	-	-	4,081	4,081
Loans and receivables	800	800	-		800
Non-financial assets	-	-		4,081	4,081
Cash and cash equivalents	22,411	-	-	-	22,411
Loans and receivables	22,411	22,411	-	-	22,411
Total financial assets	**-**	**-**	**-**	**-**	**62,461**
Thereof: loans and receivables	-	-	-	-	62,461
Financial liabilities	10,711	-	-	-	10,711
Measured at amortised cost	10,711	10,715	-	-	10,711
Trade payables	18,706	-	-	-	18,706
Measured at amortised cost	18,706	18,706	-	-	18,706
Other liabilities	8,847	-	-	2,875	11,722
Measured at amortised cost	8,847	8,847	-	-	8,847
Non-financial liabilities	-	-	-	2,875	2,875
Total financial liabilities	**-**	**-**	**-**	**-**	**38,264**
Thereof: measured at amortised cost	-	-	-	-	38,264

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 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**

Financial instruments 2016 €'000	Loans and receivables	Held-to-maturity investments	Fair value/ held for trading	Liabilities measured at amortised cost	2016
Interest and similar income	227	-	-	-	227
Interest expense and similar charges	-	-	-	−628	−628
Impairment losses	−1,039	-	-	-	−1,039
Net result	**−812**	**0**	**0**	**−628**	**−1,440**

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 2017 and 31 December 2016:

Company's gearing	2017 €'000	2016 €'000
Financial liabilities	16,302	10,711
Minus cash and cash equivalents	14,333	22,411
Net debt	1,969	−11,700
Equity	82,906	64,133
Gearing	2%	−18%

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 audit and disclose their separate financial statements documentation and to prepare a management report:

- Dr. Klein Privatkunden AG, Lübeck, Germany
- DR. KLEIN Firmenkunden AG, Lübeck, Germany
- Europace AG, Berlin, Germany
- GENOPACE GmbH, Berlin, Germany
- Hypoport Systems GmbH, Berlin, Germany
- Hypservice GmbH, Berlin, Germany
- INNOSYSTEMS GmbH, Inning am Ammersee, Germany
- maklerservice.com GmbH, Neßlbach / Winzer, Germany
- NKK Programm Service AG, Regensburg, Germany
- NKK Consulting AG, Regensburg, Germany
- Qualitypool GmbH, Lübeck, Germany
- Smart InsurTech GmbH, Berlin, Germany
- Vergleich.de Gesellschaft für Verbraucherinformation 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

The basis of consolidation has increased following the purchases of companies presented in note 1.8 Acquisitions after the reporting period. This will result in slight changes to the Group's financial position and financial performance. Revenue will go up, and there is likely to be a positive impact on EBIT. The number of employees will also rise.

Apart from the aforementioned matters, no other events have occurred so far that are of particular significance to the financial position and financial performance of the Hypoport Group in 2017.

Berlin, 9 March 2018

Hypoport AG – The Management Board

Ronald Slabke | Stephan Gawarecki | Hans Peter Trampe

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	0	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**

Consolidated statement of changes in non-current assets 2016

	Cost				
	Balance 1 Jan 2016 €'000	**Additions €'000**	**Disposals €'000**	**Reclassification €'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	5,353	928	284	0	386
1.2 Development costs	46,097	5,554		838	2,572
2. Goodwill	14,826	0	0	0	3,761
3. Advance payments and development costs in progress	1,097	416	0	−838	0
	67,373	**6,898**	**248**	**0**	**6,719**
II. Property, plant and equipment					
1. Land, leasehold improvements and buildings, including buildings on land owned by others	21	0	0	0	0
2. Office furniture and equipment	9,085	1,266	317	0	100
3. Advanced payments and constructions in progress	0	0	0	0	0
	9,106	**1,266**	**317**	**0**	**100**
	76,479	**8,164**	**565**	**0**	**6,819**

		Cumulative depreciation, amortisation and impairment				Carrying amount	
	Balance 31 Dec 2016 €'000	Balance 1 Jan 2016 €'000	Additions €'000	Disposals €'000	Balance 31 Dec 2016 €'000	Balance 31 Dec 2016 €'000	31 Dec 2015 €'000
	6,419	3,910	769	248	4,431	1,988	1,443
	55,061	31,576	3,075	0	34,651	20,410	14,521
	18,587	0	0	0	0	18,587	14,826
	675	0	0	0	0	675	1,097
	80,742	**35,486**	**3,844**	**248**	**39,082**	**41,660**	**31,887**
	21	21	0	0	21	0	0
	10,134	6,514	1,241	252	7,503	2,631	2,571
	0	0	0	0	0	0	0
	10,155	**6,535**	**1,241**	**252**	**7,524**	**2,631**	**2,571**
	90,897	**42,021**	**5,085**	**500**	**46,606**	**44,291**	**34,458**

Report of the supervisory board

The Supervisory Board hereby reports on the discharge of its responsibilities in the 2017 financial year.

In 2017, 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 advised and monitored the Management Board in its running of the Company. This advisory and monitoring 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 2017. In addition, two Supervisory Board meetings were held by telephone. Ten 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 in 2017.

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, the development of the groupwide compliance management system, and decisions and action taken by the Management Board that required approval. Furthermore, the Supervisory Board examined the Group's structure.

On 9 January 2017, the Supervisory Board held a meeting by telephone at which the Management Board reported on the intended acquisition of maklersoftware.com GmbH, INNOSYSTEMS GmbH and INNOFINANCE GmbH. The Supervisory Board approved the acquisition plans. On **16 January 2017,** the Supervisory Board adopted a written resolution to approve the extension of a lease of the subsidiary NKK Programm Service AG.

Following the necessary preparations and discussions, the Supervisory Board adopted a written resolution on **26 January 2017** 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 of the German Stock Corporation Act (AktG).

In connection with the acquisition of maklersoftware.com GmbH, Hypoport AG again had the option of participating in the company lending programme of Germany's KfW development bank. On **22 February 2017,** the Supervisory Board adopted a written resolution to approve the conclusion of a loan agreement under this programme.

The meeting on **3 February 2017** was primarily a chance to discuss strategy. The Management Board presented the future development requirements and opportunities in relation to all business activities. This provided the basis for a detailed and critical discussion. The Supervisory Board then noted with approval the strategies presented by the Management Board. It did the same for the planning for 2017, which the Management Board also presented.

The Management Board also set out and explained the operating policy, the strategic planning, and the basis and assumptions for the Company's multi-year planning – including a breakdown by segment.

In addition, the Supervisory Board discussed risk management and compliance with the Management Board and emphasised their fundamental importance to the Group. The Management Board reported that this matter was being reviewed in order to develop a system for Hypoport AG that brings together the many instruments and policies already in place in the Group.

The components and main interrelationships, the competitive situation and the KPI planning of the new insurance platform being established by Hypoport AG were also presented. The Supervisory Board welcomed the potential that was outlined for the further development of this fast-growing line of business.

In addition, the proposal for restructuring the Supervisory Board's remuneration system was presented and discussed.

On **18 March 2017,** after making appropriate preparations and discussing the draft agenda for the 2017 Annual Shareholders' Meeting, the Supervisory Board adopted a written resolution on its motions to be put to the 2017 Annual Shareholders' Meeting.

A representative of the Company's auditor, BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, attended the meeting held on **24 March 2017** and presented a comprehensive report on BDO's audit of the separate financial statements for 2016 and the consolidated financial statements for 2016. As required by section 171 AktG, the Supervisory Board reviewed and approved the separate and consolidated financial statements for 2016 as well as both management reports. Furthermore, the Supervisory Board examined the Management Board's proposal for the appropriation of profit, which it approved and voted to adopt. The Supervisory Board also discussed its own report on the 2016 financial year and voted to adopt it. The Management Board reported on the fourth quarter of 2016 and on the fact that the 2017 financial year had started positively.

In addition, the Supervisory Board dealt with the preparations for the Annual Shareholders' Meeting. The individual components of the Management Board's updated remuneration were also presented during the meeting before being unanimously approved by the Supervisory Board. A resolution was adopted on the revised rules of procedure for the Supervisory Board, which took effect immediately. Another matter covered was the call for tenders for the engagement of an auditor for the Company and Group, which needed to take place in 2017 according to the statutory requirements. Compliance with the provisions of the German CSR Directive Implementation Act (CSR-RUG) in Hypoport AG's future reports was also examined.

On **13 April 2017,** the Supervisory Board adopted a written resolution to approve the rental of new offices in Cologne. The Supervisory Board agreed by means of a written resolution on **19 April 2017** that BDO AG Wirtschaftsprüfungsgesellschaft could carry out permitted non-audit services for Hypoport AG.

At the Supervisory Board meeting held on **10 June 2017,** the Management Board reported on the first quarter of 2017.

The Supervisory Board deliberated at length on a possible risk to the independence of the auditor, or rather a member of its network, in respect of permitted non-audit services. In addition, the call for tenders was initiated for the selection of an auditing firm to audit the financial statements of Hypoport AG and the Hypoport Group for 2018.

The statutory requirements concerning the non-financial declaration pursuant to section 315b of the German Commercial Code (HGB), which has to be submitted for the first time for the 2017 financial year, were discussed in detail. A process was defined for ensuring compliance with the legal requirements and, in particular, the timing specified by Hypoport AG.

The Supervisory Board approved the schedule for 2018 by means of a written resolution on 10 July 2017.

At the meeting held on **5 September 2017,** the Management Board reported on the second quarter of 2017 and on specific developments and trends in the individual business units. The Management Board and Supervisory Board scrutinised the Group's structure and management as well as planned strategies and initiatives of importance to the Group. The management appointments and the individual responsibilities in the subsidiaries were also discussed during the Supervisory Board meeting. In addition, the Supervisory Board noted the audit reports from the internal audit department at this meeting. There were further discussions on the audit of the non-financial report and on the progress of the call for tenders for selecting an auditing firm for 2018.

Furthermore, the Supervisory Board approved the acquisition of the property at Klosterstrasse 71, 10179 Berlin, by Klosterstrasse 71 Objektgesellschaft mbH, a wholly owned subsidiary of Hypoport Grundstücksmanagement GmbH.
The Management Board and Supervisory Board again deliberated intensively on all aspects of the compliance management system. Further details of the groupwide compliance management system were defined, with particular emphasis on the process for ensuring implementation of the individual components in the Group companies.

During the Supervisory Board meeting held by telephone on **25 September 2017,** the Management Board reported extensively on the planned acquisition of IWM Software AG and answered the Supervisory Board's questions. The Supervisory Board approved the plan to acquire IWM Software AG.

On **14 November 2017,** the Supervisory Board decided by means of a written resolution to invite auditing firms PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and BDO AG Wirtschaftsprüfungsgesellschaft to give a spoken presentation at the head office in Berlin on **8 December 2017** as part of the next stage in the tendering process for the auditing engagement for 2018.

The Company's operating performance in the third quarter of 2017 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 **8 December 2017.**

Following the spoken presentations by the auditing firms PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and BDO AG Wirtschaftsprüfungsgesellschaft, the Supervisory Board voted unanimously to propose that the Annual Shareholders' Meeting appoint BDO AG Wirtschaftsprüfungsgesellschaft as the auditor of the financial statements of the Company and the Hypoport Group.

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 ten biggest risks and their monitoring were described and discussed.

In another agenda item, the Management Board showed how the Group's main finance KPIs had changed over the past five years. It also provided information about capital expenditure in 2018 aimed at future growth.

In addition, the Management Board reported on the individual acquisitions planned in connection with implementing the Group's growth strategy. The Management Board provided comprehensive answers to the questions posed by Supervisory Board members.

In the absence of the Management Board, the Supervisory Board then reviewed the effectiveness of its own work over the course of the previous year. This review revealed no shortcomings of any kind.

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 2017, 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 individual exceptions from these recommendations. 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 2017 separate financial statements that it had prepared in accordance with the HGB, the 2017 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 2017 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 2017 and both management reports. At the Supervisory Board meeting held on 20 March 2018 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 approved the separate and consolidated financial statements for 2017 prepared by the Management Board. The financial statements for 2017 have thus been adopted. In addition, the Supervisory Board reviewed and approved the separate non-financial Group report pursuant to section 315b HGB. 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 2018

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 2018 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 2017, 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 4.1.3 of the German Corporate Governance Code recommends that the management board initiate appropriate measures reflecting the company's risk situation (compliance management system) and disclose the main features of those measures. Appropriate measures and systems for ensuring compliance were already in place at Hypoport AG. Over the course of 2017, Hypoport AG brought together and standardised these and additional measures and elements by introducing a groupwide compliance management system. It will therefore comply with this recommendation.

In future, Hypoport AG will disclose the main features of the compliance management system in the group management report as part of its annual financial reporting process. This is being done for the first time in the group management report for 2017.

3. 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.

4. 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.
5. 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.
6. 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.

7. Paragraph 5.4.6 (2) sentence 2 of the German Corporate Governance Code recommends that any performance-related remuneration granted to the members of the supervisory board be designed to enhance the company's long-term development and performance. Until the adoption of a resolution at the 2017 Annual Shareholders' Meeting and the entry of the resulting amendment to the statutes in the commercial register, the remuneration for members of the Supervisory Board of Hypoport AG consisted of fixed and variable components. As a result of the resolution on agenda item 6 at the 2017 Annual Shareholders' Meeting, which amended the statutes, the members of the Supervisory Board will now only receive fixed remuneration. This change takes effect from the 2017 financial year. The recommendation in paragraph 5.4.6 (2) sentence 2 is therefore no longer relevant to Hypoport AG.
8. 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. The current members of the Supervisory Board were elected at the 2015 Annual Shareholders' Meeting 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 2017.

Group Management Board	Shares (number)
Ronald Slabke	2,248,381
Stephan Gawarecki	142,800
Hans Peter Trampe	108,690
Supervisory Board	
Dr. Ottheinz Jung-Senssfelder	8,500
Roland Adams	0
Christian Schröder	14,000

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 2017 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 24 March 2017. 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

The targets of 0 per cent for the proportion of women on the Management Board and Supervisory Board, which were set by the Supervisory Board by resolution dated 26 September 2015 in accordance with section 111 (5) AktG, had been achieved by the deadline for achieving these targets of 30 June 2017. At that time, both the Management Board and the Supervisory Board of Hypoport AG consisted exclusively of men. After expiry of the first deadline for achieving the targets, the Supervisory Board set new 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.

During the period for achieving the first targets, which ended on 30 June 2017, no Supervisory Board elections were held and no further appointments to the Management Board were made. As a result, there were no changes in the ratio of men to women on either board. There are currently no foreseeable changes to the Management Board or Supervisory Board during the period up to the deadline for achieving the new targets. For this reason, the Supervisory Board does not believe it is appropriate to set a target of more than 0 per cent in respect of the proportion of women on the Management Board and Supervisory Board. The Supervisory Board will continue to strive to give due consideration to women when there are personnel changes on the Management Board and when proposing candidates for vacancies on the Supervisory Board. Because of the small number of Supervisory Board and Management Board members, the Supervisory Board is currently of the opinion that professional suitability, experience and independence, regardless of gender, should remain the key determinants for the composition of the two boards. The Supervisory Board believes that defining quotas would unduly limit the flexibility that it needs when selecting suitable candidates.

Targets for senior management levels

The target of 14 per cent for the proportion of women at the first management level below the Management Board, which was set by the Management Board of Hypoport AG by resolution dated 25 September 2015 in accordance with section 76 (4) AktG, was not achieved by the deadline for achieving this target of 30 June 2017. At that time, the proportion of women at the first management level was 0 per cent. However, the proportion of women at the second management level below the Management Board was 45 per cent at the deadline, which was significantly above the target set of 33 per cent. The Management Board analysed the failure to achieve the target for the first level of management below the Management Board and ascertained that the main reason was the small number of employees at Hypoport AG itself who are assigned to the defined management levels. Due to the structure of the Hypoport Group and the Company's role as the parent company of the Group, only a few employees are employed directly by Hypoport AG in the functions assigned to the first and second management levels below the Management Board. Instead, many of these functions are performed by employees of other companies in the Hypoport Group. However, these employees are not covered by the targets set in accordance with the relevant legal provisions, which means the actual percentages are not representative of the overall proportion of women in managerial roles in the Hypoport Group. Due to the small number of employees at the defined management levels, a change of just one person in absolute terms can have a relatively significant impact on the achievement of the targets. Moreover, a management concept has been implemented in some areas of the Hypoport Group that means positions have not generally been assigned to levels within a management hierarchy. Instead, personnel structures have been established according to the principle of self-organisation. This also further distorts the result because only the hierarchically defined management levels are considered.

After expiry of the first deadline for achieving the targets of 30 June 2017, 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.

Main features of the compliance management system

The Management Board of Hypoport AG is committed to maintaining high standards of lawful and ethical behaviour within Hypoport AG and in all other Hypoport Group companies. To this end, it has implemented a compliance management system (CMS) that reflects the Company's risk situation. The aim of the CMS is to ensure compliance with legal provisions and inhouse regulations and to avoid infringements of the law. Further details are provided in the Hypoport Group's central policy, the Code of Conduct (CoC). The CoC sets out the rules of behaviour that have to be followed by all employees in the Hypoport Group. It is complemented by other internal policies. The internal audit department regularly reviews compliance with legal provisions, the CoC and other internal policies. A whistle-blower function for reporting infringements of the law has been put in place. Further details of the CMS, particularly the CoC of the Hypoport Group, can be viewed and downloaded on the Company's website at www.hypoport.com/investor-relations/corporate-governance.

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 2018

Hypoport AG

Management Board and Supervisory Board

Auditor's report

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.

In accordance with article 10 (2) letter f) of the EU Audit Regulation, we also declare that we have not performed any prohibited non-audit services pursuant to article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence that we have gathered is sufficient and suitable to serve as a basis for our audit opinions on the consolidated financial statements and group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were the most significant in our audit of the consolidated financial statements for the financial year from 1 January 2017 to 31 December 2017. These matters were taken into consideration in connection with our audit of the consolidated financial statements as a whole and in the formation of our audit opinion on the consolidated financial statements; we do not provide a separate opinion on these matters.

We have identified the following as key audit matters:

1. IT risks in connection with revenue recognition
2. First-time consolidation of the entities acquired in 2017
3. Impairment of goodwill

1. IT risks in connection with revenue recognition

Audit matter

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 Hypoport 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.

Hypoport AG's disclosures on revenue can be found in note 2.17 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 2017

Audit matter
In 2017, Hypoport AG acquired the majority of the shares in three material companies and added them to its basis of consolidation. The total purchase consideration for the acquisitions was €10 million. The acquired assets and liabilities, with the exception of deferred taxes and provisions for pensions and other post-employment benefits, 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 €4.1 million, the goodwill acquired amounted to €5.9 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. Hypoport AG's disclosures on acquisitions in 2017 can be found in note 1.7 of the notes to the consolidated financial statements.

Audit response
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

Audit matter
The Company reported goodwill totalling €24.8 million under the 'Intangible assets' line item on the balance sheet as at 31 December 2017 in its consolidated financial statements (18 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 uncer-

tainty attaching to assumptions and estimates and due to the substantial amount of goodwill reported on the balance sheet. Hypoport 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 Company's officers are responsible for the other information. The other information consists of:

- The Group's non-financial declaration, which is published separately and is referred to in section I.11 of the group management report

- The Group's corporate governance declaration, which is published separately and is referred to in section I.11 of the group management report

- The other parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditors' report.

Our audit opinions on the consolidated financial statements and group management report do not encompass the other information. We do not therefore provide an audit opinion or draw any other auditing-related conclusion on this information.

In connection with our audit of the consolidated financial statements, it is our responsibility to read the other information and to acknowledge whether the other information:

- Has any material inconsistencies with the consolidated financial statements, the group management report or the knowledge that we acquire during 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 Company's officers are responsible for preparing the consolidated financial statements, which have to 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 and financial performance in accordance with these requirements. The Company's officers are also responsible for the internal controls that they consider necessary for the preparation of consolidated financial statements that are free of material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, the Company's officers are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing matters relating to the Group's continuation as a going concern, where pertinent. In addition, they are responsible for accounting on the basis of the accounting principles for continuation as a going concern, unless actual or legal circumstances prevent this.

Furthermore, the Company's officers are responsible for preparing the group management report, which must, as a whole, provide a suitable view of the Group's position, be consistent in all material respects with the consolidated financial statements, comply with the German statutory provisions and suitably present the opportunities and risks of future development. The Company's officers are also responsible for putting in place what they consider to be the necessary arrangements and systems to be able to prepare a group management report that complies with the applicable German statutory provisions and to provide sufficient suitable documentary evidence of the statements in the group management report.

The Supervisory Board is responsible for monitoring the accounting process used by the Group to prepare the consolidated financial statements and group management report.

Responsibility of the auditors for the audit of the consolidated financial statements and group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and whether the group management report as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements and the audit findings, complies with the German statutory provisions and suitably presents the opportunities and risks of future development, and to issue an auditors' report containing our opinions on the consolidated financial statements and group management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit conducted in accordance with section 317 HGB, the EU Audit Regulation and the German generally accepted standards for the auditing of financial statements promulgated by IDW will always uncover material misstatements. Misstatements can arise from fraud or error and are considered material if, individually or in 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.

During the audit, we exercise our professional judgement and maintain a sceptical attitude. Furthermore:

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

- We gain an understanding of the internal control system that is relevant to the audit of the consolidated financial statements and of the necessary arrangements and 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.

- We evaluate the appropriateness of the accounting policies used and the reasonableness of the estimates and related disclosures made by the Company’s officers.

- We draw conclusions about the Company’s officers’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is material uncertainty surrounding events or circumstances that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in the auditors’ report to the relevant disclosures in the consolidated financial statements and group management report or, if such disclosures are not appropriate, to qualify our opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditors’ report. However, future events or circumstances may lead to the Group no longer being able to continue as a going concern.

- We 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 such a way that they, in accordance with IFRS, as adopted by the EU, and the additional German statutory provisions pursuant to section 315e (1) HGB, give a fair presentation of the Group’s financial position and financial performance.

- We collect sufficient suitable audit evidence regarding the accounting information of the companies or activities within the Group to express an opinion on the consolidated financial statements and group management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.

- We assess whether the group management report is consistent with the consolidated financial statements and complies with the law and we assess the view that it provides of the Group’s position.

- We conduct audit procedures in respect of forward-looking statements made by the Company’s officers in the group management report. Based on sufficient suitable audit evidence, we examine, in particular, the significant assumptions underlying the Company’s officers’ forward-looking statements and assess whether these statements have been correctly derived from the assumptions. We do not provide a specific opinion on the forward-looking statements or on the underlying assumptions. There is a considerable unavoidable risk of material discrepancies between future events and the forward-looking statements.

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

We provide those charged with governance with a statement that we have complied with the relevant requirements regarding independence, and communicate to them all relationships and other matters that may be reasonably assumed to have an effect on our independence and the steps taken to protect against this.

We determine which of the matters that we discussed with those charged with governance were of most significance in the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the auditors’ report, unless legislation or other regulations preclude their public disclosure.

Other statutory and regulatory requirements

Other disclosures pursuant to article 10 of the eu audit regulation

We were elected by the Annual General Meeting on 15 May 2017 to audit the financial statements. The Supervisory Board engaged us on 7 September 2017. We have been the auditors of the consolidated financial statements of Hypoport AG on an uninterrupted basis since the 2008 financial year.

We declare that the audit opinions contained in this auditors' report are consistent with the additional report to the Supervisory Board pursuant to article 11 of the EU Audit Regulation.

Responsible auditor

The auditor responsible for the audit is Dr Ralf Wißmann.

Lübeck, 16 March 2018

BDO AG
Wirtschaftsprüfungsgesellschaft

Prill
Wirtschaftsprüfer
(German Public Auditor)

Dr. Wißmann
Wirtschaftsprüfer
(German Public Auditor)

Single-entity financial statements

of Hypoport AG 2017 (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 2017

	2017 €'000	2016 €'000
Revenue	5,911	10,793
Other operating income	315	1,034
Personnel expenses	−6,764	−9,932
Depreciation, amortisation and write-downs on intangible fixed assets and on property, plant and equipment	−98	−100
Other operating expenses	−4,586	−5,095
Income from long-term equity investments	4,007	3,222
Income from profit transfer agreements	20,731	17,178
Other interest and similar income	384	123
Expense in respect of loss transfers	−2,054	−847
Interest expense and similar charges	−393	−327
Profit from ordinary activities	**17,453**	**16,049**
Income taxes	−2,738	−1,428
Other taxes	−4	−6
Deferred taxes	−420	−280
Net profit for the year	**14,291**	**14,335**
Profit brought forward	52,576	40,057
Settlement purchase of treasury shares	45	−1,816
Distributable profit	**66,912**	**52,576**

Balance sheet as at 31 December 2017

Assets	31.12.2017 €'000	2016 €'000
Fixed assets		
Intangible assets	370	7
Property, plant and equipment	277	274
Financial assets	30,636	27,564
	31,283	**27,845**
Current assets		
Trade receivables	4	6,768
Receivables from affiliated companies	61,919	39,398
Receivables from other long-term investees and investors	146	6
Other assets	201	89
Cash and cash equivalents	1,108	4,412
	63,378	**50,673**
Prepaid expenses	**213**	**158**
	94,874	**78,676**
Equity and liabilities		
Equity		
Subscribed capital	6,195	6,195
Treasury shares	-249	-253
Issued capital	5,946	5,942
Capital reserves	2,905	2,606
Retained earnings	7	7
Distributable profit	66,912	52,576
	75,770	**61,131**
Provisions	**1,938**	**2,875**
Liabilities		
Liabilities to banks	15,317	10,467
Trade payables	131	320
Liabilities to affiliated companies	764	2,171
Liabilities to companies with which an investment relationship exists	0	20
Other liabilities	254	1,412
	16,466	**14,390**
Deferred income	**0**	**0**
Deferred tax liabilities	**700**	**280**
	94,874	**78,676**

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PRIME STANDARD