HYPOPORT

Hypoport AG annual report for 2019

Berlin, 23 March 2020

Key performance indicators

Financial performance (million €)	01.01. – 31.12.2019	01.01. – 31.12.2018	Change
Revenue	337.2	266.0	27%
Gross profit	181.9	140.2	30%
Earnings before interest. tax. depreciation and amortisation (EBITDA)	52.2	39.1	34%
Earnings before interest and tax (EBIT)	33.0	29.3	13%
EBIT margin (EBIT as a percentage of gross profit)	18.1 %	20.9 %	– 13%
Net profit (loss) for the year	24.4	22.5	9%
attributable to Hypoport AG shareholders	24.4	22.5	9%
Earnings per share (€)	3.90	3.66	7 %

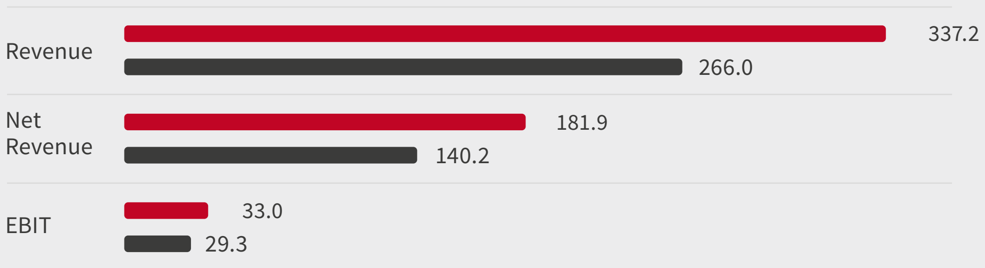
Financial position (million €)	31.12.2019	31.12.2018	Change
Current assets	87.1	84.6	3%
Non-current assets	304.5	221,0	38%
Equity	178.4	153.5	16%
attributable to Hypoport AG shareholders	178.0	153.2	16%
Equity ratio (%)	45.6	50.2	– 9%
Total assets	391.6	305.6	28%

Share performance		
Number of shares	31 December 2019	6,493,376
High in 2019		317.0 €
Low in 2019		147.0 €
Market capitalisation	29 December 2019	2,045 Mio. €
Trading volume	Average per day 2019	1.8 Mio. €

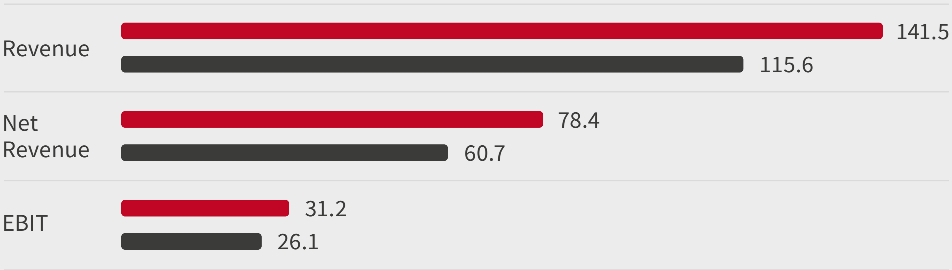
Revenue, Net Revenue and EBIT (million €)

2019 2018

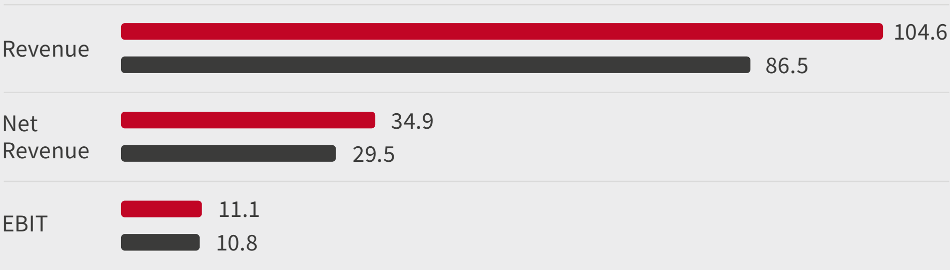
Hypoport Group



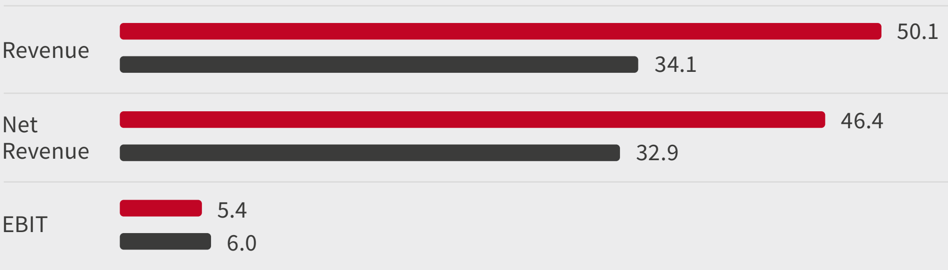
Credit platform



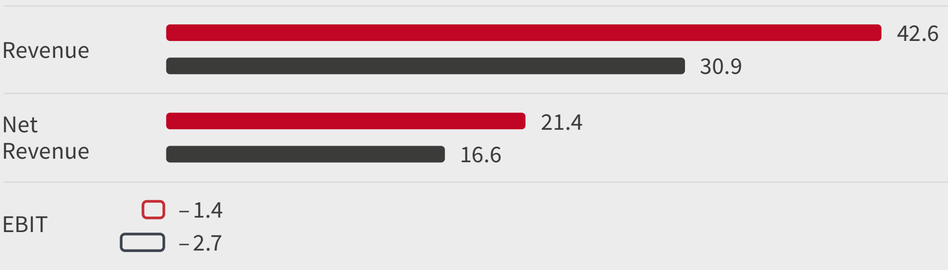
Private Clients



Real Estate platform



Insurance platform



Contents

Letter to the shareholders

Dear shareholder, dear Hypoport employee,

Our Hypoport Group delivered an excellent performance last year. We generated revenue of €337 million, equating to growth of 27 per cent. The increase was driven by broad-based organic growth across almost all existing Hypoport companies and the successful integration of the new companies acquired in 2018 and 2019.

At the same time, we again invested heavily in Hypoport's future growth in 2019. Last year, our capital expenditure on new technologies, the expansion of sales capacity, the integration of new product partners and the exploitation of synergies within the Hypoport Group amounted to €35 million. The two growth segments, Real Estate Platform and Insurance Platform, are the ideal complement to our more established Credit Platform and Private Clients segments.

Despite this significant investment, we still managed another increase in earnings, with EBIT increasing by a substantial 13 per cent to €33.0 million in 2019. Last year can therefore be summed up as follows: The Hypoport Group generated further profitable growth, increased the volume of capital expenditure and, with an equity ratio of 45 per cent, maintained a solid financial position.

I would now like to go into more detail about the business performance, revenue and earnings of Hypoport's four operating segments:

The operating performance of the **Credit Platform segment** benefited from an 18 per cent increase in the volume of transactions on EUROPACE to €68 billion and the good performance of the service companies that are also part of the Credit Platform segment. REM CAPITAL AG, which was acquired in 2019, contributed revenue for the first time. As a result, the Credit Platform segment reported total revenue of €141.5 million, a year-on-year rise of 22 per cent (2018: €115.6 million). The further increase in capital expenditure to help our partner groups (the savings banks and cooperative banks) increase their future sales, the leveraging of synergies with the Real Estate Platform segment and initial capital expenditure on the Fundingport corporate finance platform also provided crucial impetus for the segment's continued growth. Earnings before interest and tax (EBIT) in the Credit Platform segment rose by 20 per cent to €31.2 million (2018: €26.1 million).

In the **Private Clients segment,** we increased sales capacity in order to meet steadily increasing demand from consumers for neutral mortgage finance advice. As a result, the sales volume climbed by 14 per cent to €7.5 billion (2018: €6.5 billion). Revenue grew at a similar rate of 21 per cent, reaching €104.6 million (2018: €86.5 million). The segment's EBIT increased by 3 per cent to €11.1 million (2018: €10.8 million), owing to a shift in the product mix, the addition of further regional product partners and capital expenditure to improve the efficiency of lead generation processes.

All property-related B2B business activities of the Hypoport Group are grouped together in the **Real Estate Platform segment** with the aim of digitalising the sale, valuation, financing and management of properties. Its range of activities makes this a diverse but also highly promising growth segment. Revenue from the property sales and property management platforms increased sharply, partly because of exceptionally robust project business in the second half of the year. The property valuation platform substantially strengthened its number of contractual partners and its market position. However, a relatively flat interest-rate environment and the politically charged debate about further regulation of the rental sector caused revenue from the property financing platform for the housing industry to fall. The segment's overall revenue increased by 47 per cent to €50.1 million (2018: €34.1 million). The segment's EBIT fell by 9 per cent to €5.4 million (2018: €6.0 million). This was due to a much smaller contribution to EBIT from the property financing platform, high levels of initial capital expenditure on the property valuation platform and other capital expenditure to strengthen synergies between the Credit Platform and Real Estate Platform segments.

In 2019, the **Insurance Platform segment** focused on expanding business relationships with existing clients (financial product distributors, brokerage pools, B2C insurtech start-ups and regional banks) to encompass all modules of the SMART INSUR platform. Additional small and medium-sized enterprises were also signed up as pilot customers for the overall platform. The segment's revenue increased by 38 per cent to €42.6 million (2018: €30.9 million). The start-up losses for the segment declined sharply, resulting in negative EBIT of 1.4 million (2018: negative EBIT of €2.7 million).

We added to the Hypoport success story in 2019, with strong revenue growth, increased capital expenditure and a sharp rise in earnings.

We will remain firmly on this course in 2020. This year, our operational focus will be on the two key areas of capital expenditure: Real Estate Platform and Insurance Platform. We will also invest a considerable amount in our corporate finance platform, which is assigned to the Credit Platform segment.

Our quantitative targets for 2020, which are part of our long-term mission to digitalise the German credit, property and insurance industries, are therefore consolidated revenue of between €400 million and €440 million and EBIT of between €35 million and €40 million.

I hope you enjoy reading this informative report.

Kind regards,

Ronald Slabke

Group Management Report
Business report

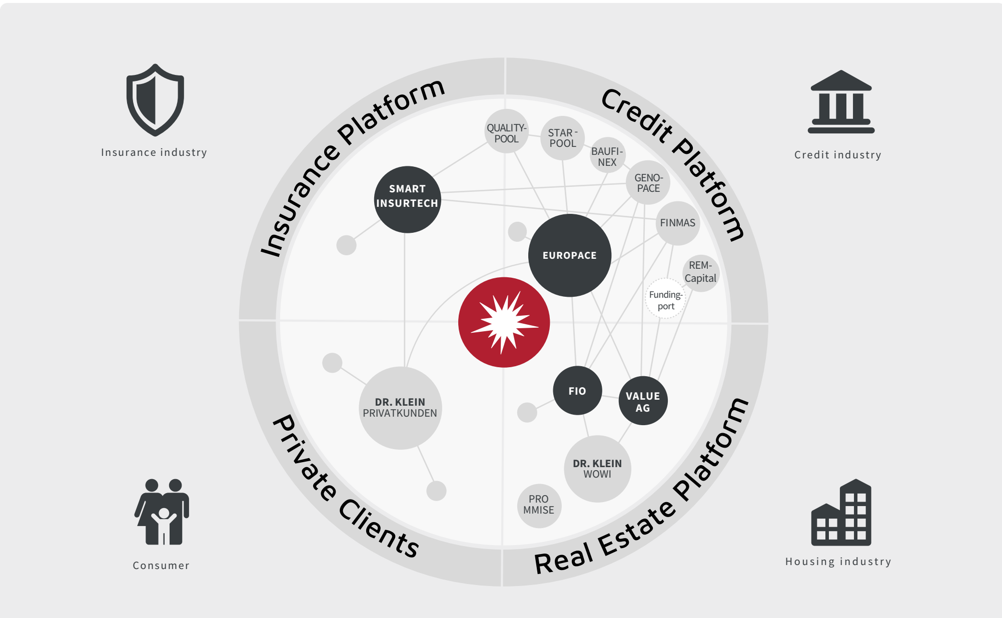
1. Business and economic conditions

Business model and strategy

The companies in the Hypoport Group develop technology platforms for the credit, property and insurance industries (fintech, proptech, insurtech). The Hypoport companies are grouped into four mutually supporting segments: Credit Platform, Private Clients, Real Estate Platform and Insurance Platform. The Group's parent company is Hypoport AG, which is headquartered in Lübeck, Germany. Within the Hypoport Group, Hypoport AG performs the role of a strategic and management holding company and provides corresponding shared services. Hypoport AG's objectives are the advancement and expansion of its network of subsidiaries along value chains, while making use of synergies.

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. This strategy process feeds into a qualitative and quantitative four-year plan. Revenue and the earnings generated by operational business activities at Group level (EBIT), which represent the aggregate business performance of the individual operating segments, are the key performance indicators (KPIs) for the Hypoport Group. For Hypoport AG as the strategic and management holding company, the KPIs representing aggregate business performance are revenue and earnings before tax (EBT).

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 appropriate corrective action can be taken if needed.



Credit Platform segment

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

The Hypoport Group, through its subsidiaries Hypoport Mortgage Market Ltd. (mortgage loans, building finance) and EUROPACE AG (personal loans, credit insurance), operates EUROPACE, the largest credit platform for the sale of financial products for private clients in Germany. A fully integrated system links more than 700 partners: banks, insurers and financial product distributors. In 2019, several thousand users executed more than 400,000 transactions via EUROPACE. The volume generated last year was around €68 billion.

In addition to EUROPACE, the Credit Platform segment includes companies specialising in individual user groups that contribute to the further growth of EUROPACE and benefit from the integration with EUROPACE.

GENOPACE GmbH is a joint venture aimed at establishing a financial marketplace within the cooperative banking sector. In addition to the credit cooperatives (Volksbanken) from Düsseldorf/Neuss and Münster, which were its initial partners, all the major cooperative financial network partners are now shareholders: Bausparkasse Schwäbisch Hall AG, Münchener Hypothekenbank eG, R+V Lebensversicherung AG and DZ Hyp AG.

FINMAS GmbH is a joint subsidiary operated in cooperation with Ostdeutscher Sparkassenverband, the association of eastern German savings banks, and signs up partners for the financial marketplace within the Savings Banks Finance Group.

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

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

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

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

REM CAPITAL AG, which was acquired on 1 July 2019, provides specialist advice on the arrangement of complex public-sector development loans for companies and financing for small and medium-sized enterprises in Germany. At FUNDINGPORT GmbH, which was founded in summer 2019, a corporate finance marketplace is being established.

Private Clients segment

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

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

Real Estate Platform segment

All property-related activities of the Hypoport Group, with the exception of loan brokerage for private clients, are grouped together in the Real Estate Platform segment with the aim of digitalising the sale, valuation, financing and management of properties.
FIO SYSTEMS AG provides a comprehensive platform that enables bank-affiliated estate agents and large independent estate agents in Germany to fully digitalise their business processes relating to the sale of residential property.

Operating across Germany, Value AG provides mortgage valuation services to help banks, building finance associations and insurers make their lending decisions. These services in combination with FIO's broker software and the EUROPACE platform create a seamless process for purchasing and valuing private residential property in Germany and arranging the necessary finance.
Dr. Klein Wowi Finanz AG (formerly Dr. KLEIN Firmenkunden AG) has been helping mainly municipal and cooperative housing companies to develop and implement their financial and insurance strategies since 1954. In 2019, Dr. Klein Wowi Digital AG began advising and supporting companies in the housing industry with the digitalisation of their business processes. These services are supplemented by FIO's software as a service (SaaS) solutions for the housing industry that focus on enterprise resource planning (ERP), real estate portfolio management, payments processing and management of insurance claims.

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

Insurance Platform segment

The Insurance Platform segment brings together all of the Hypoport Group's activities relating to insurance technology. To this end, Smart InsurTech AG develops and operates a fully integrated platform for the sale and administration of insurance products, SMART INSUR. This modular platform provides comprehensive support for the sales and management processes typical in this sector, including advisory support, comparison tools, and management of in-force business for insurance brokers and non-exclusive agents.

In addition, Qualitypool GmbH (insurance business unit) and further distribution service companies provide support services to small and medium-sized financial product distributors in relation to the brokerage of insurance.

Holding segment

The non-operational activities of the Hypoport Group are assigned to the Holding segment, which is reported as a separate segment for the first time for 2019. This segment essentially consists of the business activities of the parent company Hypoport AG in its role as a strategic and management holding company that provides shared services for the Group.

Economic conditions

The Hypoport Group's business activities are almost exclusively limited to Germany. As a result, the following situation analysis relates to the economic trends in Germany as part of the eurozone. The particular market environment in which the Hypoport Group operates – the German credit, property and insurance industries – traditionally benefits from almost complete immunity to fluctuations in the wider economy. Apart from the industry-specific factors listed below (see the section 'Sectoral performance'), the only macroeconomic variables that exert a degree of influence on consumers' and the housing industry's willingness to take out loans and insurance are gross domestic product (GDP), interest rates and inflation.

Germany's GDP growth slowed for the second year in succession. In 2017, GDP had risen by 2.5 per cent compared with the previous year. This growth rate fell to 1.5 per cent in 2018 and then to 0.6 per cent in 2019. The main reason for this is the weaker demand for German exports as a consequence of the disputes about tariffs and trade.

In contrast to GDP, the rate of inflation in Germany remained at a similar level to previous years in 2019. It stood at 1.4 per cent in the reporting year, compared with 1.8 per cent in 2018. As inflation therefore remained below the target set by the European Central Bank (ECB) of "below, but close to, 2.0 per cent", senior figures at the ECB reiterated several times that they intended to maintain the benchmark rate at its current level over the medium term. The key interest rate is therefore very unlikely to go up any time soon. The ECB's relaunch of bond purchases from November 2019 onwards indicates that the current environment of low interest rates is here to stay and rates may even be gradually lowered.

Sectoral performance

The subsidiaries of the Hypoport Group that are involved in operating activities are assigned to its four segments: Credit Platform, Private Clients, Real Estate Platform and Insurance Platform. The companies within the first two segments (Credit Platform and Private Clients) are primarily involved in the brokerage of financial products for private residential mortgage finance, the development of technology platforms for such brokerage, and related services. The key target sector for these segments is therefore the credit industry for residential property in Germany. The Real Estate Platform segment is involved in the sale, valuation, financing and management of residential properties. The volume of housing market transactions in Germany is this segment's best possible market benchmark, because it has a bearing on the development of the relevant business processes. The fourth segment – Insurance Platform – provides software solutions for traditional distribution organisations and B2C insurtech start-ups. The German insurance industry therefore constitutes the key market environment for this segment's operations.

Market for residential mortgage finance

The market for residential mortgage finance in Germany is influenced by various industry-specific factors. The following three factors are the most important:

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

The first factor, operational developments in the housing market, did not change significantly in 2019. Demand for housing remains high, driven by Germany's net inward migration, the wish to live independently for longer in later life and the growing number of one-person households. Despite small improvements as a result of new construction, supply in the housing market cannot keep up with the excess demand that has arisen in recent years. As a result, residential property prices again rose sharply in 2019, especially in metropolitan areas.

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

The third factor, the level of interest rates, plays a more subordinate role when consumers are deciding whether to buy a home. For this group, being able to secure the right house or apartment at the right time for an affordable price is more important than the current mortgage rate. The interaction of these factors caused the volume of new mortgage finance business, based on Deutsche Bundesbank statistics [1] (Bundesbank time series BBK01.SUD231), to rise to €262.9 billion in 2019, a year-on-year increase of 9.0 per cent (2018: €241.2 billion).

Volume of housing market transactions

The German housing market has been buoyant for years. It is influenced by various long-term factors (see the section above 'Market for residential mortgage finance'). Germany's net inward migration, higher life expectancy, the growing number of one-person households and the wish to be unaffected by possible rent increases have been pushing up demand for residential property for many years. On the supply side, the regulation of residential construction and a shortage of building resources mean that new construction is rising only slightly. The result is a gap between supply and demand, which the different experts estimate at between one and two million homes. Given this surplus demand, the Hypoport Group believes that the volume of private housing market transactions in Germany will increase going forward. Based on Deutsche Bundesbank's data for the market volume of new mortgage finance business (see the section 'Market for residential mortgage finance'), the data obtained from EUROPACE and a recent study from GEWOS [2], a property research institution , the Hypoport Group estimates that this volume of housing market transactions in Germany (i.e. the market environment for the Real Estate Platform segment) was around €200 billion in 2019. The small increase of approximately 5 per cent was driven by a rise in property prices, as the number of property transactions was down slightly.

Interest-rate changes affect the property financing platform for the housing industry in the Real Estate Platform segment. The average Dr. Klein interest rate dropped sharply from 1.68 per cent to 1.11 per cent over the course of 2019, albeit with fluctuations from month to month. Changes in interest rates therefore created fairly flat, challenging market conditions for the property financing platform in the Real Estate Platform segment during the reporting period. Debate about further regulation of the rental accommodation market further dampened the housing industry's propensity to invest.

Insurance market

Regular income from premiums, the predictable nature of insurance benefit payments and the huge number of individual policies mean that the insurance industry (direct insurance) is not generally subject to rapid or dramatic changes. Nevertheless, sales of life insurance and private health insurance policies have been weak for years owing to the low level of interest rates and regulatory intervention by legislators.

The increase in premium income in the insurance industry (volume of premiums), based on data from the German Insurance Association (GDV) [3], of 6.7 per cent to €216.0 billion (2018: €202.5 billion) was therefore exceptionally strong. The buoyant growth was predominantly attributable to

*1 Bundesbank unter https://www.bundesbank.de/dynamic/action/de/statistiken/zeitreihen-datenbanken/zeitreihen-datenbank/723452/723452?tsId=BBK01.SUD231&statisticType=BBK_ITS&tsTab=0

*2 IMA® information on the German property market in 2019, GEWOS.

*3 GDV annual media conference on 29 January 2020 at https://www.gdv.de/de/medien/aktuell/versicherungswirtschaft-blickt-auf--ausgesprochen-zufriedenstellendes--jahr-2019-zurueck-55862.

the volume of life insurance premiums, which surged by 11.3 per cent to €102.5 billion (2018: €92.1 billion). This can be explained by high single premiums and strong sales of occupational pension products following changes to occupational pension legislation. In private health insurance, premiums went up by 2.3 per cent to €40.7 billion in 2019 (2018: €39.8 billion). Premium income from non-life insurance rose slightly more sharply than that from private health insurance, advancing by 3.2 per cent to €72.9 billion (2018: €70.7 billion).

In 2020, the GDV anticipates that premium growth will return to a more normal level of between 1.5 per cent and 2.0 per cent. A rise of around 1.0 per cent is predicted for life insurance, while the GDV expects an increase of around 2.5 per cent for non-life insurance.

Business performance

Hypoport's consolidated revenue rose by 27 per cent to €337.2 million in the reporting year (2018: €266.0 million). This was at the upper end of the forecast range for revenue of between €310 million and €340 million. The sharp rise was predominantly due to the robust organic growth of the existing Hypoport companies. Furthermore, companies acquired in 2019 (e.g. REM CAPITAL AG) contributed to consolidated revenue for the first time in the reporting year, and some companies (e.g. FIO SYSTEMS, Value AG and ASC) contributed revenue for the full year after being consolidated for only part of 2018.

Gross profit in the Hypoport Group increased at a slightly stronger rate than revenue, jumping by 30 per cent to €181.9 million (2018: €140.2 million). The Hypoport Group's earnings before interest and tax (EBIT) advanced from €29.3 million to €33.0 million. This year-on-year increase of 13 per cent was the consequence of the healthy growth of revenue and, at the same time, significant capital expenditure on projects to deliver future growth. The EBIT forecast of between €32 million and €40 million was therefore achieved. The slower pace of earnings growth relative to revenue growth was due to the disparate performance of the individual segments and product groups, some of which presented a mixed picture in terms of profit margins, and due to expenses incurred in connection with the integration of the new companies. The parent company Hypoport AG also spent more on fostering innovation and closer integration between its subsidiaries through a new innovation hub, stEp. Details of the performance of the individual segments can be found below.

Explanation of the changes to the segments

FIO SYSTEMS AG acquired long-standing strategic partner ICS Integra Computing Services GmbH in its entirety on 1 January 2019. ICS supports FIO in the areas of sales and consultancy, and with implementation and ongoing customer support for its software solution. The company's activities continued in 2019 under the name Dr. Klein Wowi Digital AG in the Real Estate Platform segment (property management platform).

REM CAPITAL AG (REM), which was acquired on 1 July 2019, advises on commercial finance projects, specialising in the arrangement of complex public-sector development loans. By acquiring REM, the Hypoport Group is extending the range of services in its corporate lending business. The company is included in the Credit Platform segment.

All of the shares in Maklaro GmbH were acquired on 1 August 2019. Maklaro combines traditional estate agent services with cutting-edge technology. This includes offering free online property valuations, producing professional and effective sales brochures and managing prospective buyers and showing them around the properties for sale. By acquiring Maklaro, the Hypoport Group is expanding the range of services associated with the property sales platform of the Real Estate Platform segment.

In December 2019, Hypoport AG acquired empirica-systeme GmbH and merged it with Hypoport subsidiary Value AG (Real Estate Platform segment). Empirica specialises in the processing, analysis and provision of property market data and related information systems.

The Holding segment is presented separately in the segment reporting for the first time in the 2019 consolidated financial statements. As the Holding segment generates little to no external revenue, the detailed disclosures below only cover the four operating segments. The revenue and selling expenses stated below for these four individual segments include revenue with other segments of the Hypoport Group and associated selling expenses. For further information, see the disclosures in section 6 'Segment reporting' of the notes to the consolidated financial statements.

Credit Platform segment

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

EUROPACE brings together two groups: distribution organisations (non-captive distribution organisations, private commercial banks, savings banks, cooperative banks) and product suppliers (private commercial banks and insurance companies, savings banks and cooperative banks). The volume of transactions processed on EUROPACE in 2019 went up by 18 per cent to €68.0 billion, compared with €57.9 billion in 2018. There were further gains in market share in the two largest product groups, mortgage finance and building finance. Mortgage finance, which is by far the largest product group, saw its transaction volume grow by 19 per cent year on year to

€53.5 billion (2018: €44.9 billion). The second-largest product group, building finance, increased its transaction volume by 18 per cent to €11.0 billion (2018: €9.4 billion). The volume in the smallest product group, personal loans, was down slightly in 2019 compared with the very strong figure for the prior year, falling by 3 per cent from €3.6 billion to €3.5 billion.

The two large product groups, mortgage finance and building finance, which together account for more than 95 per cent of the volume of transactions on EUROPACE, thus considerably exceeded the growth rates of their respective markets once again. Figures from Deutsche Bundesbank show that, in 2019, the volume of new mortgage finance business in Germany grew by roughly 9 per cent year on year. In the same period, the volume of new building finance agreements rose by around 2 per cent.[4] The volume of new business for consumer loans was up by approximately 5 per cent[5] compared with 2018.

FINMAS, the sub-marketplace for institutions in the Savings Banks Finance Group, enabled the affiliated institutions to make further significant gains in terms of digitalisation in 2019. The volume of transactions processed on FINMAS climbed by 50 per cent to €6.2 billion (2018: €4.2 billion). In the cooperative banking sector, institutions used the dedicated GENOPACE sub-marketplace to generate a volume of €4.3 billion in 2019, a jump of 165 per cent compared with 2018. Alongside these encouraging trends at the savings banks and cooperative banks, the volumes generated by the non-captive financial product distributors and private commercial banks that use EUROPACE also grew.

Product suppliers on the EUROPACE lending marketplace are divided into three groups: private commercial banks and insurance companies, savings banks and cooperative banks. Private commercial banks and insurance companies, which are traditionally the largest group, generated a volume of €49.0 billion as product suppliers last year (2018: €47.7 billion). In their capacity as product suppliers, the savings banks notched up a volume of €10.8 billion in the same period (2018: €8.4 billion) and the cooperative banks €8.3 billion (2018: €9.5 billion). The savings banks and cooperative banks thus further increased their volume of new lending business on the marketplace relative to private commercial banks and insurance companies.

The increasing use of EUROPACE, FINMAS and GENOPACE within their respective sectors can also be seen from the number of contractual partners (product suppliers and distributors), which rose by 14 per cent to 706 (31 December 2018: 618). Of this total, there were 277 contractual partners attributable to FINMAS (31 December 2018: 233; up by 19 per cent) and 345 to GENOPACE (31 December 2018: 292; up by + 18%).

*4 Deutsche Bundesbank at https://www.bundesbank.de/dynamic/action/de/statistiken/zeitreihen-datenbanken/zeitreihen-datenbank/723452/723452?tsId=BBK01.SU1064&statisticType=BBK_ITS&tsTab=0.

*5 Deutsche Bundesbank at https://www.bundesbank.de/dynamic/action/de/statistiken/zeitreihen-datenbanken/zeitreihen-datenbank/723452/723452?tsId=BBK01.SUD230&statisticType=BBK_ITS&tsTab=0.

Boosted by the two brokerage pools for small and medium-sized independent loan brokerage advisors, Qualitypool and Starpool, which also performed well, by white-label sales of personal loans, and by the first contribution to revenue from REM CAPITAL AG, the Credit Platform segment reported significant increases in both revenue and earnings in 2019.

Revenue and earnings

In 2019, revenue in the Credit Platform segment rose by a substantial 22 per cent to €141.5 million (2018: €115.6 million). Gross profit minus selling expenses – which are incurred almost exclusively in connection with the two brokerage pools and the white-label sales of personal loans due to the business model – climbed at an even stronger rate of 29 per cent to reach €78.4 million (2018: €60.7 million). On the back of this increase, EBIT advanced by 20 per cent to €31.2 million (2018: €26.1 million). The segment's forecast of an increase in revenue and earnings in 2019 was therefore met. The Credit Platform segment's operating performance can be seen from the EBIT margin, which is based on gross profit. At 40 per cent, this margin was down slightly on the previous year (2018: 43 per cent) owing to continued high levels of capital expenditure on expanding sales capacity – particularly at the regional banks – and on IT development for new marketplace functions.

Financial figures Credit Platform	2019	2018	Change
Transaction volume (billion €)			
Total	68.0	57.9	18%
thereof Mortgage finance	53.5	44.9	19%
thereof Building finance	11.0	9.4	18%
thereof Personal loan	3.5	3.6	– 3%
Partners (number)			
EUROPACE (incl. GENOPACE und FINMAS)	706	618	18%
GENOPACE	345	292	19%
FINMAS	277	233	18%
Revenue and earnings (million €)			
Revenue	141.5	115.6	22%
Gross profit	78.4	60.7	29%
EBIT	31.2	26.1	20%

Private Clients segment

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

Dr. Klein offers advice on mortgage finance, building finance products and personal loans at more than 200 locations. At these locations, the advice is mainly provided through a franchise system. Dr. Klein also has seven Hypoport flagship stores located in large metropolitan areas in Germany. The network of sites has already been optimised in terms of coverage, which means the opening of new locations will not be the main source of growth in future. Instead, further expansion will largely be determined by the number and performance of the advisors at the existing locations. As at 31 December 2019, the number of advisors had grown by 13 per cent year on year, taking the total to 673. [6]

In 2019, the volume of mortgage finance, building finance and personal loan products brokered by Dr. Klein ('volume of new loans brokered') amounted to approximately €7.5 billion (2018: €6.5 billion). This equates to an increase of 14 per cent. Dr. Klein was thus able to capture additional market share in 2019.

Revenue and earnings

Revenue in the Private Clients segment advanced by 21 per cent to €104.6 million in 2019 (2018: €86.5 million). Commission paid to distribution partners (mainly franchisees) and lead acquisition fees paid to third parties are deducted from the segment's revenue to give the figure for gross profit. This rose by 18 per cent to €34.9 million (2018: €29.5 million). The slightly slower rate of growth in gross profit was attributable to the exceptional performance of the franchise partners compared with the flagship stores and to a shift in the product mix. EBIT went up by 3 per cent to €11.1 million (2018: €10.8 million). The segment's forecast of an increase in revenue and earnings in 2019 was therefore met. The smaller increase in EBIT was due to expenses in connection with improving the contractual integration of a large number of new regional product partners, capital expenditure on lead generation tools to achieve greater process efficiency for advisors and the ongoing build-up of personnel capacity.

The operating performance of the Private Clients segment can be seen from the EBIT margin, which is based on gross profit and declined slightly from 36 per cent in 2018 to 32 per cent in the year under review.

Financial figures Private Clients	2019	2018	Change
Transaction volume (billion €)			
Financing total	7.45	6.52	14%
Number of franchise advisors (financing)	673	595	13%
Revenue and earnings (million €)	**2019**	**2018**	
Revenue	104.6	86.5	21%
Gross profit	34.9	29.5	18%
EBIT	11.1	10.8	3%

*6 Dr. Klein advisors are defined as: franchisees, advisors employed by franchisees, and managers and advisors at flagship stores who have brokered at least one product at a location during the past twelve months.

Real Estate Platform segment

All property-related activities of the Hypoport Group, with the exception of loan brokerage for private clients, are grouped together in the Real Estate Platform segment with the aim of digitalising the sale, valuation, financing and management of properties. The target groups are the housing industry, estate agents and mortgage lenders (credit industry). The segment includes four platforms that have a lot of potential synergies with each other and with the Credit Platform segment: a property sales platform for the credit industry (FIO SYSTEMS AG), a property valuation platform for the credit industry (Value AG), a property financing platform for the housing industry (Dr. Klein Wowi Finanz AG) and a property management platform for the housing industry (Dr. Klein Wowi Digital AG, FIO SYSTEMS AG and Hypoport B.V. with its PRoMMiSe product).

The property sales platform has become firmly established within the Savings Banks Finance Group and, as at 31 December 2019, was used by a total of 320 institutions in the Savings Banks Finance Group (31 December 2018: 311). This equates to a market share of more than 80 per cent in the savings bank sector. The number of users in the cooperative banking group grew to 70 institutions (31 December 2018: 58; up by 20 per cent). The cooperative banking sector therefore offers the greatest potential for the property sales platform in terms of acquiring new users. The number of banking partners using the property valuation platform increased from approximately 220 as at 31 December 2018 to 347 at the end of 2019.
The volume of new loans brokered on the property financing platform for the housing industry amounted to €1.7 billion in 2019, a reduction of 12 per cent (2018: €1.9 billion). Market conditions (see the section ‘Sectoral performance’) remain challenging owing to the relative lack of stimulus from interest rates and the politically charged debate about rent increases, which have made the housing industry reluctant to invest. Acquiring new clients was again the focus for the property management platform, which achieved some early successes in 2019.

Revenue and earnings

Revenue from the property sales platform and property management platform doubled to reach €23.7 million (2018: €11.0 million). This sharp rise was attributable to the gradual increase in recurring SaaS revenue and very robust project business with accompanying services in the second half of 2019. The property valuation platform’s revenue also surged, jumping by 62 per cent to €14.2 million (2018: €8.8 million).

The smaller volume of new loans brokered and a drop in individual commission caused revenue from the property financing platform for the housing industry to decrease by 15 per cent to €12.2 million (2018: €14.3 million).

The Real Estate Platform segment’s overall revenue thus stood at €50.1 million, a year-on-year increase of 47 per cent (2018: €34.1 million). The segment’s overall gross profit rose by 41 per cent to €46.4 million (2018: €32.9 million). Owing to a much smaller contribution to EBIT from the property financing platform, high levels of initial capital expenditure on the property valuation platform and other capital expenditure, the segment’s EBIT fell by 9 per cent to €5.4 million (2018: €6.0 million). The segment’s forecast of high potential for an increase in revenue and earnings in the long term was therefore already met in respect of revenue in 2019.

Financial figures Real Estate Platform	2019	2018	Change
Brokered loans property financing platform (million €)	1.676	1.896	– 12%
Revenue and earnings (million €)			
Revenue	50.1	34.1	47%
thereof thereof property financing platform	12.2	14.3	– 15%
thereof property sales platform + property management platform	23.7	11.0	115%
thereof property valuation platform	14.2	8.8	62%
Gross profit	46.4	32.9	41%
EBIT	5.4	6.0	– 9%

Insurance Platform business unit

The Insurance Platform segment brings together all of the Hypoport Group's activities relating to insurance technology. In 2019, its activities focused on expanding business relationships with existing clients (financial product distributors, brokerage pools, B2C insurtech start-ups and branch-based retail banks) to encompass all modules of the Smart InsurTech platform. Additional small and medium-sized enterprises were also signed up as pilot customers for the platform.

Revenue and earnings

A combination of the expansion of business relationships with existing clients, the securing of new clients and the growth as a result of acquiring ASC (which has since been merged into Qualitypool) and 1blick in 2018 caused revenue to go up by 38 per cent to €42.6 million (2018: €30.9 million). The segment's gross profit climbed by 29 per cent to €21.4 million (2018: €16.6 million). EBIT improved significantly year on year, from a loss of €2.7 million in 2018 to a loss of €1.4 million in 2019. The segment's forecast of an increase in revenue and earnings in 2019 was therefore met.

Financial figures Insurance Platform	2019	2018	Change
Revenue and earnings (million €)			
Revenue	42.6	30.9	38%
Gross profit	21.4	16.6	29%
EBIT	– 1.4	– 2.7	46%

2. Financial performance

Financial performance	2019 €'000	2018 €'000	Change €'000
Revenue	**337,243**	**265,958**	**71,285**
Commissions and lead costs	– 155,315	– 125,778	– 29,537
Gross Profit	**181,928**	**140,180**	**41,748**
Own work capitalised	16,576	10,714	5,862
Other income	3,028	3,953	– 925
Personnel expenses	– 106,637	– 81,748	– 24,889
Other expenses	– 42,064	– 34,272	– 7,792
Income from companies accounted for using the equity method	– 616	261	– 877
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**52,215**	**39,088**	**13,127**
Depreciation, amortisation expense and impairment losses	– 19,208	– 9,798	– 9,410
Earnings before interest and tax (EBIT)	**33,007**	**29,290**	**3,717**
Net finance costs	– 1,568	– 1,159	– 409
Earnings before tax (EBT)	**31,439**	**28,131**	**3,308**
Current income taxes	– 9,213	– 7,219	– 1,994
Deferred taxes	2,173	1,554	619
Net profit for the year	**24,399**	**22,466**	**1,933**

Against the backdrop of the operating performance described above, EBITDA increased by a substantial 34 per cent to €52.2 million (2018: €39.1 million) and EBIT rose to €33.0 million (2018: €29.3 million).

Depreciation on right-of-use assets and the effects of unwinding the discount on lease liabilities were recognised instead of the cost of leases being recognised under other operating expenses. This accounted for €6.1 million of the increase in EBITDA.

Own work capitalised largely relates to the pro-rata personnel expenses and operating costs incurred by developing and refining the internally generated platforms. The increase in own work capitalised clearly reflects the expansion of investing activities within the Group. In the reporting year, 52 per cent of total development costs were capitalised (2018: 48 per cent).

Other income mainly comprised income of €1.2 million from employee contributions to vehicle purchases (2018: €1.1 million), income of €0.7 million from the reversal of provisions (2018: €1.1 million) and income of €0.6 million from other accounting periods (2018: €0.6 million).

Personnel expenses went up because the average number of employees during the period advanced from 1,353 to 1,736 (primarily as a result of acquisitions) and due to hiring in the existing Group companies and salary increases.

The rise in other expenses essentially relates to administrative expenses of €19.1 million (2018: €13.2 million) and other selling expenses of €7.9 million (2018: €5.9 million).

Depreciation, amortisation expense and impairment losses rose by €9.4 million to €19.2 million (2018: €9.8 million), the largest item of which (€5.9 million) consisted of depreciation and impairment recognised on leasing-related right-of-use assets for the first time as a result of application of the new accounting standard for leases (IFRS 16). Of the depreciation, amortisation expense and impairment losses of €19.2 million (2018: €9.8 million), €6.3 million (2018: €4.7 million) was attributable to capitalised development costs.

The net finance costs mainly comprised interest expense and similar charges of €1.6 million (2018: €1.1 million), which stemmed from bank loans totalling €92.3 million (2018: €79.8 million). The Hypoport Group's average finance costs fell again in 2019.

3. Net assets

The following information on the structure of the Hypoport Group's assets, equity and liabilities as at 31 December 2019 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'. The Hypoport Group's consolidated total assets as at 31 December 2019 amounted to €391.6 million, which was a 28 per cent increase on the total as at 31 December 2018 (€305.6 million).

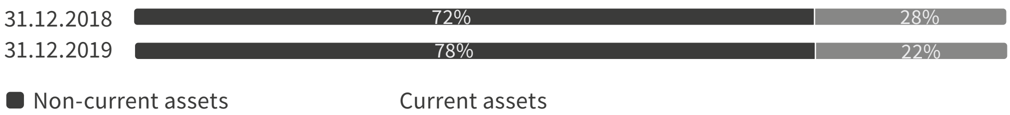
Net assets

Assets	2019 €'000	2019 %	2018 €'000	2018 %	Change €'000
Intangible assets	248,241	63.4	190,636	62.4	57,605
Property plant and equipment	34,987	8.9	10,332	3.4	24,655
Investments accounted for using the equity method	190	0.0	290	0.1	– 100
Financial assets	5,904	1.5	6,500	2.1	– 596
Trade receivables	6,889	1.8	7,562	2.5	– 673
Other assets	401	0.1	1,065	0.3	– 664
Deferred tax assets	7,838	2.0	4,588	1.5	3,250
Non-current assets	**304,450**	**77.7**	**220,973**	**72.3**	**83,477**
Inventories	1,087	0.3	780	0.3	307
Trade receivables	56,181	14.3	47,974	15.7	8,207
Other current items	4,393	1.1	3,521	1.2	872
Income tax assets	576	0.1	609	0.2	– 33
Cash and cash equivalents	24,892	6.4	31,761	10.4	– 6,869
Current assets	**87,129**	**22.3**	**84,645**	**27.7**	**2,484**
Total assets	**391,579**	**100.0**	**305,618**	**100.0**	**85,961**

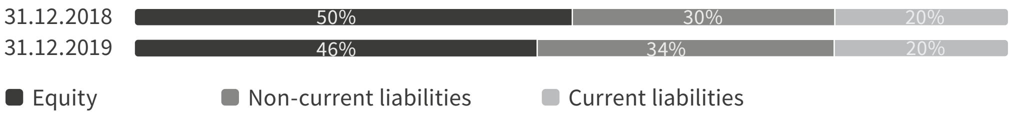
Equity and Liabilities	2019 €'000	2019 %	2018 €'000	2018 %	Change €'000
Subscribed capital	6,493	1.7	6,493	2.1	0
Treasury shares	– 241	– 0.1	– 246	– 0.1	5
Reserves	171,781	43.9	146,923	48.1	24,858
	178,033	45.5	153,170	50.1	24,863
Non-controlling interest	342	0.1	314	0.1	28
Equity	**178,375**	**45.6**	**153,484**	**50.2**	**24,891**
Financial liabilities	98,455	25.1	70,956	23.2	27,499
Provisions	147	0.0	34	0.0	113
Other liabilities	19,766	5.0	7,400	2.4	12,366
Deferred tax liabilities	13,030	3.3	11,770	3.9	1,260
Non-current liabilities	**131,398**	**33.6**	**90,160**	**29.5**	**41,238**
Provisions	770	0.2	250	0.1	520
Financial liabilities	16,413	4.2	9,780	3.2	6,633
Trade payables	39,581	10.1	32,543	10.1	7,038
Current income tax liabilities	3,484	0.9	3,778	1.2	– 294
Other liabilities	21,558	5.5	15,623	5.1	5,935
Current liabilities	**81,806**	**20.9**	**61,974**	**20.3**	**19,832**
Total equity and liabilities	**391,579**	**100.0**	**305,618**	**100.0**	**85,961**

Balance sheet structure

Assets



Equity and liabilities



Non-current assets totalled €304.5 million (31 December 2018: €221.0 million). They largely consisted of goodwill of €186.4 million (31 December 2018: €140.5 million) and development costs for the financial marketplaces of €47.2 million (31 December 2018: €36.0 million). The €24.7 million rise in property, plant and equipment to €35.0 million is mainly attributable to the recognition of leasing-related right-of-use assets amounting to €21.4 million for the first time following application of the new accounting standard for leases (IFRS 16).

Other current assets essentially comprised prepaid expenses of €2.2 million (31 December 2018: €1.1 million) and advances paid of €0.7 million (31 December 2018: €0.6 million).

The equity attributable to Hypoport AG shareholders as at 31 December 2019 had increased by €24.9 million, or 16.2 per cent, to €178.0 million, primarily due to the net profit for the year of €24.4 million. The equity ratio decreased from 50.2 per cent to 45.6 per cent, owing to the marked increase in total assets.

Other non-current liabilities mainly related to purchase price liabilities resulting from two debtor warrants agreed with the former shareholders of ASC Assekuranz-Service Center GmbH and REM CAPITAL AG.

Other current liabilities mainly comprised bonus commitments of €4.5 million (31 December 2018: €4.7 million) and tax liabilities of €3.4 million (31 December 2018: €2.2 million).
Total financial liabilities comprised bank loans of €93.1 million (31 December 2018: €80.6 million) and leases of €21.7 million (31 December 2018: €0.2 million). The increase in financial liabilities arising from leases was the result of application of IFRS 16 with effect from 1 January 2019 and the recognition of new lease liabilities in the reporting year. Financial liabilities arising from bank loans went up because scheduled repayments of loans amounting to €11.1 million were outweighed by new borrowing of €23.5 million.

4. Financial position

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

Liquidity position at the balance sheet date	31.12.2019 €'000	31.12.2018 €'000	Change €'000
Current liabilities	81,806	61,974	19,832
Cash and cash equivalents	24,892	31,761	– 6,869
	56,914	30,213	26,701
Other current assets	62,237	52,884	9,353
Surplus cover	**5,323**	**22,671**	**– 17,348**

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

Cover ratio	31.12.2019 €'000	31.12.2018 €'000	Change €'000
Non-current assets	304,450	220,973	83,477
Equity	178,375	153,484	24,891
	126,075	67,489	58,586
Non-current liabilities	131,398	90,160	41,238
Surplus cover	**5,323**	**22,671**	**– 17,348**

107 per cent (31 December 2018: 137 per cent) of the current liabilities of €81.8 million (31 December 2018: €62.0 million) are covered by current assets.

59 per cent (31 December 2018: 69 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.

	31.12.2019	31.12.2018
Return on investment = EBIT / (equity + non-current liabilities)	10.7%	12.0%
Cash flow (CF) return on equity = CF from operating activities / equity	25,9%	26.0%
EBIT margin = EBIT / gross profit	18.1%	20.9%
Tier-1 liquidity = cash and cash equivalents / current liabilities	30.4%	51.2%
Equity ratio = equity / total equity and liabilities	45.6%	50.2%
Gearing = liabilities / total equity and liabilities	54.4%	49.8%
Tier-1 capital ratio = equity / (Intangible assets + Property, plant and equipment)	63.0%	76.4%

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

Cash flow during the reporting period rose by €10.7 million to €44.4 million (2018: €33.7 million). The total net cash generated by operating activities in 2019 amounted to €46.2 million (2018: €39.8 million). The cash used for working capital rose by €4.3 million to €1.8 million (2018: €6.1 million).

The net cash outflow of €59.9 million for investing activities (2018: €85.6 million) consisted primarily of a total amount of €30.3 million for the acquisitions of REM CAPITAL AG, empirica-systeme GmbH and Maklaro GmbH and capital expenditure of €20.1 million on non-current intangible assets (2018: €13.9 million).

The net cash of €6.8 million provided by financing activities (2018: €63.2 million) consisted of new borrowing from banks of €23.5 million (2018: €70.5 million), the scheduled repayment of bank loans in an amount of €11.1 million (2018: €7.3 million) and the repayment of lease liabilities in an amount of €5.7 million (2018: €0.0 million).

Cash and cash equivalents as at 31 December 2019 totalled €24.9 million, which was €6.9 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 €19.1 million (31 December 2018: €15.9 million) in respect of rentals, leases and maintenance agreements with terms of more than one year. Included in these other financial commitments were commitments of €5.2 million (31 December 2018: €4.2 million) due within one year, €11.8 million (31 December 2018: €10.1 million) due in one to five years and €2.1 million (31 December 2018: €1.6 million) due in more than five years.

Overall statement on the Hypoport Group's economic position:

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

5. Capital expenditure and finance

Most of the capital investment in 2019 was spent on the acquisitions of REM CAPITAL AG, empirica-systeme GmbH and Maklaro GmbH and on the refinement of all platforms. There was also further capital expenditure on new advisory systems for consumers and distributors.
Capital expenditure was financed by both operating cash flow and new borrowing.

6. Unrecognised assets

As at 31 December 2019, Hypoport AG held 240,691 treasury shares that, on that date, had a total market value of around €76 million. These shares can be used to service employee share ownership programmes and to fund acquisitions. For further details, please refer to 4.11 in the notes to the financial statements.

One asset that is recognised in our subsidiaries, but only to a minor extent, is internally generated software, e.g. for the processing of loan brokerage transactions or the administration of insurance portfolios.

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

In the Credit Platform segment, the subsidiaries Hypoport Mortgage Market Ltd. and EUROPACE AG provide several thousand loan brokerage advisors with access to the EUROPACE marketplace so that they can process their new business in mortgages, building finance and personal loans. Smart InsurTech AG provides a comparable platform to thousands of insurance advisors in the Insurance Platform segment. These two platforms together provide substantial distribution capability, 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 marketplaces and constitutes a significant unrecognised asset. It also makes it easy for affiliated loan brokerage advisors and insurance advisors to participate in renewals, increases in premiums, refinancing or cover changes relating to financial products that have already been brokered on the marketplaces, and allows them to benefit financially in the form of additional agency commission.

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

7. Employees

The number of employees in the Hypoport Group rose by 29 per cent compared with the end of 2018 to 1,941, primarily because of the acquisitions (31 December 2018: 1,500 employees). The average number of people employed in 2019 was 1,736, which was a year-on-year increase of 28 per cent (2018: 1,353 employees).

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

	31.12.2019		31.12.2018		Change	
Employees	Number	%	Number	%	Number	%
Credit Platform	469	24	362	24	107	30
Private Clients	285	15	273	18	12	4
Real Estate Platform	703	36	464	31	239	52
Insurance Platform	306	16	271	18	35	13
Holding	178	9	130	9	48	37
	1,941		**1,500**		**441**	**29**

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 Hypoport AG's ability to compete and adapt in future. Human resources management is therefore geared to finding, recruiting, retaining and developing talented people as Hypoport employees. In order to achieve these goals, Hypoport is constantly taking steps to ensure that it provides all members of staff with the necessary training and development opportunities and to enhance its corporate culture.

To this end, Hypoport has defined four groupwide principles to be applied by the Hypoport companies:

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

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

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 Dieter Pfeiffenberger, its vice-chairman Roland Adams and Martin Krebs. 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 2019 was composed of a basic salary, variable year-end remuneration and fringe benefits. Fringe benefits are essentially the use of a company car and health insurance cover.

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

The basic salary is increased or decreased by the three-year EBIT delta each year. It is always at least €204,000.00.

The amount of variable annual remuneration equals a percentage ('bonus rate') of the change in EBIT.

The bonus rate for the next year is increased or decreased each year conversely to the three-year EBIT delta. The level of change equals the three-year EBIT delta as a percentage of the bonus rate.

The variable annual remuneration must be no more than the basic salary for the financial year just ended.

The changes in basic salary and year-end remuneration are determined by the Supervisory Board on the basis of the Company's consolidated annual financial statements. Any changes made apply retrospectively from 1 January of the year concerned.

The Management Board members' service contracts contain no agreements that would apply in the event of a change of control resulting from a takeover bid. No loans or advances had been granted as at 31 December 2019.

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. 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 2019 totalled €1.926 million and was broken down as follows:

Board of Management Remuneration €'000	Fixed remuneration 2019	Fixed remuneration 2018	Variable remuneration 2019	Variable remuneration 2018	Fringe benefits 2019	Fringe benefits 2018	Total remuneration 2019	Total remuneration 2018
Ronald Slabke	519	485	97	96	24	23	640	604
Hans Peter Trampe	519	485	97	96	23	22	639	603
Stephan Gawarecki	519	485	97	96	31	36	647	617
Insgesamt	**1,557**	**1,455**	**291**	**288**	**78**	**81**	**1,926**	**1,824**

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 2019 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 Boardmember Joined Jun. 1, 2010**				**Stephan Gawarecki Boardmember Joined Jun. 1,2010**			
	Target value 2018	Target value 2019	Minimum value 2018	Maximum value 2019	Target value 2018	Target value 2019	Minimum value 2018	Maximum value 2019	Target value 2018	Target value 2019	Minimum value 2018	Maximum value 2019
Fixed remuneration	485	519	519	519	485	519	519	519	485	519	519	519
Fringe benefits	23	24	24	24	4	5	5	5	36	31	31	31
Total	**508**	**543**	**543**	**543**	**489**	**524**	**524**	**524**	**521**	**550**	**550**	**550**
Variable remuneration	96	97	0	519	96	97	0	519	96	97	0	519
Total	**604**	**640**	**543**	**1,062**	**585**	**621**	**524**	**1,043**	**617**	**647**	**550**	**1,069**
pension expenses	**0**	**0**	**0**	**0**	**18**	**18**	**18**	**18**	**0**	**0**	**0**	**0**
Aggregate remuneration	**604**	**640**	**543**	**1,062**	**603**	**639**	**542**	**1,061**	**617**	**647**	**550**	**1,069**

Remuneration and Benefits Granted €'000	**Ronald Slabke Chairman Joined Dec. 21, 2001**		**Hans Peter Trampe Institutional Clients Joined Jun. 1, 2010**		**Stephan Gawarecki Privat Clients Joined Jun. 1, 2010**	
	2019	2018	2019	2018	2019	2018
Fixed remuneration	519	485	519	485	519	485
Fringe benefits	24	23	5	4	31	36
Total	**543**	**508**	**524**	**489**	**550**	**521**
Variable remuneration	97	96	97	96	97	96
Total	**640**	**604**	**621**	**585**	**647**	**617**
pension expenses	**0**	**0**	**18**	**18**	**0**	**0**
Aggregate remuneration	**640**	**604**	**639**	**603**	**647**	**617**

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 Supervisory Board members' out-of-pocket expenses.

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

Members of the Supervisory Board who have served for less than a full financial year receive pro-rata fixed remuneration in proportion to the period for which they have served on the Supervisory Board.

The Company reimburses all members of the Supervisory Board for any value added tax paid in respect of their remuneration and out-of-pocket expenses. The Company bears the cost of maintaining a reasonable level of cover under a directors' and officers' liability insurance policy for the members of the Supervisory Board. No excess has been agreed.

The remuneration for the Supervisory Board for 2019 totalled €175 thousand and was broken down as follows:

Allocation of Remuneration in/for 2018 and 2019	Fixed remuneration		Fringe benefits		Total remuneration	
€'000	2019	2018	2019	2018	2019	2018
Dieter Pfeiffenberger 1)	65	27	0	0	65	27
Roland Adams	60	60	2	2	60	62
Martin Krebs 2)	25	0	0	0	25	0
Dr. Ottheinz Jung-Senssfelder 3)	23	80	0	1	23	81
Christian Schröder 4)	0	13	0	1	0	14
Insgesamt	**173**	**180**	**2**	**4**	**175**	**184**

1) With effect from May 4, 2018, Mr. Dieter Pfeiffenberger was elected to the Supervisory Board of Hypoport AG.
2) With effect from May 15, 2019, Mr. Martin Krebs was elected to the Supervisory Board of Hypoport AG.
3) On April 13, 2019 Dr. Ottheinz Jung-Senssfleder passed away.
4) With effect from May 4, 2018, Mr. Christian Schröder resigned as a member of the Supervisory Board of Hypoport AG.

10. Disclosures under German takeover law

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

Composition of subscribed capital

The Company's subscribed capital amounted to €6,493,376.00 at the end of 2019. It is divided into 6,493,376 no-par-value registered shares.

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

Restrictions on voting rights and the transfer of shares

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

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

The following shareholding in Hypoport AG exceeding 10 per cent of the voting rights was known to us at the time this group management report was prepared:

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

Shares with special rights conferring powers of control

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

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

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

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

The members of the Management Board are appointed by the Supervisory Board pursuant to sections 84 and 85 AktG and section 5 (2) of the Company's statutes. The Management Board comprises at least two persons pursuant to section 5 (1) of the Company's statutes; the number of Management Board members is determined by the Supervisory Board. If the Management Board is short of a member, this member is appointed by the courts in urgent cases at the request of an interested party pursuant to section 85 AktG.

Section 179 AktG states that amendments to the Company's statutes require a resolution to be passed by the Annual Shareholders' Meeting; section 16 of the statutes states that, unless mandatory legal provisions specify otherwise, amendments to the statutes are adopted by a simple majority of votes cast. The Supervisory Board has the authority to make amendments concerning the wording only pursuant to section 19 of the Company's statutes.

Powers of the Management Board to issue and repurchase shares

The Annual Shareholders' Meeting held on 5 May 2017 voted to set aside the unused authorisation granted on 1 June 2012 and to issue a new authorisation. The Management Board was authorised – subject to the consent of the Supervisory Board – to increase the Company's subscribed capital by up to a total of €2,799,061.00 by issuing new registered no-par-value shares for cash or non-cash capital contribution on one or more occasions on or before 4 May 2022. The Management Board can decide – subject to the consent of the Supervisory Board – to disapply the shareholders' statutory pre-emption rights.

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

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

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

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

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

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

Opportunities and risks report

11. Corporate governance declaration and non-financial declaration

Hypoport AG has issued the Group declarations required by section 315d (1) and 315b (1) HGB and has made them permanently available to the public on the Company's website at www.hypoport.com/investor-relations/corporate-governance.
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.
The risks are shown before the effect of measures taken to mitigate risk (gross presentation).

1. Integrated opportunity and risk management system

Internal monitoring system

The central feature of Hypoport's internal monitoring system is the 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. In addition to the appointment of external data protection officers, it is secured internally by data protection training for employees and by the deployment of employees in the data protection department who have been certified by German product standards regulator TÜV. Other data protection tasks include establishing and monitoring processes that comply with data protection legislation and dealing with requests made by clients, partners and employees.

Financial planning and reporting and control system

With the aid of strategic planning and an internal reporting system, a 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 in the context of business activities.

Early-warning systems

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

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

2. Macroeconomic risk

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

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

3. Sectoral and industry risks

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

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

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

The interest rates on long-term investments, which serve as the benchmark rate for mortgage finance, could also have a significant impact on the demand for finance and, consequently, on the performance of several Group companies. A sharp rise in long-term interest rates might curb demand for such finance. Given the persistently challenging economic and sovereign debt situation in the eurozone, we currently do not expect interest rates to rise significantly. The recent trend in 2020 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 750 banks, insurance companies 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 client preferences, which it meets by working with its product partners to provide competitive products tailored to clients' 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.

Furthermore, competition is becoming fiercer because there are more mortgage finance providers with comparable business models. We maintain a close dialogue with our clients, product suppliers and franchisees in order to highlight the advantages and added value of our business model.

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 a promising 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 platforms were to fail, this would reduce the revenue generated by the transaction-based business models of our subsidiaries and 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. Staff training and development, career prospects, employee benefits and remuneration models encourage staff loyalty.

Timely and high-quality product development forms the backbone of any company providing services or technology. 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 clients' particular needs. By constantly monitoring its product portfolio, the Hypoport Group is able to mitigate the risks that arise if individual products lose their appeal or their quality deteriorates. We have also defined clear development-related processes and responsibilities and introduced planning tools that help to ensure that development projects can be completed on schedule and on budget.

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

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

5. Financial risk

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

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

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

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

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

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

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

6. Strategic risk

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

The management of strategic risk forms part of the overall coordination of the Company and is the responsibility of the Management Board.

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

This system enables strategic risk to be identified on a timely basis and preventive action to be taken at a sufficiently early stage.

Impartial advice and financial optimisation for retail and corporate clients are the cornerstones of the Hypoport Group business model. A wide range of products is essential to supplying advice that is tailored to clients' 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 clients, 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 clients 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 client meetings and strict criteria for selecting new product suppliers and products help us to achieve this goal.

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

Hypoport constantly monitors changes in tax law and analyses any impact they may have on the Group. Internal and external experts review compliance with fiscal legislation in accordance with tax regulations and the administrative instructions issued by the tax authorities.
The types of business carried out by service providers such as the Hypoport Group have little adverse impact on the environment. No material environmental risks arise from the Hypoport Group's operational activities.

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

8. Aggregate risk

The Hypoport Group maintains a risk management system that enables it to address the risks relevant to our Group in an appropriate manner. We review the structure of the risk management system on an annual basis to ensure we can react promptly to changes in risk positions and to new legislation. All risks currently identified and weighted according to the likelihood of their occurrence have been compensated for by preventive measures and do not present any evident threat to the continued existence of the Company. The most important risks are the increase in the number of mortgage finance providers with comparable business models, the start-up of fintechs with a similar platform approach and the disappearance of major product suppliers. The cumulative expected value of the ten biggest risks is €6.2 million. At present, we have not identified any additional risks that might jeopardise the Company 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 2018, i.e. it is still considered to be low. No significant risks that could have a material effect on the continued existence of Hypoport AG 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 specialists, offering training and continuing professional development and adhering strictly to the double-checking principle in accounting and finance, Hypoport makes it possible to comply with local (HGB and national tax law) and international financial reporting standards (IFRS) in both the separate and the consolidated financial statements.

Centralised key functions that report directly to the Management Board are designed to ensure that there is integrity and accountability in respect of the finance function and financial reporting.

A system of standards and policies (e.g. accounting standards, payment guidelines, travel policy) is in place and 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, for example as part of payment runs.

Controls have been integrated into the important 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 posted make it possible for all items to be entered in the bookkeeping system and properly checked in terms of calculation and content.

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 HGB, AktG and 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.
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. 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

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 and the early identification of risk by the risk management function are designed to 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 activities at all levels of the Group. We monitor trends and developments in our subsidiaries' markets, which enables us to identify operational opportunities. Our lean structures shorten our decision-making channels and allow us to respond quickly to client preferences and market trends.

The level of excess demand in the German housing market has been rising for a number of years. The comparatively low proportion of home ownership (approximately 50 per cent), the trend for small households and constant inward migration to Germany since 2009 mean that there will be no let-up in the high level of demand in the years ahead. According to the German Housing and Property Companies Association (GdW), there is a housing shortfall of more than 1.1 million homes. Demand exceeds supply in all categories, from public housing to luxury apartments. As a result, property prices nationwide, but particularly in metropolitan areas, 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, lengthy approval processes and capacity shortfalls in the construction industry, supply remains too inelastic, both in the rental accommodation market and in terms of the homes available to buy. Completions lag so far behind actual demand in metropolitan areas that, all other things being equal, satisfying the pent-up demand would take several more years even if the expected rise in construction activity were to materialise. Moreover, rising rental prices and attractive lending conditions are encouraging many tenants to become owners. As a Group, we occupy a promising position in all the individual markets to benefit from the market growth that is expected to be generated as a result. 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 ad-

vice and allow clients 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 platforms.

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. Thanks to the high quality of our advice and our non-captive status, we remain in a good 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, insurtech and proptech companies. An acquisition could create opportunities for enhanced revenue potential.

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

Outlook

As explained in the section ‘Economic conditions’, trends in the broad macroeconomic environment have only a subordinate and indirect influence on the performance of the Hypoport Group. The only macroeconomic variables that, along with industry-specific factors, have a degree of influence on consumers’ and the housing industry’s willingness to borrow are GDP, interest rates and inflation.

General forecasts for German GDP and for interest rates and inflation in the eurozone are subject to uncertainties related to the currently unpredictable nature of many companies’ foreign trade policy, the lack of clarity about the exact outcome of Brexit and geopolitical conflicts. In their 2019 autumn report, Germany’s leading economic research institutions nonetheless predicted GDP growth of 1.1 per cent for Germany in 2020. In their 2019 spring report, they had forecast a higher rise of 1.8 per cent for 2020. Given the weakening of the economy and the ECB’s relaunch of bond buying, interest rates are likely to remain low in 2020 and beyond in the eurozone.

The industry-specific parameters in the market for residential mortgage finance and in the insurance industry improved in 2019, as did the volume of housing market transactions (see the section ‘Sectoral performance’). Hypoport AG’s predictions for these in 2020 are set out below:

In line with the GDV’s estimate, the Hypoport Group expects that the increase in the volume of premiums will be only just above the inflation rate in 2020, based on the assumption that the total number of insurance policies in Germany remains relatively constant and that premiums for the individual policies rise slightly.

The Hypoport Group anticipates that the volume of new mortgage finance business and the volume of housing market transactions will increase by a mid-single-digit percentage amount in 2020. This is primarily because property prices will continue to rise due to excess demand, whereas the number of properties for sale is likely to hold steady – as it has in previous years – or even fall slightly.

Overall statement on future performance

Based on these expectations, the outlook for the four segments of the Hypoport Group and for the entire Group in 2020 is as follows:

The Credit Platform segment is focusing on further increasing its market share through quantitative and, in particular, qualitative expansion of its base of contractual partners. Besides the expected positive performance of the overall EUROPACE marketplace, which is likely to see a year-on-year increase in the volume of transactions of between 15 per cent and 20 per cent, the sub-marketplaces for the savings bank sector (FINMAS) and the cooperative banking sector (GENOPACE) will play a particularly crucial role. We predict growth rates for FINMAS ranging between 30 per cent and 70 per cent. In 2019, GENOPACE’s growth rate jumped to 170 per cent. Hypoport AG anticipates that this expansion will remain at a rate of around 100 per cent in 2020. The volume of transactions attributable to non-captive brokers and private commercial banks using EUROPACE is also expected to grow in 2020. Furthermore, as a result of the leveraging of potential synergies with the Real Estate Platform segment, new products and additional services should increase the depth of services provided to individual clients and thus strengthen client loyalty. Acquired in 2019, REM CAPITAL will contribute higher levels of revenue and earnings in 2020. As a result, the Credit Platform segment is predicted to generate sharp rises in overall revenue and earnings (EBIT) in 2020.

The Private Clients segment is concentrating on signing up clients for financial products. Client demand for loan brokerage from non-captive advisors, not tied to a particular product supplier, has been rising for years, and this trend is set to continue in 2020. The advantage of being able to compare multiple products is obvious, and increasing numbers of consumers are exploiting this advantage. Recruiting and training new advisors will be key to the further expansion of the segment, because it will enable this growing demand from consumers to be met. The Private Clients segment is predicted to generate sharp rises in overall revenue and earnings (EBIT) in 2020.

All property-related activities of the Hypoport Group, with the exception of loan brokerage for private clients, are grouped together in the Real Estate Platform segment with the aim of digitalising the sale, valuation, financing and management of properties. The property financing platform business (Dr. Klein Wowi Finanz AG, formerly DR. KLEIN Firmenkunden AG) is the most difficult business to make forecasts about in the Hypoport Group, because its revenue tends to fluctuate significantly. This fluctuation is attributable to the fact that individual loan brokerage transactions for housing companies are usually very large, combined with a high level of dependence on interest-rate trends. Hypoport expects the other three platforms (property sales platform, property valuation platform and property management platform) to perform well. Revenue from the property valuation business, in particular, is expected to increase at a rate that is well into double figures.

Substantial capital expenditure aimed at expanding business activities is planned for 2020, especially in the first half of the year, in order to significantly increase the growth rates of all companies in the Real Estate Platform segment. Consequently, we anticipate significant revenue growth, combined with a temporary but sharp drop in profitability (EBIT) for the segment as a whole in 2020.

The Insurance Platform segment is striving to become the market standard for the insurance industry, similar to EUROPACE's role in the credit industry. A substantial increase in revenue and a strong improvement in earnings (EBIT) compared with the previous year are predicted for 2020.

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 €32 million in 2020. Most of this has been earmarked for the establishment (corporate finance platform) and refinement (credit platform, real estate platform, insurance platform) of the platforms, further digitalisation of the business units in the Real Estate Platform segment and the addition of further key account resources (FINMAS, GENOPACE and Smart InsurTech). 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 2020. We will essentially use our cash flows to increase the Hypoport Group's financial strength and for capital investment.
Assuming that there is no significant turmoil in the credit, property or insurance industries (i.e. in the markets in which the Hypoport Group operates), we therefore expect the Hypoport Group as a whole to achieve consolidated revenue of between €400 million and €440 million and EBIT of €35 million to €40 million.

After the reporting date of 31 December 2019, there was a rapid increase worldwide in the number of people infected with coronavirus/COVID-19. The number of cases in Germany has also been rising sharply since February 2020. As the outbreak is likely to significantly reduce consumer spending and companies' inclination to invest, there will probably be a temporary decrease in GDP. The German government has already decided on, or announced, a range of measures to mitigate the impact on business. It is currently not possible to reliably estimate the exact economic effect of coronavirus or of the action taken by the government.

To protect the health of its employees and of their families, friends and acquaintances as well as that of its business partners, the Hypoport Group took steps at an early stage to reduce the number of infected or potentially affected employees. As we are a modern technology company, the employees in our Group have been used to working at home for many years. We have also been using video-conferencing tools for some time. Consequently, we have not had to do too much work to adapt to the current situation, unlike companies in more traditional industries. We also have clear procedural instructions and multi-stage action plans for employees if an infection is suspected. A central point of contact has been appointed for the Group as a whole, and there are also designated contacts at each site.

At Group level, we are not currently seeing any significant constraints on business processes or any significant impact on our expected revenue or our forecast. Unlike in retail, for example, the Hypoport Group's platform-based business models involve relatively little direct contact with customers. The only segment with a material number of customer meetings is Private Clients, with its brand Dr. Klein Privatkunden. However, our organisation is relatively decentralised with more than 200 sites across Germany. Short, precautionary closures of individual sites are unlikely to have a considerable impact on our revenue, unlike in the manufacturing sector, where factories have to be closed and production lines shut down.

This management report contains statements about economic and political developments as well as the future performance of Hypoport AG and its subsidiaries. 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.

Lübeck, 6 March 2020
Hypoport AG – The Management Board

Ronald Slabke

Stephan Gawarecki

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.”

Lübeck, 6 March 2020

Hypoport AG – The Management Board

Ronald Slabke

Stephan Gawarecki

Shares and investor relations

Share price performance

Hypoport shares started the 2019 trading year at €149.00 (XETRA closing price on 2 January 2019), which was also the lowest price in 2019. In the weeks that followed, the shares climbed to around €180 as the stock market bounced back following its weak performance at the end of 2018 and remained within a range of roughly €170 to €190 until the end of May. They rose sharply from the start of May onwards. From mid-June until mid-October, the shares ranged between €220 and €260. They went up sharply again from mid-October onwards and stood at €317.00 at the end of 2019.

On Xetra, Hypoport shares thus gained in value by around 113 per cent over the course of 2019, thereby comfortably outperforming the generally robust capital markets (DAX up by 25 per cent, SDAX up by 32 per cent). The daily volume of Hypoport shares traded on all German stock exchanges averaged €1.8 million.

Performance of Hypoport shares (daily closing prices, Xetra, €) in 2019

Membership of the SDAX

Hypoport AG has been in the SDAX continually since December 2015. The composition of the SDAX was changed in 2018 and now consists of 70 stocks. At the end of 2019, Hypoport shares occupied the midfield in the SDAX index in terms of free-float trading volume. In terms of market capitalisation, Hypoport shares are now in the top third owing to their rise in price in 2019.

Research

Hypoport shares were covered by six professional banking institutions (Bankhaus Metzler, Berenberg, Commerzbank, KBW – A Stifel Company, Pareto Securities and Warburg Research) as at the end of 2019. As at 31 December 2019, two of these analysts recommended the shares as a 'buy' and four as a 'hold' or 'market perform', with the target prices ranging from €255.00 to €320.00 depending on each analyst's assessment.

Activities in the capital markets

At the roadshows and conferences listed below, and during meetings at Hypoport AG's offices, face-to-face discussions were held with more than 300 institutional investors in the reporting year.

Type of event	Location	Month
Conference	London	Dec 2019
Conference	Frankfurt	Nov 2019
Conference	Berlin	Nov 2019
Roadshow	Edinburgh	Nov 2019
Conference	Munich	Sep 2019
Roadshow	Paris	Sep 2019
Conference	Frankfurt	Aug 2019
Roadshow	Zurich	Aug 2019
Roadshow	London	Aug 2019
Conference	Hamburg	Jun 2019
Conference	Berlin	Jun 2019
Conference	New York	May 2019
Roadshow	Chicago	May 2019
Conference	Warsaw	Apr 2019
Roadshow	Copenhagen, Helsinki	Apr 2019
Conference	Paris	Apr 2019
Roadshow	Brussels	April 2019
Roadshow	London	Mar 2019
Conference	Frankfurt	Feb 2019
Conference	Lyon	Jan 2019

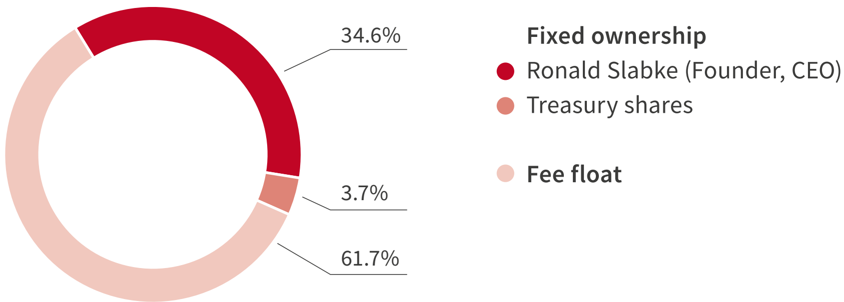
Designated sponsor

Designated sponsors enhance a share's liquidity by quoting binding prices at which they will buy and sell the share. As at 31 December 2019, the designated sponsor for Hypoport AG was ODDO SEYDLER BANK AG, Frankfurt am Main.

Shareholder structure

There were no notifiable changes in 2019 that would have necessitated a voting right notification. Hypoport AG's shareholder structure as at 31 December 2019 was therefore as follows:

Shareholder structure as at 31.12.2019



Key data on Hypoport's shares

WKN	549 336
ISIN	DE 000 549 3365
Stock exchange symbol	HYQ
Type	No-par-value shares
Number of shares	6,493,376
Subscribed capital	€6,493,376.00
Stock exchanges	XETRA, Frankfurt
Market segment	Regulated market
Transparency level	Prime Standard
Membership of indices	SDAX

Consolidated financial statements

IFRS consolidated income statement for the year ended 31 December 2019

	Notes	2019 €'000	2018 €'000
Revenue	(3.1)	337,243	265,958
Commissions and lead costs	(3.2)	- 155,315	- 125,778
Gross profit	(3.3)	**181,928**	**140,180**
Own work capitalised	(3.4)	16,576	10,714
Other operating income	(3.5)	3,028	3,953
Personnel expenses	(3.6)	- 106,637	- 81,748
Other operating expenses	(3.7)	- 42,064	- 34,272
Income from companies accounted for using the equity method		- 616	261
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(3.8)	**52,215**	**39,088**
Depreciation, amortisation expense and impairment losses		- 19,208	- 9,798
Earnings before interest and tax (EBIT)	(3.9)	**33,007**	**29,290**
Financial income	(3.9)	506	581
Finance costs		- 2,074	- 1,740
Earnings before tax (EBT)	(3.10)	**31,439**	**28,131**
Income taxes and deferred taxes		- 7,040	- 5,665
Net profit for the year		**24,399**	**22,466**
attributable to non–controlling interest	**(4.13)**	18	0
attributable to Hypoport AG shareholders	**(3.11)**	**24,381**	**22,466**
Earnings per share (€) (basic / diluted)	**(3.11)**	**3.90**	**3.66**

Consilidated statement of comprehensive income for the period 1 January to 31 December 2019

	2019 €'000	2018 €'000
Net profit (loss) for the year	24,399	22,466
Total income and expenses recognized in equity*)	0	0
Total comprehensive income	24,399	22,466
attributable to non-controlling interest	18	0
attributable to Hypoport AG shareholders	24,381	22,466

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

IFRS consolidated balance sheet as at 31 December 2019

Assets	Notes	31.12.2019 €'000	31.12.2018 €'000
Non-current assets			
Intangible assets	(4.1)	248,241	190,636
Property, plant and equipment	(4.1)	34,987	10,332
Financial assets	(4.2)	190	290
Investments accounted for using the equity method	(4.3)	5,904	6,500
Trade receivables	(4.5)	6,889	7,562
Other assets	(4.6)	401	1,065
Deferred tax assets	(4.7)	7,838	4,588
		304,450	**220,973**
Current assets			
Inventories	(4.4)	1,087	780
Trade receivables	(4.5)	54,749	46,658
Trade receivables from joint ventures	(4.5)	1,432	1,316
Other assets	(4.6)	4,393	3,521
Current income tax assets	(4.6)	576	609
Cash and cash equivalents	(4.8)	24,892	31,761
		87,129	**84,645**
		391,579	**305,618**
Equity and Liabilities			
Equity			
Subscribed capital	(4.9)	6,493	6,493
Treasury shares	(4.11)	– 241	– 246
Reserves	(4.12)	171,781	146,923
Equity attributable to non-controlling interests	(4.13)	342	314
		178,375	**153,484**
Non-current liabilities			
Financial liabilities	(4.14)	98,455	70,956
Provisions	(4.16)	147	34
Other liabilities	(4.15)	19,766	7,400
Deferred tax liabilities	(4.7)	13,030	11,770
		131,398	**90,160**
Current liabilities			
Provisions	(4.16)	770	250
Financial liabilities	(4.14)	16,413	9,780
Trade payables		38,809	31,992
Trade payables from joint ventures		772	551
Current income tax liabilities		3,484	3,778
Other liabilities	(4.15)	21,558	15,623
		81,806	**61,974**
		391,579	**305,618**

Consolidated statement of changes in equity for 2018 and 2019

2018 €'000	Subscribed capital	Capital reserves	Retained earnings	Equity attribut-able to Hypoport AG shareholders	Equity attribut-able to non–con-trolling interest	Equity
	(4.9)	(4.12)	(4.12)		(4.13)	
Equity as at 1 Jan 2018	5,946	2,905	73,749	82,600	306	82,906
Sale of own shares	298	0	0	298	0	64,133
Purchase of own shares	3	47,773	30	47,806	0	47,806
Change in scope of consilidation	0	0	0	0	8	8
Total comprehen-sive income	0	0	22,466	22,466	0	22,466
Equity as at 31 Dec 2018	**6,247**	**50,678**	**96,245**	**153,170**	**314**	**153,484**

2019 €'000	Subscribed capital	Capital reserves	Retained earnings	Equity attribut-able to Hypoport AG shareholders	Equity attribut-able to non-con-trolling interest	Equity
	(4.9)	(4.12)	(4.12)		(4.13)	
Equity as at 1 Jan 2019	6,247	50,678	96,245	153,170	314	153,484
Sale of own shares	5	433	44	482	0	482
Change in scope of consilidation	0	0	0	0	10	10
Total comprehen-sive income	0	0	24,381	24,381	18	24,399
Equity as at 31 Dec 2019	**6,252**	**51,111**	**120,670**	**178,033**	**342**	**178,375**

Consolidated cash flow statement for the period 1 January 2019 to 31 December 2019

	2019 €'000	2018 €'000
Earnings before interest and tax (EBIT)	33.007	29.290
Non-cash income / expense	– 2.085	4.878
Interest received	506	231
Interest paid	– 2.074	– 1.390
Income taxes paid	– 8.686	– 3.730
Current tax	1.646	– 3.492
Change in deferred taxes	2.173	–1.557
Income from companies accounted for using the equity method	616	– 261
Depreciation and amortisation expense, impairment losses / reversals of impairment losses on non-current assets	19.208	9.798
disponal of non-current assets	96	– 18
Cash flow	**44.407**	**33.749**
Increase / decrease in current provisions	520	173
Increase / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	– 8.933	3.946
Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	10.240	1.962
Change in working capital	**1.827**	**6.081**
Cash flows from operating activities	**46.234**	**39.830**
Payments to acquire property, plant and equipment / intangible assets	– 27.021	– 18.670
Cash outflows for acquisitions less acquired cash	– 33.035	– 63.257
Proceeds from the disposal of financial assets	199	244
Purchase of financial assets	– 24	– 3.953
Cash flows from investing activities	**– 59.881**	**– 85.636**
Repayment of lease liabilities	– 5.663	0
Proceeds from the drawdown of financial loans	23.500	70.508
Redemption of bonds and loans	– 11.059	– 7.274
Cash flows from financing activities	**6.778**	**63.234**
Net change in cash and cash equivalents	– 6.869	17.428
Cash and cash equivalents at the beginning of the period	31.761	14.333
Cash and cash equivalents at the end of the period	**24.892**	**31.761**

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 Lübeck, Germany, (previously in Berlin) is entered in the commercial register of the Lübeck local court under HRB 19026 HL. The Company's business address is Hansestrasse 14, 23558 Lübeck, 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 2019 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 6 March 2020 and are expected to be submitted to the Supervisory Board on 17 March 2020 to be approved for publication.

The consolidated balance sheet is broken down into current and non-current items in accordance with IAS 1.51 et seq.

The consolidated income statement is presented under the nature-of-expense method.

The consolidated financial statements and the separate financial statements for the entities included in the IFRS consolidated financial statements have been prepared in euros.

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

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

The financial year for all consolidated Group companies, including the joint ventures and associates, and the parent company is the same as the calendar year.

The Hypoport Group's presence in the market is based on various business models involving the development and marketing of technology platforms for the credit, property and insurance industries as well as advice on and brokerage of loans, insurance policies and investment products that do not constitute financial instruments pursuant to section 1 (11) of the German Banking Act (KWG).

These consolidated financial statements have been prepared on a going-concern basis.

1.2 Application of IFRS

All pronouncements by the International Accounting Standards Board (IASB) that were required to be applied by 31 December 2019 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 2019:

- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- IFRS 16: Leases
- IFRIC 23: Uncertainty over Income Tax Treatments
- Various: Annual Improvements 2015–2017 Cycle.

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

LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES (AMENDMENTS TO IAS 28)
The amendments clarify that the impairment rules of IFRS 9 apply to long-term interests that, in substance, form part of a net investment in an equity-accounted associate or joint venture. Nevertheless, (as a second step) these long-term interests will have to be taken into account when the IAS 28 loss allocations are trued-up to the value of the long-term equity investments. The amendments have no material influence on the presentation of the consolidated financial statements.

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

IFRS 16: LEASES
Hypoport applied the new accounting standard for leases, IFRS 16 Leases, for the first time as at 1 January 2019.

IFRS 16 supersedes the previous standard IAS 17 Leases and the related interpretations. Under IFRS 16, lessees generally have to account for all leases – in the form of a right-of-use asset and a corresponding lease liability – at the start of their term, irrespective of the (beneficial) ownership of the leased asset. A lease is deemed to exist if fulfilment of the contract depends on use of an identifiable asset and, at the same time, the lessee gains control over this asset. At Hypoport, the new rules particularly affect the recognition and measurement of rental and leased assets that were previously classified as operating leases. These assets predominantly consist of rented office space and leased vehicles.

For the initial application of IFRS 16, Hypoport used the modified retrospective method without restating the prior-year figures, which are still presented in accordance with IAS 17. Hypoport measures the lease liabilities under operating leases with a remaining term of more than twelve months at the present value of the outstanding lease payments, applying a weighted average incremental borrowing rate of interest of 1.8 per cent as at 1 January 2019. The right-of-use asset recognised in respect of the rented or leased asset was measured in the amount of the rental or lease liability, adjusted for any rental or lease payments that had already been recognised as prepaid expenses or deferred income and that existed immediately before the date of initial application. Information that subsequently came to light about extension and cancellation options was taken into account when determining the lease terms. There was no impact on equity. Hypoport has exercised the exemptions in respect of leasing arrangements with terms of up to twelve months and leasing arrangements involving low-value assets. Low-value assets have been defined as leased assets that have a value of no more than €5,000 when new.

Based on the leases in existence at the time of initial application, the first-time adoption of IFRS 16 on 1 January 2019 had the following effects on the consolidated financial statements.

For the first time, right-of-use assets and corresponding lease liabilities were recognised, each in an amount of €19.0 million, in connection with arrangements previously classified as operating leases. On the balance sheet, the right-of-use assets are shown under property, plant and equipment and the lease liabilities under financial liabilities.

Because depreciation on right-of-use assets and the effects of unwinding the discount on lease liabilities were recognised instead of the cost of leases being recognised under other expenses, EBITDA rose by €6.1 million in 2019. This led to an improvement in cash flow from operating activities and a deterioration in cash flow from financing activities, in both cases of €5.7 million. There was no material impact on EBIT, net profit for the year or earnings per share.

The following table shows the reconciliation of financial commitments for operating leases as at 31 December 2018 to the lease liabilities on the opening balance sheet as at 1 January 2019.

€ million	2019
Financial commitments in respect of operating leases as at 31 December 2018	15.9
+/- Changes relating to extension and cancellation options	3.8
= Gross lease liabilities in respect of former operating leases as at 1 January 2019	**19.7**
- Effects of discounting	– 0.7
= Lease liability in respect of former operating leases as at 1 January 2019	**19.0**

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. These amendments have no impact on Hypoport's 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. The amendments have no material influence on the presentation of the consolidated financial statements.

The initial application of the above IFRS requirement did not give rise to any material impact on the presentation of financial position and financial performance or on the notes to these consolidated financial statements, apart from the aforementioned impact of IFRS 16.

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

- Definition of Material (Amendments to IAS 1 and IAS 8) (effective for annual periods beginning on or after 1 January 2020, endorsed by the European Commission)
- Definition of a Business (Amendments to IFRS 3) (1 January 2020, endorsed)
- IFRS 17: Insurance Contracts (1 January 2021, not endorsed)
- Framework: Amendments to References to the Conceptual Framework in IFRS Standards (1 January 2010, endorsed).

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

DEFINITION OF A BUSINESS (AMENDMENTS TO IFRS 3)
The amendments to IFRS 3 provide a more precise definition of a 'business' and help companies to determine whether a transaction results in the recognition of a group of assets or the acquisition of a business. Hypoport will examine the interpretation's impact on the consolidated financial statements in due course. We currently do not expect any material changes.

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.

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

Hypoport does not intend to adopt these standards and interpretations, or the amendments resulting from them, on a voluntary basis before their effective dates.

1.3 Basis of consolidation

In addition to the parent company, Hypoport AG, the IFRS consolidated financial statements include 38 (2018: 30) domestic and international subsidiaries in which the Company directly or indirectly holds the majority of voting rights, three (2018: four) joint ventures and three (2018: four) associates.

The following table shows the entities included in the consolidated financial statements in addition to Hypoport AG:

Despite a shareholding of less than 50 per cent, GENOPACE GmbH remains fully consolidated because it continues to have a control and profit-and-loss transfer agreement with Hypoport AG.

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

1.4 Principles of consolidation

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

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

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

Subsidiary	Holding in %
ASC Objekt GmbH, Bayreuth	100.00
asseQ GmbH, Lübeck	100.00
Basler Service GmbH, Bayreuth	70.00
BAUFINEX Service GmbH, Berlin	100.00
Bayreuth Am Pfaffenfleck 15 Objektgesellschaft mbH, Bayreuth (formerly ASC Objekt GmbH, Bayreuth)	100.00
1blick GmbH, Heidelberg	100.00
Dr. Klein Finance S.L.U., Santa Ponca, Spain	100.00
Dr. Klein Wowi Finanz AG, Lübeck (formerly DR. KLEIN Firmenkunden AG, Lübeck)	100.00
Dr. Klein Privatkunden AG, Lübeck	100.00
Dr. Klein Ratenkredit GmbH, Lübeck	100.00
Dr. Klein Wowi Digital AG, Berlin (formerly ICS Integra Computing Services GmbH, Berlin)	100.00
Europace AG, Berlin	100.00
FIO SYSTEMS AG, Leipzig	100.00
FIO SYSTEMS Bulgaria EOOD, Sofia, Bulgaria	100.00
FUNDINGPORT GmbH, Hamburg	100.00
Fundingport Sofia EOOD, Sofia, Bulgaria	100.00
GENOPACE GmbH, Berlin	45.025
Growth Real Estate EOOD, Sofia, Bulgaria	100.00
helber innomaxx GmbH, Stuttgart	100.00
Hypoport B.V., Amsterdam, Netherlands	100.00
Hypoport Holding GmbH, Berlein (formerly Hypoport InsurTech GmbH, Berlin)	100.00
Hypoport Grundstücksmanagement GmbH, Berlin	100.00
Hypoport Mortgage Market Ltd., Westport, Ireland	100.00
Hypoport Sofia EOOD, Sofia, Bulgaria	100.00
Hypoport Systems GmbH, Berlin	100.00
Kartenhaus GmbH, Bonn	100.00
Maklaro GmbH, Hamburg	100.00
Primstal - Alte Eiweiler Straße 38 Objektgesellschaft mbH, Nonnweiler	100.00
Qualitypool GmbH, Lübeck	100.00
REM CAPITAL AG, Berlin	100.00
Smart InsurTech AG, Berlin	100.00
source.kitchen GmbH, Leipzig	100.00
Starpool Finanz GmbH, Berlin	50.025
Value AG the valuation group, Berlin (formerly Hypservice GmbH, Berlin)	100.00
Vergleich.de Gesellschaft für Verbraucherinformation mbH, Berlin	100.00
Vergleich.de Versicherungsservice GmbH, Lübeck	100.00
VS Direkt Versicherungsmakler GmbH, Bayreuth	100.00
Volz Vertriebsservice GmbH, Ulm	100.00
Winzer - Kneippstraße 7 Objektgesellschaft mbH, Berlin	100.00

Joint ventures	Holding in %
FINMAS GmbH, Berlin	50.00
Hypoport on-geo GmbH i.L., Berlin	50.00
LBL Data Services B.V., Amsterdam, Netherlands	50.00

Associated company	
BAUFINEX GmbH, Schwäbisch Hall	30.00
finconomy AG, München	25.00
IMMO CHECK Gesellschaft für Informationsservice mbH i.L., Bochum	33.33

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

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

The basis rollover method is used to recognise common control transactions.

The assets and liabilities in step acquisitions are recognised at their fair value at the acquisition date. Existing investments are measured at fair value through profit or loss. Goodwill is determined at the acquisition date. Differences arising from the acquisition or sale of investments in affiliated companies without any acquisition or loss of control are recognised in other comprehensive income.

Trade receivables, loans and other receivables are fully offset against the corresponding liabilities and provisions as part of the elimination of intercompany balances between the subsidiaries included in consolidation.

Income and expenses resulting from goods supplied or services rendered within the Hypoport Group are eliminated. Material intercompany profits and losses resulting from goods supplied or services rendered within the Hypoport Group are fully eliminated; such profits and losses are eliminated on a pro-rata basis in cases where the equity method of consolidation is used.
Non-controlling interests in the equity and profit or loss of companies controlled by the parent company are shown separately in the consolidated financial statements. The necessary deferred taxes are recognised on consolidation.

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

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

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

1.7 Changes to the basis of consolidation; acquisitions
The Hypoport Group carried out the following significant corporate transactions in 2019.

All of the shares in REM CAPITAL AG ('REM'), Stuttgart, were acquired on 1 July 2019. REM advises on, and implements, commercial finance projects, specialising in the arrangement of complex public-sector development loans. With the acquisition of REM, the Hypoport Group has extended its range of services for the industrial and commercial credit industry.

The purchase price for all of REM's shares amounted to €26.5 million. In addition, a debtor warrant of up to €15.0 million in total was agreed with the existing shareholders of REM. It is dependent on REM's earnings performance in the period 2020 to 2022. Because it was predominantly internal expertise that was acquired, the purchase consideration was largely attributable to goodwill.

Because there was no contingent consideration agreement, under which the payments would automatically be forfeited if the employment contract ended (IFRS 3.B55(a)), and because the purchase consideration (taking account of the fixed element) is not already at the upper end of the range of possible enterprise values, the purchase of REM was accounted for as an acquisition under IFRS 3.

REM holds all shares in helber innomaxx GmbH, Stuttgart. Its subscribed capital amounts to €25 thousand and is fully paid-up. The object of the company is the provision of services of all kinds in connection with the settlement and billing of consulting services of all kinds in the area of corporate finance. REM and its subsidiary were included in the consolidated financial statements with effect from 1 July 2019. Its activities were allocated to the Credit Platform segment. From the date of acquisition, REM contributed €6.7 million to revenue and €2.5 million to net profit for the year. If the business combination had taken place at the start of the year, consolidated revenue would have amounted to €347.2 million and net profit for the year to €27.1 million.

All shares in empirica-systeme GmbH (‘empirica’), Berlin, were acquired on 12 December 2019. empirica is a major data partner for the German property industry and specialises in the processing, analysis and provision of property market data and related information systems. By incorporating empirica’s product portfolio, the Hypoport Group is expanding its real estate platform for the financial sector.

The consideration transferred for the acquisition of the shares in empirica amounted to €4.3 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. empirica was included in the consolidated financial statements with effect from 1 December 2019. Its activities were allocated to the Real Estate Platform segment. From the date of acquisition, empirica contributed €0.2 million to revenue and €0.1 million to net profit for the year. If the business combination had taken place at the start of the year, consolidated revenue would have amounted to €338.3 million and net profit for the year to €24.5 million.

Taken together, the other acquisitions listed below do not have a material influence on the Group’s financial position and financial performance and are presented on an aggregated basis in the Other column next to the other acquisitions. The purchase consideration for Maklaro and ICS does not contain any variable components.

All of the shares in Maklaro GmbH (‘Maklaro’), Hamburg, were acquired on 1 August 2019. Maklaro combines traditional estate agent services with cutting-edge technology. This includes offering free online property valuations, producing professional and effective sales brochures and managing prospective buyers and showing them around the properties for sale. By acquiring Maklaro, the Hypoport Group is expanding the range of services associated with its property sales platform.

FIO SYSTEMS AG acquired long-standing strategic partner ICS Integra Computing Services GmbH (‘ICS’), Berlin, in its entirety on 1 January 2019. ICS supports FIO in the areas of sales and consultancy, and with implementation and ongoing customer support for its software solution.

Taken together, the other acquisitions listed above contributed €1.7 million to revenue and a loss of €0.4 million to net profit for the year from their dates of acquisition. If the business combinations had taken place at the start of the year, consolidated revenue would have amounted to €340.6 million and net profit for the year to €25.0 million. In addition, six new companies were founded in 2019.

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

Initial consolidation	REM Capital incl. subsidiaries	empirica	other	total
Fair value recognises on acquisition €'000				
Assets				
Intangible assets	15	888	195	1,098
Property, plant and equipment	868	41	304	1,213
Financial assets	0	0	0	0
Trade receivables	1,323	8	68	1,399
Other current items	784	64	111	959
Cash and cash equivalents	4	234	307	545
	2,994	**1,235**	**985**	**5,214**
Liabilities				
Financial liabilities	(1,512)	(0)	(285)	(1,797)
Trade payables	(76)	(3)	(150)	(229)
Other liabilities	(1,296)	(124)	(429)	(1,849)
Deferred tax liabilities	(0)	(271)	(0)	(271)
	(2,884)	**(398)**	**(864)**	**(4,146)**
Total identifiable net assets at fair value	110	837	121	1,068
Goodwill arising on acquisition (provisional)	41,406	3,448	1,126	45,980
Purchase consideration transferred	**41,516**	**4,285**	**1,247**	**47,048**
Analysis of cash flows on acquisition:				
Net cash acquired with the subsidiary (included in Cashflow from investing activities)	4	234	307	545
Cash paid	(26,516)	(4,285)	(696)	(31,497)
Net cash outflow	**26,512**	**4,051**	**389**	**30,952**

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

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

The Group incurred total costs of €0.2 million for legal advice and due diligence in connection with the acquisitions. These costs are shown under administrative expenses in the income statement and under cash flows from operating activities in the cash flow statement.

In March 2019, the first earn-out payment, amounting to €2.6 million, was paid in connection with the acquisition of ASC Assekuranz-Service Center GmbH in 2018.

Value AG was merged into HypService GmbH with effect from 1 January 2019. The merged company was subsequently renamed Value AG the valuation group. Also on 1 January 2019, ASC Assekuranz-Service Center GmbH was merged into Qualitypool GmbH. empirica-systeme GmbH was merged into Value AG the valuation group retrospectively with effect from 1 July 2019.

Other corporate transactions had no material impact, either individually or collectively, on the Group's financial position or financial performance.

2. Accounting policies

2.1 Comparative figures for 2018

The purchase price allocation for the acquisition of all the shares in 1blick GmbH, Heidelberg, was finalised in 2019. The variable earn-out component was also taken into consideration. If it had been finalised in 2018, the impact on the balance sheet would have been as follows.

€'000	2018 as reported	adjustment	2018 adjusted
Intangible assets	190,636	550	191,186
other liabilities	15,623	550	16,173

This adjustment did not affect either the net profit for the year or the earnings per share reported by the Hypoport Group.

2.2 Intangible assets

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

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

All amortisation expense and impairment losses on intangible assets are reported in the income statement under depreciation, amortisation expense and impairment losses.

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

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

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

If impairment is identified, an impairment loss is first recognised for any available goodwill in the cash-generating unit concerned. Any residual amount is then allocated pro rata to the other assets in the cash-generating unit concerned on the basis of the residual carrying amount of each individual asset at the balance sheet date. If the reasons for a previously recognised impairment loss no longer exist, the impairment loss is reversed (except in the case of goodwill), but the reversal cannot result in a carrying amount that is higher than the amortised carrying amount that would have applied if the impairment loss had never been recognised.

Provided they meet the preconditions of IAS 38, development costs are capitalised at cost if the costs can be clearly attributed and it is certain that the product is technically feasible and can be brought to market. Furthermore, there must be a sufficient probability that the development activity will generate future economic benefits. If the criteria for capitalisation are not satisfied, the costs are expensed as incurred.

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

2.3 Property, plant and equipment

Property, plant and equipment is recognised at cost and reduced by depreciation and any impairment losses. Property, plant and equipment is depreciated on a straight-line basis over its estimated useful life. Useful lives of between three and 15 years are applied to these assets.

If there are any indications of impairment, an impairment test is carried out. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised to reduce the carrying amount to the recoverable amount in accordance with IAS 36. If the reason for a previously recognised impairment loss no longer exists, the impairment loss is reversed such that the carrying amount of the asset is restored to the amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

2.4 Inventories

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

2.5 Borrowing costs

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

2.6 Financial assets

Financial assets include receivables from financial services, trade receivables, receivables from banks, cash on hand, marketable securities, financial investments and other long-term equity investments.

Financial assets, such as equities or interest-bearing securities, are classified as held-for-trading if they are acquired with the intention of selling them in the short term. Gains and losses on held-for-trading financial assets are recognised in income.

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

Dividends are taken to income as soon as a legal entitlement to payment arises.

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

2.7 Impairment of financial assets

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

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

2.8 Impairment of deferred tax assets

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

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

Having conducted this review, the Group recognised deferred tax assets worth €7.838 million as at 31 December 2019 (31 December 2018: €4.588 million). In the reporting year, the minimum taxation requirements in Germany resulted in deferred tax assets amounting to €0 thousand (2018: €0 thousand) not being recognised.

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

2.9 Leases

Hypoport applied the new accounting standard for leases, IFRS 16 Leases, for the first time as at 1 January 2019. The new standard introduces a uniform lease accounting model for lessees, in which assets for the right to use an underlying asset and the corresponding lease liabilities have to be recognised. Lessees no longer have to distinguish between operating leases, for which assets and liabilities are not recognised, and finance leases. However, IFRS 16 gives the option of an exemption from the requirement to recognise short-term leases and leases for low-value leased assets. As was the case under the previous standard, IAS 17, lessors still have to distinguish between operating leases and finance leases. The Hypoport Group does not currently have any significant leases that, as lessor, it would have to classify and recognise as finance leases. According to IFRS 16, subleases have to be classified by reference to the right-of-use asset arising from the head lease.

Lease liabilities are recognised under financial liabilities in the amount of the present value of the remaining payment obligation. They are subsequently recognised using the effective interest method. To determine their present value, the lease payments are discounted using an incremental borrowing rate of interest with similar risk and a similar term if it is not possible to determine the implicit interest rate. The short-term component of the lease liability, which has to be recognised separately on the balance sheet, is determined using the repayment portion for the next twelve months contained in the lease payments.

The initial value of the liability is also the basis for determining the cost of the right-of-use asset, which is shown under property, plant and equipment on Hypoport AG's balance sheet. The cost of the right-of-use asset also takes account of any initial direct costs and costs expected in connection with restoration obligations, provided the costs do not relate to property, plant and equipment. Prepayments increase the initial value, while any lease incentives received reduce it. Hypoport AG measures all right-of-use assets at amortised cost. The assets are depreciated under the straight-line method over the shorter of the lease term and the useful life of the identified asset. If events or changes in circumstances suggest that the assets might be impaired, they are tested for impairment in accordance with IAS 36.

When entering into leasing arrangements, Hypoport AG draws on extension and termination options to ensure the necessary flexibility for its business. The accounting treatment of a lease largely depends on the estimated lease term. Lease terms are determined using all facts and circumstances that create an economic incentive to exercise existing options. The estimated term therefore also includes periods covered by extension options, provided the exercise of these options is reasonably certain. A change to the term is taken into account if there is a change in whether it is reasonably certain that an existing option will be exercised or not.

Hypoport AG regularly enters into property leases and vehicle leases as a lessee. To ensure it has the necessary flexibility for its business, it agrees extension and termination options, particularly in the case of property leases. If the exercise of these options is reasonably certain, their exercise is factored into the determination of the lease term. Prescribed end dates for lease terms are taken into account in the case of vehicle leases. All material cash outflows are therefore taken into account in the measurement of the lease liability, corresponding to the right-of-use assets. Variable lease payments occur, and only on a small scale, in connection with property leases and take the form of index-linked lease instalments; Hypoport AG does not provide any residual value guarantees. There were no material leasing arrangements that had been contractually agreed but where the lease had not yet commenced. The existing financial liabilities include covenants linked to financial key figures. The accounting treatment of leasing arrangements under the right-of-use asset model therefore affects the covenants.

The following amounts were incurred in connection with Hypoport AG's leasing activities in 2019:

Nature of amount	(€ million)
Depreciation for the right-of-use asset, according to the class of the underlying asset	5.9
Thereof properties	4.2
Thereof vehicles	1.7
Interest expenses for lease liabilities	0.4
Expense for short-term lease liabilities	0.2
Expense for lease liabilities involving low-value assets	0.1
Total cash outflows for leases	6.7
Additions to right-of-use assets	8.4
Carrying amount after depreciation, impairment, and any reversals of impairment losses and after remeasurements and modifications	21.4
Thereof properties	18.9
Thereof vehicles	2.5

As at 31 December 2019, there were right-of-use assets amounting to €21.4 million and, on the other side of the balance sheet, lease liabilities with a present value of €21.7 million. The short-term component of the lease liability stood at €4.9 million. The payment obligations were due as follows as at the reporting date:

€ million	Minimum lease payments (without discounting)	Included interest component	Present values
Due in <= 1 year	5.2	0.3	4.8
Due in > 1 year and <= 5 years	12.3	0.8	11.6
Due in > 5 years	5.6	0.3	5.3
Total	23.1	1.4	21.7

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

All receivables due for payment in more than one year are classified in the Group as non-current.

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

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

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

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

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

Accruals are reported under other liabilities.

Claims for reimbursements from third parties are recognised separately from provisions if their recovery is virtually certain.

If the amount of the obligation is reduced as a result of a change in assessments, the provision is reversed pro rata and recognised as income.

2.14 Financial liabilities

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

2.15 Trade payables and other liabilities

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

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

2.16 Contingent liabilities

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

2.17 Employee benefits

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

2.18 Recognition of revenue and expense

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

Hypoport recognises revenue (commissions) from the brokerage of loans when the relevant loan agreement is signed, irrespective of when payment is received. Special volume-related commissions are generally recognised when the relevant target figure is achieved.

Hypoport recognises revenue (commissions) from the brokerage of insurance contracts when the policy is issued. The Company recognises adequate provisions to cover its obligation to repay part of the commissions it has received in the event that brokered insurance contracts are terminated before they mature; these provisions for such cancellation risks are based on empirical values. Regular chargebacks arising from the cancellation of commissions are recognised as selling expenses.

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

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

Operating expenses are recognised when a service is used or at the point the expense is incurred.

Interest income and expense are recognised under the effective interest method.

Dividends on long-term equity investments are recognised in profit or loss as soon as a legal entitlement arises.

Income taxes are recognised by the company concerned in accordance with local legislation.

2.19 Income taxes and deferred taxes

Current income taxes are calculated on the basis of the taxable income determined by the Company using the tax rates applicable at the balance sheet date.

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

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

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

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

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

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

3. Disclosures for individual items on the income statement

3.1 Revenue

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

Revenue	2019 € million	2018 € million
Financial figures Credit Platform	139.7	114.7
Financial figures Private Clients	104.4	86.4
Financial figures Real Estate Platform	50.1	34.1
Financial figures Insurance Platform	42.1	30.4
Holding	0.9	0.4
	337.2	**266.0**

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

3.2 Commissions and lead costs

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

Selling expenses	2019 €'000	2018 €'000
Commissions	145,376	117,984
Lead costs	9,939	7,794
	155,315	**125,778**

Commission expenses include write-offs of €101 thousand relating to insurance commission receivable (2018: €101 thousand).

3.3 Own work capitalised

Own work capitalised of €16.576 million (2018: €10.714 million) comprises work on the development and enhancement of internally generated financial marketplaces. Of the total development costs of €32.046 million reported for 2019 (2018: €22.128 million), €15.471 million was therefore expensed as incurred (2018: €11.414 million).

3.4 Other income

Other income mainly comprised income of €1.246 million from employee contributions to vehicle purchases (2018: €1.064 million), income of €662 thousand from the reversal of provisions (2018: €1.057 million) and income of €557 thousand from other accounting periods (2018: €561 thousand).

3.5 Personnel expenses

Personnel expenses are broken down as follows:
The cost of defined-contribution pension plans amounted to €6.868 million (2018: €5.109 million).

Personnel expenses	2019 €'000	2018 €'000
Wages and salaries	91,117	70,083
Social security contributions	14,948	11,166
Post-employment and other employee benefits	572	499
	106,637	**81,748**

3.6 Other expenses

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

Other expenses	2019 €'000	2018 €'000
Operating expenses	9,641	10,592
Other selling expenses	7,900	5,930
Administrative expenses	19,113	13,211
Other personnel expenses	2,224	1,690
Other expenses	3,186	2,849
	42,064	**34,272**

The operating expenses consisted mainly of servicing and IT maintenance costs of €4.927 million (2018: €2.443 million) and vehicle-related costs of €1.921 million (2018: €3.006 million). The reduction in vehicle-related costs was attributable to application of the new accounting standard for leases (IFRS 16) with effect from 1 January 2019. Selling expenses related to advertising costs and travel expenses of €7.900 million (2018: €5.930 million). The administrative expenses largely comprised IT-related costs of €8.784 million (2018: €5.645 million) and legal and consultancy expenses of €4.215 million (2018: €3.257 million). The other personnel expenses mainly consisted of training costs of €1.622 million (2018: €1.090 million).

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

Profit (loss) from equity-accounted long-term equity investments relates to the pro-rata net profit (loss) for the year of the three joint ventures FINMAS GmbH, LBL Data Services B.V. and Hypoport on-geo GmbH i.L. as well as the associates BAUFINEX GmbH, finconomy AG and IMMO Check Gesellschaft für Informationsservice mbH i.L. In 2019, no impairment losses were recognised in the share of profit (loss) of equity-accounted investments (2018: €30 thousand).

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

3.8 Depreciation, amortisation expense and impairment losses

Of the depreciation, amortisation expense and impairment losses of €19.208 million (2018: €9.798 million), €9.517 million (2018: €6.910 million) was attributable to intangible assets and €9.691 million (2018: €2.887 million) to property, plant and equipment. Depreciation, amortisation expense and impairment losses rose by €9.410 million, the largest item of which (€5.890 million) consisted of depreciation and impairment recognised on leasing-related right-of-use assets for the first time as a result of application of the new accounting standard for leases (IFRS 16).

3.9 Net finance costs

The breakdown of net finance costs is as follows:

Net finance costs	2019 €'000	2018 €'000	Change €'000
Financial income			
Other interest and similar income	389	518	– 129
Income from investments	65	61	4
Income from other securities and lending of financial assets	52	2	50
	506	**581**	**– 75**
Finance costs			
Interest expense and similar charges	2,074	1,354	720
Loss from investments	0	350	– 350
Loss from other securities and lending of financial assets	0	36	– 36
	2,074	**1,740**	**334**
	– 1,568	**– 1,159**	**– 409**

The finance costs mainly comprise interest expense and similar charges of €1.594 million (2018: €1.139 million) 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 €323 thousand (2018: €475 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	2019 €'000	2018 €'000
Income taxes and deferred taxes	7,040	5,665
current income taxes	9,213	7,219
deferred taxes	– 2,173	– 1,554
in respect of timing differences	956	964
in respect of tax loss carryforwards	– 3,129	– 2,518

A current income tax benefit of €0 thousand (2018: €18 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 €33.943 million (2018: €21.869 million) and €32.972 million (2018: €21.180 million) respectively. The loss carryforwards can be carried forward indefinitely in Germany. In 2019, no deferred tax assets were recognised on the losses carried forward for corporation tax and trade tax purposes. These losses amounted to €7.371 million (2018: €8.026 million) and €6.742 million (2018: €7.396 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 2018 and 2019
to the tax expense actually reported for those years.

Reconciliation of Expected to Actual Income Tax Expense	2019 €'000	2018 €'000
Earnings before tax	31,439	28,131
Tax rate to be applied	30.0%	30.0%
Expected tax expense	– 9,432	– 8,439
Effect of non-deductible expenses	– 615	– 1,744
Effect of differing tax rates	3,812	4,286
Effect of using the equity method	– 185	78
Tax expense for previous years	73	162
Tax-related effect of loss carryforwards not previously recognised	– 800	0
Other tax-related effects	107	– 8
Current tax expense	– 7,040	– 5,665
Tax rate for the Group	22.4%	20.1%

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 year 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 year 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	2019	2018
Net income for the year (€'000)	24,399	22,466
of which attributable to Hypoport AG stockholders	24,381	22,466
Basic weighted number of outstanding shares ('000)	6,251	6,136
Earnings per share (€) diluted / non diluted	**3.90**	**3.66**

As a result of the release of treasury shares, the number of shares in issue rose by 4,715, from 6,247,970 as at 31 December 2018 to 6,252,685 as at 31 December 2019.

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 €23 thousand (31 December 2018: €18 thousand) in borrowing costs at an average funding rate of 1.78 per cent (31 December 2018: 2.04 per cent). Most of the intangible assets – with a carrying amount of €46.7 million (31 December 2018: €36.1 million) – related to internally generated financial marketplaces (development costs), including the advances paid. Their remaining useful lives amounted to between one and ten years.

The carrying amounts for goodwill as at 31 December 2019 related to goodwill arising on the first-time consolidation of subsidiaries. The increase resulted mainly from the first-time consolidation of REM CAPITAL AG and empirica-systeme 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	Credit Platform	Private Clients	Real Estate Platform	Insurance Platform	Holding	Group
Cost of acquisitions as at 1 January 2019	578	7,305	86,858	45,719	0	140,460
Additions	41,406	0	4,024	550	0	45,980
Cost of acquisitions as at 31 December 2019	41,984	7,305	90,882	46,269	0	186,440

In accordance with level two of the measurement hierarchy specified by IFRS 13, the fair value of the segments is 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.

The external revenue growth rates for the detailed planning period 2020 to 2023 used in the discounted cash flow calculations were between 10.2 per cent and 29.0 per cent for the Credit Platform segment (2018: between 10.4 per cent and 15.4 per cent), between 9.8 per cent and 17.4 per cent for the Private Clients segment (2018: between 6.8 per cent and 15.9 per cent), between 1.2 per cent and 20.7 per cent for the Real Estate Platform segment (2018: between 11.1 per cent and 30.9 per cent) and between 11.4 per cent and 22.2 per cent for the Insurance Platform segment (2018: between 10.7 per cent and 32.6 per cent). The growth rates for segment earnings before interest and tax (EBIT) for the detailed planning period 2020 to 2023 used in the discounted cash flow calculations were between 12.1 per cent and 15.9 per cent for the Credit Platform segment (2018: between 9.7 per cent and 13.1 per cent), between 16.8 per cent and 25.7 per cent for the Private Clients segment (2018: between 4.8 per cent and 19.0 per cent), between 3.5 per cent and 97.8 per cent for the Real Estate Platform segment (2018: between 15.7 per cent and 36.9 per cent) and between 47.7 per cent and 279.7 per cent for the Insurance Platform segment (2018: between 35.0 per cent and 148.9 per cent). A growth rate of zero per cent was used for cash flows beyond the planning period. The standard discount rate used to reflect the risks specific to the asset in 2019 was 4.79 per cent (2018: 4.82 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 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.

Right-of-use assets amounting to €21.4 million were recognised under property, plant and equipment for the first time.

4.2 Financial assets

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

Financial Assets	2019 €'000	2018 €'000
Loans to third parties	114	93
Loan to employees	62	102
Other shareholdings	14	65
Loans to third parties Loans to companies with which an investment relationship exists	0	30
	190	**290**

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, three joint ventures (2018: four) and three associates (2018: four) are accounted for using the equity method. They are FINMAS GmbH, Berlin (Hypoport's interest: 50 per cent), Hypoport on-geo GmbH i.L., Berlin (Hypoport's interest: 50 per cent), LBL Data Services B.V., Amsterdam, Netherlands (Hypoport's interest: 50 per cent), BAUFINEX GmbH, Schwäbisch Hall (Hypoport's interest: 30 per cent), finconomy AG, Munich (Hypoport's interest: 25 per cent) and IMMO Check Gesellschaft für Informationsservice mbH i.L., 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	2019 in TEUR	2018 in TEUR
Investments accounted for using the equity method as of the beginning of the year	6,500	1,051
Additions	0	3,958
Disposals	-20	0
Reclassification	0	1,230
Proportional net income	– 616	261
Investments accounted for using the equity method as of the end of the year	**5,904**	**6,500**

The disposals relate to Expertise Management & Holding GmbH and Genoport Kreditmanagement 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)	2019 €'000	2018 €'000
Income statement information		
Revenue	10,645	6,322
Selling expenses	–8,251	–4,112
Personnel expenses	–1,359	–1,156
Other operating expenses	–1,479	–1,193
Net income	–616	261
Balance sheet information		
Noncurrent assets	3,479	3,258
There of property, plant and equipment	8	7
Current assets	3,524	3,585
Thereof cash and cash equivalents	2,196	2,580
Total assets	**7,003**	**6,843**
Equity	4,461	5,027
Noncurrent liabilities	250	0
Current liabilities	2,292	1,816
Thereof financial liabilities	0	0
Total equity and liabilities	**7,003**	**6,843**

4.4 Inventories

Inventories	2019 €'000	2018 €'000
Unfinished products	1,087	780
	1,087	**780**

Work in progress relates to property appraisals.

4.5 Trade receivables

Current trade receivables	2019 €'000	2018 €'000
Trade receivables from	54,749	46,658
joint ventures	1,432	1,316
third parties	**56,181**	**47,974**

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

The table below shows impairment losses on receivables.

Impairments of Trade Receivables	2019 €'000	2018 €'000
Balance as at 1 January	369	242
Addition to impairment of receivables	112	134
Irrecoverable receivables written off	173	7
Balance as at 31 December	**308**	**369**

Impairment charges of €445 thousand (31 December 2018: €123 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	2019 €'000	2018 €'000
1 to 90 days	898	884
90 to 180 days	496	98
180 to 360 days	941	1,101
More than 360 days	566	383
Total	**2,901**	**2,466**

4.6 Current income tax assets and other assets

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

Current other assets	2019 €'000	2018 €'000
Financial assets		
Advance payment for company acquisition	78	187
Trade secutities	0	196
	78	383
Non-financial assets		
Prepaid expenses	2,214	1,117
Current income tax assets	576	609
Advance payment of commissions	507	770
Advances	327	327
Claims on employees	273	104
VAT credits	212	196
Other	782	624
	4,891	3,747
	4,969	**4,130**

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

Non-current other assets	2019 €'000	2018 €'000
Advance payment of commissions	203	187
Rent deposits	198	878
	401	**1,065**

Specific write-downs of €817 thousand (2018: €971 thousand) were recognised. There are no material overdue receivables.

4.7 Deferred tax assets and deferred tax liabilities

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

Deferred tax assets	2019 €'000	2018 €'000
Deferred tax assets		
In respect of tax loss carryforwards	6,887	3,950
Rental and lease obligations	20	8
other temporary differences	162	0
Consolidation	951	638
Offsetting	182	8
	7,838	**4,588**

Deferred tax liabilities	2019 €'000	2018 €'000
Deferred tax liabilities		
Intangible assets	9,720	8,182
Property, plant and equipment	6	9
Receivables	3,005	3,368
Other temporary differences	481	219
Offsetting	182	8
	13,030	**11,770**

4.8 Cash and cash equivalents

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

Cash and cash equivalents	2019 €'000	2018 €'000
Cash at banks	24,883	31,753
Cash on hand	9	8
	24,892	**31,761**

4.9 Subscribed capital

The Company's subscribed capital as at 31 December 2019 was unchanged at €6,493,376.00 (31 December 2018: €6,493,376.00) and was divided into 6,493,376 (31 December 2018: 6,493,376) fully paid-up registered no-par-value shares.

The Annual Shareholders' Meeting held on 15 May 2019 voted to carry forward Hypoport AG's distributable profit of €80,967,245.25 to the next accounting period.

4.10 Authorised capital

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

4.11 Treasury shares

Hypoport held 240,691 treasury shares as at 31 December 2019 (equivalent to €240,691.00, or 3.7 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 2019 are shown in the following table:

Change in the balance of treasury shares in 2019	Number of shares	Amount of share capital €	Proportion of subscribed capital %	Cost of purchase €	Sale price €	Gain or loss on sale €
Opening balance as at 1 January 2019	**245,406**	–	**3.779**	**9,831,426.02**		
Dissemination in January 2019	1,613	1,613.00	0.026	16,831.48	247,840.54	231,009.06
Dissemination in March 2019	153	153.00	0.002	1,547.44	25,455.20	23,907.76
Dissemination in April 2019	2,336	2,336.00	0.038	23,784.37	418,622.60	394,838.23
Dissemination in May 2019	80	80.00	0.001	799.99	15,466.40	14,666.41
Dissemination in June 2019	3	3.00	0.000	30.00	573.80	543.80
Dissemination in July 2019	263	263.00	0.004	2,629.98	67,706.60	65,076.62
Dissemination in October 2019	267	267.00	0.004	2,670.00	60,474.50	57,804.50
Balance as at 31.12.2019	**240,691**	**4,715.00**	**3.707**	**9,783,132.76**	**836,139.64**	**836,139.64**

The release of treasury shares was recognised directly in equity and offset against retained earnings. The table below shows the transactions in previous years.

date	Number of shares	Reason
Q4 2010	12,920	share buy back
Q1 2011	– 10,250	share baesed payment to employees
Q2 2011	– 1,027	share baesed payment to employees
Q3 2011	– 248	share baesed payment to employees
Q4 2011	– 349	share baesed payment to employees
Q1 2012	– 5	share baesed payment to employees
Q2 2012	37,490	share buy back
Q3 2012	22,510	share buy back
Q4 2012	– 385	share baesed payment to employees
Q1 2013	– 20	share baesed payment to employees
Q2 2013	– 3.378	share baesed payment to employees
Q3 2013	– 258	share baesed payment to employees
Q4 2013	– 425	share baesed payment to employees
Q1 2014	– 10	share baesed payment to employees
Q2 2014	– 3,302	share baesed payment to employees
Q3 2014	13,009	share buy back
Q4 2014	– 225	share baesed payment to employees
Q4 2014	13,036	share buy back
Q1 2015	– 7,648	share baesed payment to employees
Q1 2015	33,655	share buy back
Q2 2015	– 722	share baesed payment to employees
Q3 2015	– 190	share baesed payment to employees
Q3 2015	44,019	share buy back
Q4 2015	– 845	share baesed payment to employees
Q4 2015	8,448	share buy back
Q1 2016	– 350	share baesed payment to employees
Q1 2016	16,626	share buy back
Q2 2016	– 2,697	share baesed payment to employees
Q2 2016	15,736	share buy back
Q3 2016	– 178	share baesed payment to employees
Q4 2016	– 770	share baesed payment to employees
Q4 2016	68,948	share buy back
Q1 2017	– 147	share baesed payment to employees
Q2 2017	– 1,976	share baesed payment to employees
Q3 2017	– 38	share baesed payment to employees

date	Number of shares	Reason
Q4 2017	– 2,382	share baesed payment to employees
Q1 2018	– 1,723	share baesed payment to employees
Q2 2018	– 94	share baesed payment to employees
Q2 2018	298,418	capital increase
Q2 2018	– 298,418	business acquisition
Q3 2018	– 458	share baesed payment to employees
Q4 2018	– 891	share baesed payment to employees
31.12.18	**245,406**	
Q1 2019	– 1,766	share baesed payment to employees
Q2 2019	– 2,419	share baesed payment to employees
Q3 2019	– 263	share baesed payment to employees
Q4 2019	– 267	share baesed payment to employees
31.12.19	**240,691**	

4.12 Reserves

The breakdown of reserves can be found in the attached consolidated statement of changes in equity.

Capital reserves include the premium from the capital increase carried out in 2001 (€400 thousand), the premium from the issuance of shares under the 2002–2004 employee share ownership programme from 2006 to 2009 (€1.187 million), amounts equivalent to the par value of the treasury shares recalled in 2006 (€99 thousand), an amount equivalent to the imputed share of subscribed capital for the treasury shares recalled in 2007 (€247 thousand), the premium from the issuance of new shares in 2018 (€46.9 million) and income from the transfer of shares to employees (€2.267 million, of which €433 thousand relates to 2019).

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 (2018: €7 thousand), are also reported under this item.

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

Total non-controlling interests amounted to €342 thousand as at 31 December 2019 (31 December 2018: €314 thousand), of which €231 thousand (31 December 2018: €214 thousand) related to the non-controlling interest in the equity of Starpool Finanz GmbH (non-controlling interest of 49.975 per cent), €110 thousand (31 December 2018: €100 thousand) to GENOPACE GmbH (non-controlling interest of 54.975 per cent) and €1 thousand (31 December 2018: €0 thousand) to Basler Service GmbH (non-controlling interest of 30.0 per cent).

There is a control and profit-and-loss transfer agreement between Hypoport AG and GENOPACE GmbH, as a result of which the entire net loss for 2019 of GENOPACE GmbH amounting to €682 thousand (2018: loss of €1.088 million) 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	2019 €'000	2018 €'000
Current		
Assets	17,013	13,393
Liabilities	(16,925)	(13,682)
Total current assets	(88)	(289)
Non-current		
Assets	417	717
Liabilities	(42)	(0)
Total non-current liabilities	375	717
Net assets	**463**	428

Summarised statement of comprehensive income Starpool Finanz GmbH	2019 €'000	2018 €'000
Revenue	40,669	33,751
Pre-tax profit	56	64
Income tax expense	(21)	(48)
Post-tax profit	35	16
Other comprehensive income	0	0
Total comprehensive income	35	16
Total comprehensive income attributable to non-controlling interest	18	8
Dividends received attributable to non-controlling interest	0	0

Summarides cash flow statement Starpool Finanz GmbH	2019 €'000	2018 €'000
Cash flow	348	224
Change in working capital	(4,714)	6,973
Cash flows from operating activities	(4,366)	7,197
Cash flows from investing activities	(53)	(441)
Cash flows from financing activities	0	0
Net change in cash and cash equivalents	(4,419)	6,756
Cash and cash equivalents at the beginning of the period	6,992	236
Cash and cash equivalents at the end of the period	2,573	6,992

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

4.14 Financial liabilities

The table below gives a breakdown of financial liabilities.

Financial liabilities	2019 €'000	2018 €'000
Non-current		
Liabilities to banks		
Loans	80,840	70,063
Mortgage	706	777
Rental and lease obligations	16,909	116
	98,455	70,956
Current		
Liabilities to banks		
Loans	11,469	9,715
Mortgage	47	23
Rental and lease obligations	4,897	42
	16,413	9,780
	114,868	80,736

Some of the financial liabilities are subject to fixed interest rates. Others are subject to variable interest linked to the Euribor rate plus a bank margin. The interest rates varied between 1.65 per cent and 2.60 per cent (2018: between 1.65 per cent and 2.60 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.

Reconciliation of financial liabilities (€'000)	2018	Cash changes	Non-cash-changes			2019
			Acquisitions	Changes in fair value	Reclassification maturities	
Non-current loans	70,063	23,500	–	–	– 12,723	80,840
Mortgage	777	– 47	–	–	– 24	706
Other non-current financial liabilities	116	– 29	–	16,822	–	16,909
Current loans	9,715	– 10,969	–	–	12,723	11,469
Current account	23	–	–	–	24	47
Other current financial liabilities	42	–	–	4,855	–	4,897
	80,736	**12,455**	**0**	**21,677**	**0**	**114,868**

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

Credit line	2019 €'000	2018 €'000
Credit line	1,500	1,500
Amount utilised	0	0
Credit line available	**1,500**	**1,500**

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	2019 €'000	2018 €'000
6 months or less	5,758	5,136
6 to 12 months	5,758	4,601
1 to 5 years	44,308	35,028
More than 5 years	37,238	35,813
	93,062	**80,578**

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

Maturities of non-current financial liabilities	2019 €'000	2018 €'000
Between 1 and 2 years	17,081	9,405
Between 2 and 5 years	38,872	25,741
More than 5 years	42,502	35,810
	98,455	**70,956**

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 2019 €'000	Carrying amount 2018 €'000	Fair value 2019 €'000	Fair value 2018 €'000
Liabilities to banks	81,546	70,840	86,983	73,111
Rental and lease obligations	16,909	116	16,909	116
	98,455	**70,956**	**103,892**	**73,227**

The fair values of non-current financial liabilities are based on discounted cash flows, which were calculated using interbank swap rates plus a risk and liquidity margin.

The stated carrying amounts of current financial liabilities are roughly the same as their fair values.

4.15 Other liabilities

The breakdown of other liabilities is as follows:

Current other liabilities	2019 €'000	2018 €'000
Tax liabilities		
Value-added tax	1,544	783
Wage tax and church tax	1,865	1,409
	3,409	**2,192**
Personnel		
Financial assets		
Bonuses	4,505	4,724
Outstanding holiday entitlements	1,251	1,019
Wages and salaries	1,206	1,055
Non-financial assets		
Employers’ liability insurance association	364	294
Disabled persons levy	124	125
Social security contributions	172	200
Partial retirement	529	326
	8,151	**7,743**
Other		
Financial assets		
Outstanding invoices	1,080	515
Commissions to be passed on	145	37
Year-end costs	270	226
Share repurchase	5,949	2,750
Non-financial assets		
Advance payment of commissions	371	406
Deferred income	1,233	947
Other	950	807
	9,998	**5,688**
	21,558	**15,623**

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

Non-current other liabilities	2019 €'000	2018 €'000
Rent deposits	19,766	7,400
	19,766	**7,400**

4.16 Provisions

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

Provisions	01.01.2019 €'000	Utilisation €'000	Additions €'000	31.12.2019 €'000
Non-current provisions				
Cancellations	34	34	147	147
	34	**34**	**147**	**147**
Current provisions				
Litigation	149	149	49	49
Cancellations	101	101	186	186
Guarantee	0	0	535	535
	250	**250**	**770**	**770**

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

5. Cash flow statement disclosures

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

Apart from income tax payments, interest receipts and payments are also assigned to the cash flows from operating activities because they are primarily used to finance operating activities. Investing activities include additions to property, plant and equipment, financial assets and intangible assets, as well as additions in respect of the capitalisation of development costs.

Cash and cash equivalents, as reported in the cash flow statement, comprises all liquid funds recognised on the balance sheet, i.e. cash on hand and at banks.

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

6. Segment reporting

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

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

The Private Clients segment offers mortgage finance, personal loans, insurance, current accounts and deposit accounts through two distribution channels (online and site-based sales).

All property-related activities of the Hypoport Group, with the exception of loan brokerage for private clients, are grouped together in the Real Estate Platform segment with the aim of digitalising the sale, valuation and management of properties. This segment also supports issuers with the provision of information technology and a range of services.

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

The activities previously assigned to the holding company and consolidation effects are shown separately, under Holding and Reconciliation respectively, for the first time in 2019.

The comparative segment reporting figures for 2018 have been restated as follows as a result of the separation:

2018 (€ '000)	Reconciliation as reported	Holding adjusted	Reconciliation adjusted
Segment revenue in respect of third parties	429	429	0
Segment revenue in respect of other segments	– 1,539	9,721	– 11,260
Total segment revenue	– 1,110	10,150	– 11,260
Gross profit	398	10,117	– 9,719
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	– 8,892	– 8,888	– 4
Segment earnings before interest and tax (EBIT)	– 10,907	– 10,903	– 4
Segment assets	7,575	7,575	0
Segment liabilities	96,432	96,432	0
Segment capital expenditure	3,254	3,254	0
Segment depreciation, amortisation expense and impairment losses	2,015	2,015	0
Significant non-cash expenses	23	23	0

The disclosures for the individual segments are all based on the same standard accounting policies applicable to the consolidated amounts in the consolidated financial statements.

Earnings at segment level (EBIT) and total revenue, which represent the aggregate business performance of the individual operating segments, are the key performance indicators.

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

The segment disclosures are derived directly from the internal reporting used by the top level of operating decision-makers in the Company for management purposes. Financial liabilities and the corresponding interest expense and similar charges are not determined for individual segments for internal control purposes. Financial liabilities and the corresponding interest expense and similar charges are shown in the reconciliation table.

Segment assets are deemed to comprise direct operating receivables and non-current assets used for the relevant segment's operating activities.

Segment liabilities comprise the trade payables and provisions attributable to the operating activities concerned.

The following table shows revenue from contracts with customers, broken down by the timing of revenue recognition.

Time reference of revenue recognition (€'000)	Credit platform 2019	Credit platform 2018	Private Clients 2019	Private Clients 2018	Real Estate platform 2019	Real Estate platform 2018	Insurance platform 2019	Insurance platform 2018
Goods and services transferred at a given time	139,719	114,709	104,373	86,355	32,565	22,593	29,041	18,407
Goods and services transferred over a period of time	0	0	0	0	17,544	11,500	13,098	11,965
Total	**139,719**	**114,709**	**104,373**	**86,355**	**50,109**	**34,093**	**42,139**	**30,372**

Time reference of revenue recognition (€'000)	Holding 2019	Holding 2018 *	Reconciliation 2019	Reconciliation 2018 *	Group 2019	Group 2018
Goods and services transferred at a given time	903	429	0	0	306,601	242,493
Goods and services transferred over a period of time	0	0	0	0	30,642	23,465
Total	**903**	**429**	**0**	**0**	**337,243**	**265,958**

*The comparative prior-year figures have been adjusted

The reported revenue of €337.2 million (2018: €266.0 million) included €5.7 million (2018: €5.1 million) generated by customers domiciled in European countries other than Germany, and the remaining revenue was generated by customers in Germany.

In the Group, revenue of €61.2 million was earned with one product partner (2018: €54.9 million earned with one product partner).
In the Credit Platform operating segment, one product partner generated revenue of €45.7 million (2018: one product partner generated €40.8 million). In the Private Clients operating segment, two product partners generated revenue of €15.4 million and €13.0 million respectively (2018: three product partners generated €14.1 million, €13.2 million and €9.6 million respectively). In the Real Estate Platform operating segment, one product partner generated revenue of €8.0 million (2018: one product partner generated €2.8 million). The external revenue in the Holding segment mainly related to income from services provided for joint ventures and associates.

The segment breakdown of business performance in 2019 was as follows:

2019 (€'000)	Credit Platform	Private Clients	Real Estate Platform	Insurance Platform	Holding *	Reconciliation *	Group
Segment revenue in respect of third parties	**139,719**	**104,373**	**50,109**	**42,139**	**903**	**0**	**337,243**
2018	114,709	86,355	34,093	30,372	429	0	265,958
Segment revenue in respect of other segments	**1,736**	**215**	**0**	**473**	**19,714**	**– 22,138**	**0**
2018	885	167	0	487	9,721	– 11,260	0
Total segment revenue	**141,455**	**104,588**	**50,109**	**42,612**	**20,617**	**– 22,138**	**337,243**
2018	115,594	86,522	34,093	30,859	10,150	– 11,260	265,958
Gross profit	**78,433**	**34,938**	**46,411**	**21,358**	**20,502**	**– 19,714**	**181,928**
2018	60,692	29,544	32,935	16,611	10,117	– 9,719	140,180
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	**36,298**	**11,931**	**10,066**	**1,307**	**– 7,383**	**– 4**	**52,215**
2018	29,547	11,321	8,122	– 1,010	– 8,888	– 4	39,088
Segment earnings before interest and tax (EBIT)	**31,242**	**11,058**	**5,434**	**– 1,442**	**– 13,281**	**– 4**	**33,007**
2018	26,129	10,757	5,992	– 2,681	-10,903	– 4	29,290
Segment assets	**108,153**	**20,141**	**150,376**	**77,514**	**35,395**	**0**	**391,579**
2018	69,930	22,852	129,926	73,932	7,575	0	304,215
Segment liabilities	**27,681**	**10,411**	**10,877**	**40,715**	**123,520**	**0**	**213,204**
2018	25,515	6,199	4,590	19,398	96,432	0	152,134
Segment capital expenditure	**12,353**	**1,412**	**6,606**	**6,143**	**2,820**	**0**	**29,334**
2018	8,422	653	3,402	4,251	3,254	0	19,982
Segment depreciation/amortisation expense, impairment losses	**5,056**	**873**	**4,632**	**2,749**	**5,898**	**0**	**19,208**
2018	3,418	564	2,130	1,671	2,015	0	9,798
Significant non-cash expenses	**1,875**	**1,975**	**3,666**	**1,304**	**1,945**	**0**	**10,765**
2018	1,485	1,794	2,332	986	1,758	0	8,355

* The comparative prior-year figures have been adjusted

Of the total non-current assets of €304.450 million (31 December 2018: €220.973 million), €25.975 million (31 December 2018: €20.548 million) was located in European countries other than Germany, €24.374 million (31 December 2018: €19.188 million) of which was located in Ireland. Non-current assets located in Germany totalled €278.475 million (31 December 2018: €200.425 million).

The carrying amounts of equity-accounted joint ventures in the Credit Platform segment totalled €1.034 million (31 December 2018: €2.007 million) and their contribution to profits amounted to a loss of €1.008 million (2018: profit of €5 thousand). In the Real Estate Platform segment, equity-accounted joint ventures had a carrying amount of €1.063 million (31 December 2018: €880 thousand) and contributed €199 thousand (2018: €256 thousand) to profits. In the Insurance Platform segment, carrying amounts of equity-accounted joint ventures stood at €3.807 million (31 December 2018: €3.613 million) and they contributed €193 thousand (2018: €0 thousand) to profits.

7. Other disclosures

7.1 Other financial commitments

At the balance sheet date, there were other financial commitments totalling €19.125 million (31 December 2018: €15.945 million) in respect of non-cancellable rentals, leases and maintenance agreements covering several years. Included in these other financial commitments were commitments of €5.238 million (31 December 2018: €4.210 million) due within one year, €11.812 million (31 December 2018: €10.101 million) due in one to five years and €2.075 million (31 December 2018: €1.634 million) due in more than five years. The cost of rentals and leases (minimum leases) amounted to €7.296 million in 2019 (2018: €5.334 million). Rental income of €108 thousand (2018: €479 thousand) was generated by subleases. Rental income of around €200 thousand is expected to be generated by subleases in 2020.

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 2019 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 2019 amounted to €1.926 million (2018: €1.824 million); the total remuneration for the members of the Supervisory Board came to €175 thousand (2018: €184 thousand). In all cases, all the benefits were due for payment within one year.

The table below shows the number of shares in Hypoport AG directly or indirectly held by the members of the Group Management Board and Supervisory Board as at 31 December 2019.

	Shares (number) 31 Dec 2019	Shares (number) 31 Dec 2018
Group Management Board		
Ronald Slabke	2,248,381	2,248,381
Stephan Gawarecki	142,800	142,800
Hans Peter Trampe	61,690	61,690
Supervisory Board		
Dr. Ottheinz Jung-Senssfelder	1,000	1,000
Roland Adams	0	0
Dieter Pfeiffenberger	115	0

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

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

Hans Peter Trampe, Berlin, holds 0.95 per cent of Hypoport's shares.

The companies in the Hypoport Group have not carried out any further disclosable transactions with members of either the Supervisory Board or the Group Management Board or with companies on whose management or supervisory bodies these persons are represented. This also applies to close family members related to these persons.

Revenue of €903 thousand was generated by joint ventures in 2019 (2018: €429 thousand). As at 31 December 2019, receivables from joint ventures amounted to €1.432 million (31 December 2018: €1.316 million) and liabilities to such companies amounted to €772 thousand (31 December 2018: €551 thousand).

7.4 Management Board

The members of the Management Board were as follows:

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

- Hans Peter Trampe (until 31 December 2019), graduate in business administration, Berlin, responsible for the Real Estate Platform segment, member of the supervisory boards of Dr. Klein Privatkunden AG, FIO SYSTEMS AG, Dr. Klein Wowi Digital AG, REM CAPITAL AG and AEW Invest GmbH

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

The total remuneration for the members of the Management Board in 2019 amounted to €1.926 million (2018: €1.824 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 2019:

- Dieter Pfeiffenberger (chairman of the Supervisory Board), management consultant, Barsbüttel

- 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

- Martin Krebs, management consultant, Hofheim.

Dr Ottheinz Jung-Senssfelder, the long-standing chairman of Hypoport AG's Supervisory Board, died on 13 April 2019 at the age of 74, following a brief period of serious illness.

The Annual Shareholders' Meeting elected Martin Krebs to the Supervisory Board of Hypoport AG with effect from 15 May 2019.

The total remuneration for the members of the Supervisory Board in 2019 amounted to €175 thousand (2018: €184 thousand); for further information, please refer to the remuneration report in the group management report (I.9).

7.6 Investments pursuant to section 33 (1) WpHG (until 2 January 2018: section 21 (1) WpHG)

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

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

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

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

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

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

Pursuant to section 33 (1) WpHG, Mr Nicolas Schulmann, Leipzig, Germany, informed us on 28 May 2018 that his voting share in our Company stood at 4.595 per cent on 22 May 2018 (298,418 voting rights). Of these, 4.299 per cent of the voting shares held by Exformer GmbH (279,203 voting rights) are attributable to him pursuant to section 34 (1) sentence 1 no. 1 WpHG.
Pursuant to section 21 (1) WpHG, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany informed us on 23 September 2016 that its voting share in Hypoport AG, Berlin, Germany had exceeded the 5 per cent threshold on 22 September 2016 and stood at 5.09 per cent (315,252 voting rights) on that date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.7 Share-based payment

The Company's employees receive a certain number of shares in Hypoport AG that is determined by their period of service as well as shares amounting to €360.00 if the Company achieves certain targets. The total related expense recognised in 2019 was €37 thousand (2018: €343 thousand). Total liabilities in relation to share-based remuneration amounted to €698 thousand (2018: €661 thousand).

7.8 Auditors' fees and services

The total fee incurred for services rendered by the auditors BDO AG Wirtschaftsprüfungsgesellschaft in 2019 amounted to €135 thousand (2018: €125 thousand) and comprised €107 thousand for audits of financial statements (2018: €122 thousand), €28 thousand for other attestation services (2018: €0 thousand) and €0 thousand for other services (2018: €3 thousand).

7.9 Average number of persons employed during the financial year

In 2019, the Company employed an average of 1,941 (2018: 1,356) people in addition to the members of the Management Board.

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

Average number of persons employed during the financial year	31 Dec 2019 Number	31 Dec 2019 %	31 Dec 2018 Number	31 Dec 2018 %	Change Number	Change %
Credit Platform	433	25	342	25	91	27
Private Clients	276	16	258	19	18	7
Real Estate Platform	583	33	380	28	203	53
Insurance Platform	294	17	250	18	44	18
Holding	150	9	126	9	24	19
	1,736		**1,356**		**380**	**28**

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 2019, 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 2018: €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 2019, 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 2018: €0 thousand) higher or lower.

The Hypoport Group's credit risk stems primarily from its trade receivables, advance commissions, and other financial assets. In 2019, it recognised impairment losses of €621 thousand (2018: €323 thousand) to cover the probability of irrecoverable receivables. Such receivables are estimated by the management of the Hypoport Group on the basis of past experience and current economic conditions.

The credit risk relating to cash and cash equivalents is limited because these are all held at investment-grade banks.

There is no significant concentration of credit risk in the Group because this risk is spread across a large number of counterparties and clients.

The maximum credit risk is shown by the carrying amount of each financial asset reported on the balance sheet.

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

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

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	150	3,194	9,785	48,731	37,987	**99,847**
2018	649	2,523	7,915	38,843	36,725	**86,655**
Rental and lease obligations	408	815	3,674	11,602	5,307	**21,806**
2018	4	7	31	100	16	**158**
2019	558	4,009	13,459	60,333	43,294	**121,653**
2018	653	2,530	7,946	38,943	36,741	**86,813**

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 2019 and 2018, only its unutilised credit lines carried floating interest rates.

7.11 Additional information on financial instruments

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

Exposures subject to the expected credit loss model pursuant to IFRS 9 do not exist in the Group.

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

The Hypoport Group now has only one insignificant other long-term equity investment (acquisition cost: €13 thousand); all other long-term equity investments are fully consolidated or accounted for under the equity method.

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

Financial instruments 2019 €'000	Measured at amortised cost		Measured at fair value	Non-financial assets/liabilities	
	Carrying amount on balance sheet at 31 Dec 2019	Pro forma: fair value	Carrying amount	Carrying amount	Carrying amount on balance sheet
Trade receivables	56,181	-	-	-	56,181
Loans and receivables	56,181	56,181	-	-	56,181
Financial assets	190	-	-	-	190
Loans and receivables	190	190	-	-	190
Other assets	78	-	-	4,785	4,863
Loans and receivables	78	78	-		78
Non-financial assets				4,785	4,785
Cash and cash equivalents	24,892	-	-	-	24,892
Loans and receivables	24,892	24,892	-	-	24,892
Total financial assets	**-**	**-**	**-**	**-**	**81,341**
Thereof: loans and receivables	-	-	-	-	81,341
Financial liabilities	114,868	-	-	-	114,868
Measured at amortised cost	114,868	120,305	-	-	114,868
Trade payables	38,809	-	-	-	38,809
Measured at amortised cost	38,809	38,809	-	-	38,809
Other liabilities	14,406	-	-	7,152	21,558
Measured at amortised cost	14,406	14,406	-	-	14,406
Non-financial liabilities	-	-	-	7,152	7,152
Total financial liabilities	**-**	**-**	**-**	**-**	**168,083**
Thereof: measured at amortised cost	-	-	-	-	168,083

Financial instruments 2018 €'000	Measured at amortised cost		Measured at fair value	Non-financial assets/liabilities	
	Carrying amount on balance sheet at 31 Dec 2018	Pro forma: fair value	Carrying amount	Carrying amount	Carrying amount on balance sheet
Trade receivables	55,536	-	-	-	55,536
Loans and receivables	55,536	55,536	-	-	55,536
Financial assets	290	-	-	-	290
Loans and receivables	290	290	-	-	290
Other assets	383	-	-	4,203	4,586
Loans and receivables	383	383	-		383
Non-financial assets				4,203	4,203
Cash and cash equivalents	31,761	-	-	-	31,761
Loans and receivables	31,761	31,761	-	-	31,761
Total financial assets	**-**	**-**	**-**	**-**	**87,970**
Thereof: loans and receivables	-	-	-	-	87,970
Financial liabilities	80,736	-	-	-	80,736
Measured at amortised cost	80,736	96,879	-	-	80,736
Trade payables	31,992	-	-	-	31,992
Measured at amortised cost	31,992	31,992	-	-	31,992
Other liabilities	10,326	-	-	5,297	15,623
Measured at amortised cost	10,326	10,326	-	-	10,326
Non-financial liabilities	-	-	-	5,297	5,297
Total financial liabilities	**-**	**-**	**-**	**-**	**123,054**
Thereof: measured at amortised cost	-	-	-	-	123,054

In accordance with level two of the measurement hierarchy specified by IFRS 13, the fair value of financial liabilities is 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 the liabilities as well as the credit rating of Hypoport AG. In accordance with level three of the measurement hierarchy specified by IFRS 13, the fair value of receivables, loans and primary liabilities (with the exception of financial liabilities) is assumed to be the same as their carrying amount; the fair value of cash and cash equivalents is assumed to be the same as their nominal value. 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 2019 €'000	Loans and receivables	Held-to-maturity investments	Fair value/ held for trading	Liabilities measured at amortised cost	2019
Interest and similar income	389	–	–	–	389
Interest expense and similar charges	–	–	–	– 2,074	– 2,074
Impairment losses	– 621	–	–	–	– 621
Net result	**– 232**	**0**	**0**	**– 2,074**	**– 2,306**

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

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 2019 and 31 December 2018:

Company’s gearing	2019 €'000	2018 €'000
Financial liabilities	114,868	80,736
Minus cash and cash equivalents	24,892	31,761
Net debt	89,976	48,975
Equity	178,375	153,484
Gearing	50%	32%

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

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

- ASC Assekuranz-Service Center GmbH, Bayreuth, Germany
- Bayreuth Am Pfaffenfleck 15 Objektgesellschaft mbH, Bayreuth, Germany (formerly ASC Objekt GmbH, Bayreuth)
- BAUFINEX Service GmbH, Berlin, Germany
- Dr. Klein Wowi Finanz AG, Lübeck, Germany (formerly DR. KLEIN Firmenkunden AG, Lübeck)
- Dr. Klein Privatkunden AG, Lübeck, Germany
- Dr. Klein Ratenkredit GmbH, Lübeck, Germany
- Dr. Klein Wowi Digital AG, Berlin, Germany (formerly ICS Integra Computing Services GmbH, Berlin)
- EUROPACE AG, Berlin, Germany
- FIO SYSTEMS AG, Leipzig, Germany
- GENOPACE GmbH, Berlin, Germany
- Hypoport Grundstücksmanagement GmbH, Berlin, Germany

- Hypoport Holding GmbH, Berlin, Germany (formerly Hypoport InsurTech GmbH, Berlin)
- Hypoport Systems GmbH, Berlin, Germany
- Kartenhaus GmbH, Bonn, Germany
- Primstal - Alte Eiweiler Strasse 38 Objektgesellschaft mbH, Nonnweiler, Germany
- Qualitypool GmbH, Lübeck, Germany
- Smart InsurTech AG, Berlin, Germany
- Value AG, Berlin, Germany
- Vergleich.de Gesellschaft für Verbraucherinformation mbH, Berlin, Germany
- VS Direkt Versicherungsmakler GmbH, Bayreuth, Germany
- Winzer - Kneippstrasse 7 Objektgesellschaft mbH, Berlin, Germany.

7.14 Declaration of compliance with the German Corporate Governance Code

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

7.15 Events after the reporting period

After the reporting date of 31 December 2019, there was a rapid increase worldwide in the number of people infected with coronavirus/COVID-19. The number of cases in Germany has also been rising sharply since February 2020. Please see the information in section III 'Outlook' in the group management report.

Hypoport AG acquired 49 per cent of the shares in ePension GmbH & Co. KG, Hamburg, on 3 March 2020. ePension GmbH & Co. KG provides a digital platform for the administration of occupational pension schemes. Together with its wholly owned subsidiary E & P Pensionsmanagement GmbH, it is also a service provider for employers and their staff in the field of occupational retirement pensions. By incorporating products for the administration of retirement pensions from ePension GmbH & Co. KG, the Hypoport Group is expanding its fully integrated digital insurance platform.

The acquisition of ePension GmbH & Co. KG will result in slight changes to the Group's financial position and financial performance. There is likely to be a positive impact on EBIT.

Apart from the aforementioned matters, no other event has occurred so far that is of particular significance to the financial position and financial performance of the Hypoport Group in 2019.

Lübeck, 6 March 2020

Hypoport AG – The Management Board

Ronald Slabke Stephan Gawarecki

Consolidated statement of changes in non-current assets 2019

	Cost				
	Balance 1 Jan 2019 €'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	21,791	2,972	22	286	1,092
1.2 Development costs	78,274	15,381	0	98	0
2. Goodwill	140,460	0	0	0	45,979
3. Advance payments and development costs in progress	1,012	1,708	0	– 384	5
	241,537	**20,061**	**22**	**0**	**47,076**
II. Property, plant and equipment					
1. Land, leasehold improvements and buildings, including buildings on land owned by others	3,888	26,267	0	0	1,078
2. Office furniture and equipment	13,928	3,932	1,653	292	135
3. Advanced payments and constructions in progress	779	3,023	0	– 292	0
	18,595	**33,022**	**1,653**	**0**	**1,213**
	260,132	**53,283**	**1,675**	**0**	**48,289**

	Cumulative depreciation, amortisation and impairment				Carrying amount	
Balance 31 Dec 2019 €'000	Balance 1 Jan 2019 €'000	Additions €'000	Disposals €'000	Balance 31 Dec 2019 €'000	Balance 31 Dec 2019 €'000	31 Dec 2018 €'000
26,119	7,742	3,263	7	10,998	15,121	14,049
93,763	43,159	6,254	0	49,413	44,340	35,115
186,439	0	0	0	0	186,439	140,460
2,341	0	0	0	0	2,341	1,012
308,652	**50,901**	**9,517**	**7**	**60,411**	**248,241**	**190,636**
31,233	118	5,970	0	6,088	25,145	3,770
16,634	8,145	3,721	1,564	10,302	6,332	5,783
3,510	0	0	0	0	3,510	779
51,377	**8,263**	**9,691**	**1,564**	**16,390**	**34,987**	**10,332**
360,029	**59,164**	**19,208**	**1,571**	**76,801**	**283,228**	**200,968**

Consolidated statement of changes in non-current assets 2018

Cost

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

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

Report of the supervisory board

The Supervisory Board hereby reports on the discharge of its responsibilities at Hypoport AG (‘Company’) in the 2019 financial year.

In 2019, the Supervisory Board continued to apply due care and diligence in discharging the responsibilities incumbent upon it under the law, the Company’s statutes, its rules of procedure and the German Corporate Governance Code. The Supervisory Board supported the Management Board in its running of the Company. This support function was based on the detailed written and oral reports submitted by the Management Board, which informed the Supervisory Board in a regular, comprehensive and timely fashion about the Company’s strategic planning and budgeting, changes in its business performance and financial position, its strategic development, the risk situation, risk management and relevant compliance matters, important transactions and the current position of the Company and the Hypoport Group. The Supervisory Board was informed at regular intervals either during or in advance of Supervisory Board meetings. The Management Board and the Supervisory Board were also in regular contact outside the meetings, so the Supervisory Board was kept abreast of particularly important events at all times. The Supervisory Board also obtained information about key developments for itself and supported the Management Board in an advisory capacity. All decisions and actions of fundamental importance that required approval were discussed with the Supervisory Board at an early stage and submitted to the Supervisory Board for approval.

The Supervisory Board held five scheduled meetings in 2019. In addition, two Supervisory Board meetings were held by telephone. Eight further resolutions were adopted in writing (by email) at the request of the Supervisory Board chairman following detailed preparation and dissemination of information in each case. All members of the Supervisory Board attended every meeting and took part in the other resolutions adopted outside meetings.

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

Key points of the Supervisory Board's deliberations

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

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

The Management Board also presented the Credit Platform segment, including information on its current situation and strategy as well as the long-term objectives of the segment and the subsidiaries assigned to it. The Supervisory Board's questions about the segment presentation were answered by the Management Board, and the Supervisory Board then noted the segment presentation with approval.

Furthermore, the Supervisory Board approved the harmonisation of the business transactions requiring consent listed in the rules of procedure and in the policy on authority levels. At the same time, it adopted an updated version of the rules of procedure for the Supervisory Board.

A representative of the Company's auditors, BDO AG Wirtschaftsprüfungsgesellschaft, attended the meeting held on **20 March 2019** and presented a comprehensive report on BDO's audit of the separate financial statements for 2018 and the consolidated financial statements for 2018. The representative also answered the Supervisory Board's questions. As required by section 171 of the German Stock Corporation Act (AktG), the Supervisory Board reviewed and approved the separate and consolidated financial statements for 2018 as well as both management reports. The Supervisory Board also agreed to the Management Board proposing to the Annual Shareholders' Meeting that the Company's full distributable profit be carried forward to the next accounting period. The Management Board explained further proposals for the agenda of the 2019 Annual Shareholders' Meeting, and the Supervisory Board acknowledged them.

The Management Board then presented the Real Estate Platform segment. It introduced the subsidiaries in this segment, explained its existing products and services, business activities, prospects and opportunities for growth and the steps already taken to realise this potential. It also answered the Supervisory Board's questions.

At the meeting, the Management Board also reported on the fourth quarter of 2018, explained the change in operating costs in the holding company and answered the Supervisory Board's questions. The individual components of the Management Board's updated remuneration were presented during the meeting before being unanimously approved by the Supervisory Board.

The Supervisory Board examined the report that was presented on the actual non-audit services performed and it ascertained that the transparency was ensured in this context. It noted the report with approval. The Supervisory Board also discussed its own report on the 2018 financial year and voted to adopt it.

Finally, the Management Board reported on its experience with implementing and using the compliance management system. It noted that the Hypoport Group had not had to investigate any compliance incidences in 2018. The Supervisory Board decided that, going forward, the internal audit function should report on these matters at the second Supervisory Board meeting each year.

The Supervisory Board also examined the Group's non-financial report for 2018 and concluded that the key messages of the report that it examined were consistent, in all material respects, with the criteria it had set. It adopted a written resolution to this effect on 5 April 2019.

On 27 March 2019, after making appropriate preparations and discussing the draft agenda for the 2019 Annual Shareholders' Meeting, the Supervisory Board adopted a written resolution on convening the Annual Shareholders' Meeting on 15 May 2019 and on the motions for this meeting, with the exception of the motion for agenda item 2 (appropriation of profit), which had been approved at the meeting on 20 March 2019.

On **2 April 2019,** the Supervisory Board adopted a written resolution to approve a request to include information about the Supervisory Board members' independence in the 2019 corporate governance report.

At the Annual Shareholders' Meeting on **15 May 2019,** Mr Martin Krebs was elected as a new member of the Supervisory Board to succeed the Supervisory Board chairman Dr Ottheinz Jung-Senssfelder, who had died. In the Supervisory Board meeting immediately after the Annual Shareholder's Meeting, the Supervisory Board elected Mr Dieter Pfeiffenberger as its new chairman.

The Management Board then presented the Private Clients segment, the Group companies assigned to this segment and their activities, the market and competitive situation, and sales synergies. The Management Board also reported on the first quarter of 2019 and answered the Supervisory Board's questions.

On **12 June 2019,** the Supervisory Board adopted a written resolution to approve the continued appointment of Mr Stephan Gawarecki as a member of the Company's Management Board for the period from 1 January 2020 to 31 December 2024.

On **25 June 2019,** the Supervisory Board held a meeting by telephone in order to discuss the intention to acquire REM CAPITAL AG. The Management Board explained the plans and answered the Supervisory Board's questions. The Supervisory Board unanimously approved the acquisition plan.

On **7 July 2019,** the Supervisory Board adopted a written resolution on the construction and subsequent purchase of a property in Sofia as part of the plans to establish a joint development centre in Sofia.

On **2 September 2019,** the Supervisory Board adopted a written resolution on the signing of a lease for new offices in Munich.

At the Supervisory Board meeting held on **10 September 2019,** the Management Board reported on the second quarter of 2019 and on specific developments and trends in the individual business units, particularly the Insurance Platform segment. The meeting also focused on the Group structure, the Group's management and the organisational structure, the financial position and financial performance of major subsidiaries and the financial position of the Group as a whole. The Company's location strategy was also discussed.

In respect of the advance resolution adopted on 5 May 2017, under which approval of the performance of non-audit services in the Federal Republic of Germany is deemed granted under certain circumstances, the Supervisory Board decided that it would be useful to expand the scope of this resolution so that it covers the Netherlands for certain matters. This is because the auditors regularly perform non-audit services for Hypoport B.V. The Supervisory Board adopted the necessary resolution at the meeting.

At this meeting, the schedule for 2020 was presented and adopted, adjustments to the schedule of topics for the Supervisory Board were suggested in view of the success of the segment presentations, and approval was granted to sign an agreement amending Mr Stephan Gawarec-ki's Management Board employment contract.

With regard to the planned relocation of the Berlin site and the plans for further growth, the Supervisory Board adopted a written resolution on **24 September 2019** to approve the rental of three further units at the new site in Berlin.

On **27 November 2019,** after making appropriate preparations and discussing the draft agenda for the Extraordinary Shareholders' Meeting on 15 January 2020, which was being held to vote on the transformation of Hypoport AG into a European Company (Societas Europaea, SE), the Supervisory Board adopted a written resolution on the convening of the Shareholders' Meeting on 15 January 2020 and on the motions for this meeting.

The Company's operating performance in the third quarter of 2019 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 **29 November 2019.** The current situation in the Insurance Platform segment was also presented and discussed at length.

Another agenda item was the Management Board's report on capital expenditure in 2019, the current funding situation and the resulting funding policy.

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

In addition, the Supervisory Board reviewed the effectiveness of its own work over the past year.

The Supervisory Board approved the 2019 declaration of conformity with the recommendations in the German Corporate Governance Code pursuant to section 161 AktG as presented. It noted with approval the internal audit report as presented. Furthermore, it signed off its agenda for 2020 and a list of requests for future segment presentations. Finally, the Supervisory Board said farewell to Mr Hans Peter Trampe, who stepped down from the Management Board on 31 December 2019.

On **9 December 2019,** the Supervisory Board held a meeting by telephone, during which the Management Board reported in depth on the planned acquisition of Empirica Systeme GmbH. The Supervisory Board discussed the details of the business model, the reasons for the transaction, the due diligence findings and so on. Its questions were answered in full. The Supervisory Board then unanimously approved the planned acquisition.

On **18 December 2019,** the Supervisory Board adopted a written resolution to approve the signing of a loan agreement with Deutsche Bank AG in order to fund the acquisition of Empirica Systeme GmbH and for the Company's general funding.

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 2019, the Supervisory Board once again discussed the content of the German Corporate Governance Code and adopted the necessary resolutions on compliance with its recommendations and on exceptions where individual recommendations are not followed. Further information on corporate governance at the Company can be found in the corporate governance declaration pursuant to sections 289f and 315d of the German Commercial Code (HGB) and 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 2019 separate financial statements that it had prepared in accordance with the HGB, the 2019 consolidated financial state-

ments 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 2019 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 2019 and both management reports. At the Supervisory Board meeting held on **17 March 2020** to discuss the Company's financial statements, the auditors reported in person to the Supervisory Board and provided exhaustive answers to the questions put to them. The Supervisory Board also examined the Management Board's proposal for the appropriation of profit.

The Supervisory Board agreed with the auditors' findings. Having completed its own examination, it had no objections to raise. The Supervisory Board reviewed and approved the separate and consolidated financial statements for 2019 prepared by the Management Board. The financial statements for 2019 have thus been adopted. In addition, the Supervisory Board reviewed and approved the separate non-financial Group report for 2019. 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, 17 March 2020

Dieter Pfeiffenberger

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 13 December 2019 and is reproduced below. The declaration of conformity has been made permanently available to the public and can be viewed at www.hypoport.com/investor-relations/corporate-governance.

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

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

Since the most recent regular declaration of conformity was submitted on 30 January 2019, 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 in the version as amended on 7 February 2017, which were publicly announced by the German Federal Ministry of Justice in the official section of the German Federal Gazette and published in the German Federal Gazette on 24 April 2017. In future, Hypoport AG will continue to comply with the recommendations made by the German government commission on the German Corporate Governance Code as amended on 7 February 2017 with the exception of the recommendations listed below.

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

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

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

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

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

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

4. Paragraph 5.3.1 of the German Corporate Governance Code recommends that supervisory boards set up properly qualified committees in line with the specific circumstances of the company concerned and the number of persons on its supervisory board. Accordingly, paragraph 5.3.2 of the German Corporate Governance Code recommends that an audit committee be set up and paragraph 5.3.3 recommends that a nominations committee be formed. The Supervisory Board of Hypoport AG has not set up any committees.

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

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

The current members of the Company's Supervisory Board were elected by the Annual Shareholders' Meetings in 2015, 2018 and 2019 respectively in accordance with the proposals made by the Supervisory Board. Each was elected by a large majority. 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. Due to the size of the Supervisory Board, the Supervisory Board also believes that each vacant position should be filled first and foremost on the basis of candidates' professional suitability and skills, taking due account of the Company's particular situation. Consequently, the Supervisory Board was and still is of the view that there is currently no need to set the specific targets for its composition or draw up a separate skills profile as recommended by paragraph 5.4.1 (2) of the German Corporate Governance Code. Nonetheless, the Supervisory Board will continuously and properly examine whether to comply with the recommendation in paragraph 5.4.1 (2) and (3) of the German Corporate Governance Code in future or whether to retain the current model.

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

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

Disclosures of corporate governance practices

Management Board and Supervisory Board

The Management Board is responsible for running the Company. Its remit includes formulating the Company's targets, objectives and strategy; managing and monitoring its business activities; and establishing and monitoring an effective risk management system. The statutes of Hypoport AG specify that its Management Board should comprise a minimum of two persons. Apart from this stipulation, it is the responsibility of the Supervisory Board to determine the number of members on the Management Board, which currently consists of two members. The Management Board informs the Supervisory Board in a regular, comprehensive and timely fashion about the Company's strategic planning and budgeting, changes in its business performance and financial position, its strategic development, its risk management, important transactions, and the current position of the Company and the Hypoport Group.

The Supervisory Board of Hypoport AG consists of three members. The chairman of the Supervisory Board is elected from among the members of this body. There was a change on the Supervisory Board in 2019. An election was necessary because Dr Ottheinz Jung-Senssfelder, at the time chairman of Hypoport AG's Supervisory Board, died on 13 April 2019 following a brief period of serious illness. The Annual Shareholders' Meeting elected Mr Martin Krebs as a member of the Supervisory Board. Mr Dieter Pfeiffenberger took over as chairman of the Supervisory Board. The Supervisory Board believes that all of its members, namely Dieter Pfeiffenberger, Roland Adams and Martin Krebs, can be considered independent under the definition provided in clause 5.4.2 of the German Corporate Governance Code. They have been elected for the period up to the end of the Annual Shareholders' Meeting that votes on the formal approval of the actions of the Supervisory Board for the 2019 financial year. The Supervisory Board of Hypoport AG has not yet set any targets for its composition.

The Supervisory Board appoints the members of the Management Board. It monitors the Management Board and advises it on the running of the Company. Material decisions taken by the Management Board must be approved by the Supervisory Board, as must the decisions for which approval by the Supervisory Board is specified in law. 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 2019.

Group Management Board	Shares (number)
Ronald Slabke	2,248,381
Stephan Gawarecki	142,800
Hans Peter Trampe	61,690
Supervisory Board	
Dieter Pfeiffenberger	1,000
Roland Adams	0
Dieter Pfeiffenberger	115

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 2019 can also be found on the Company's website at www.hypoport.com/investor-relations/corporate-governance.

The modus operandi of the Management Board and Supervisory Board

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

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

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

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

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

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

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

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

Targets for the Management Board and Supervisory Board

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

Targets for senior management levels

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

Diversity concept for the composition of the Management Board and Supervisory Board

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

Shareholders and the Annual Shareholders' Meeting

The shareholders of Hypoport AG exercise their rights at the Company's Annual Shareholders' Meeting. This meeting provides the Company's shareholders with a forum in which to exercise their voting rights, obtain information and conduct a dialogue with the Management Board and Supervisory Board. The Annual Shareholders' Meeting is held within the first six months of each financial year. The chairman of the Supervisory Board chairs the Annual Shareholders' Meeting. The Annual Shareholders' Meeting decides on all matters assigned to it by law.

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

Lübeck, March 2020

Hypoport AG

Management Board and Supervisory Board

Independent 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, Lübeck/Germany, and its subsidiaries (the Group) – comprising the consolidated balance sheet as at 31 December 2019, 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 2019 to 31 December 2019, 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 2019 to 31 December 2019. 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 2019 and its financial performance in the financial year from 1 January 2019 to 31 December 2019 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 2019 to 31 December 2019. 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 2019
3. Impairment of goodwill

1. IT risks in connection with revenue recognition

Issue

The Hypoport Group is a technology-based financial service provider with business units that are engaged in the distribution of financial services, facilitated or supported by information technology (IT). The revenue reported in 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 2.18 of the notes to the consolidated financial statements.

Audit response

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

2. First-time consolidation of the entities acquired in 2019

Issue

In 2019, HYPOPORT AG acquired the majority of the shares in two material companies and added them to its basis of consolidation. The total purchase consideration for the acquisitions was €47 million. The assets acquired and liabilities assumed, with the exception of deferred taxes, were recognised at fair value on the date of acquisition. Taking account of the share of the acquired net assets attributable to HYPOPORT AG, which came to €1 million, the goodwill amounted to €46 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 2019 can be found in note 1.7 of the notes to the consolidated financial statements.

Audit approach

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

3. Impairment of goodwill

Issue

The Company reported goodwill totalling €186 million under the 'Intangible assets' line item on the balance sheet as at 31 December 2019 in its consolidated financial statements (47 per cent of total assets). This goodwill must be tested for impairment annually and on an ad hoc basis. Assessing impairment requires the Company's officers to make many assumptions. The assessment is based on the present values of the future cash flows of the cash-generating unit to which the goodwill has been allocated. Future cash flows are derived from the budget accounts prepared by the Company's officers. In this process, expectations about future market developments, increases in revenue and changes in costs are taken into consideration. The present values are determined using discounted cash flow models. They are heavily influenced by the Company's officers' estimates of future cash inflows and by the discount rate used. The impairment of goodwill was a key audit matter for us during our audit because of the uncertainty attaching to assumptions and estimates and due to the substantial amount of goodwill reported on the balance sheet. 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 by IAS 36, 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 there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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 to substantiate statements made 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.

Responsibilities 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 Group'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 requiements

Other disclosures Pursuant to Article 10 of the EU Audit Regulation
We were elected by the Annual General Meeting on 15 May 2019 to audit the financial statements. The Supervisory Board engaged us on 29 November 2019. 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.

The auditor responsible for the audit is Dr Ralf Wißmann.

Lübeck, 17 March 2020

BDO AG
Wirtschaftsprüfungsgesellschaft

Lüthje
Wirtschaftsprüfer
(German Public Auditor)

Dr. Wißmann
Wirtschaftsprüfer
(German Public Auditor)

Single-entity financial statements
of Hypoport AG 2019 (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 2019

	2019 €'000	2018 €'000
Revenue	13,898	4,663
Other operating income	378	468
Material costs	–5,000	0
Personnel expenses	–9,839	–8,566
Depreciation, amortisation and write-downs on intangible fixed assets and on property, plant and equipment	–517	–301
Other operating expenses	–11,375	–6,257
Income from long-term equity investments	5,698	4,999
Income from profit transfer agreements	38,297	32,221
Income from loans from financial assets	1,208	797
Other interest and similar income	201	146
Depreciation on financial assets	0	–63
Expense in respect of loss transfers	–10,965	–8,526
Interest expense and similar charges	–1,645	–1,115
Profit from ordinary activities	**20,339**	**18,466**
Income taxes	–5,318	–3,850
Other taxes	–5	–5
Deferred taxes	–2,726	–586
Net profit for the year	**12,290**	**14,025**
Profit brought forward	80,967	66,912
Settlement purchase of treasury shares	44	30
Distributable profit	**93,301**	**80,967**

Balance sheet as at 31 December 2019

Assets	31.12.2019 €'000	31.12.2018 €'000
Fixed assets		
Intangible assets	493	298
Property, plant and equipment	1,367	288
Financial assets	211,465	180,999
	213,325	**181,585**
Current assets		
Trade receivables	0	0
Receivables from affiliated companies	51,525	46,149
Receivables from other long-term investees and investors	1,238	1,130
Other assets	570	379
Cash and cash equivalents	1,131	1,205
	54,464	**48,863**
Prepaid expenses	**182**	**224**
	267,971	**230,672**
Equity and liabilities		
Equity		
Subscribed capital	6,493	6,493
Treasury shares	– 241	– 245
Issued capital	*6,252*	*6,248*
Capital reserves	51,111	50,677
Retained earnings	7	7
Distributable profit	93,301	80,967
	150,671	**137,899**
Provisions	**3,776**	**2,852**
Liabilities		
Liabilities to banks	90,869	78,248
Liabilities to affiliated companies	606	305
Liabilities to companies with which an investment relationship exists	17,842	9,831
Other liabilities	195	251
	109,512	**88,635**
Deferred tax liabilities	**4,012**	**1,286**
	267,971	**230,672**

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PRIME STANDARD