HYPOPORT

Interim report of Hypoport AG for the period ended at 31 March 2019

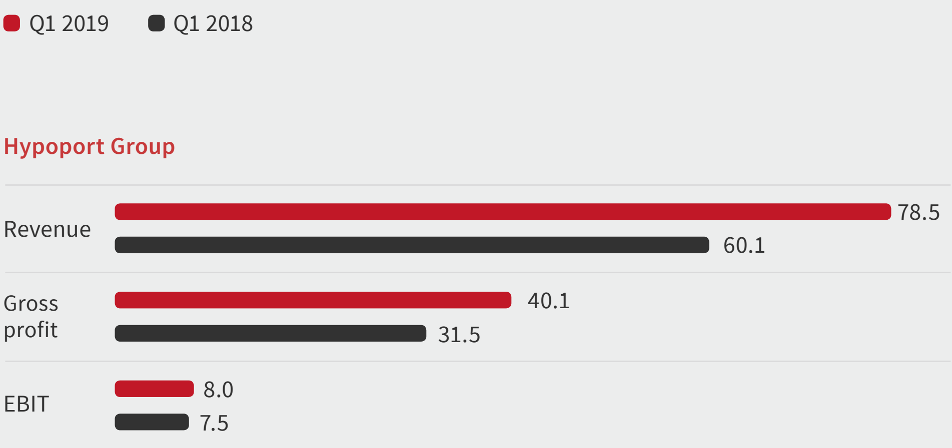
Berlin, 13 May 2019

Key performance indicators

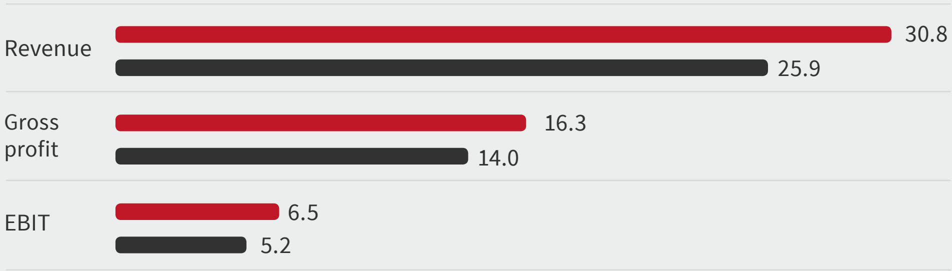
Revenue and earnings (€'000)	Q1 2019	Q1 2018	Change
Revenue	78,455	60,105	31 %
Gross profit	40,190	31,526	27 %
Earnings before interest, tax, depreciation and amortisation (EBITDA)	12,371	9,507	30 %
Earnings before interest and tax (EBIT)	8,022	7,537	6 %
EBIT margin (EBIT as a percentage of gross profit)	20.0	23.9	–17 %
Net income	6,165	5,877	5 %
attributable to Hypoport AG shareholders	6,157	5,864	5 %
Earnings per share (€)	0.99	0.98	1 %

Financial position (€'000)	31.03.2019	31.12.2018	Change
Current assets	71,474	84,645	–16 %
Non-current assets	247,544	220,973	12 %
Equity	159,933	153,484	4 %
attributable to Hypoport AG shareholders	159,601	153,170	4 %
Equity ratio (%)	50.1	50.2	–0 %
Total assets	319,018	305,618	4 %

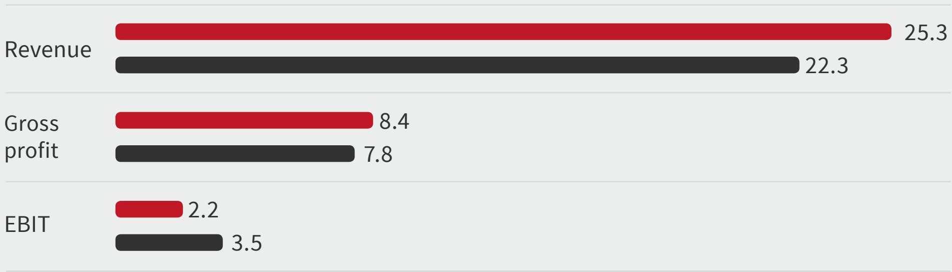
Revenue, Gross profit and EBIT (€ million)



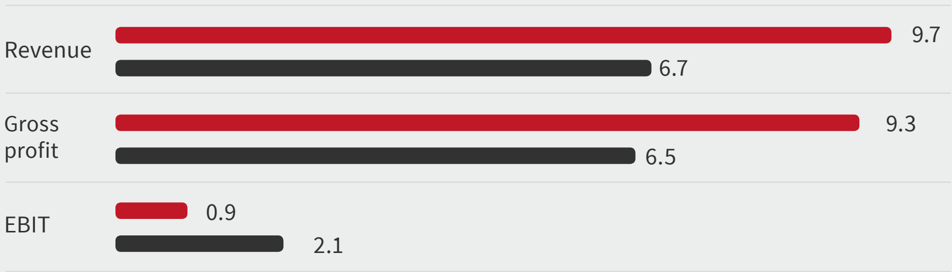
Credit Platform



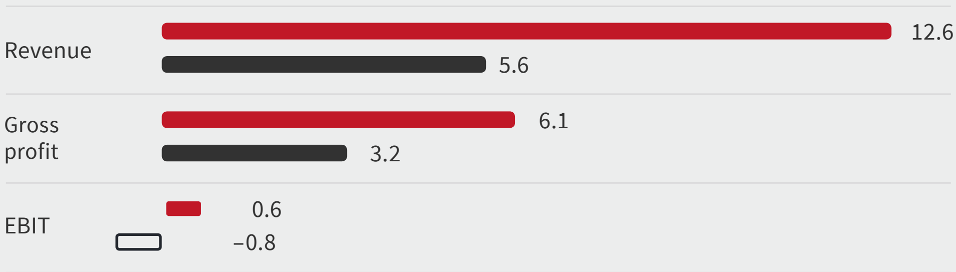
Privat Clients



Real Estate Platform



Insurance Platform



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Letter to shareholders

Dear shareholder,

We have reached the end of the first quarter of the 2019 financial year and can report positive results. The 31 per cent growth of our Hypoport Group meant that we generated revenue of €78.5 million. This uptrend was attributable both to organic growth and the integration of new companies into our Hypoport network. We have also successfully continued our programme of capital investment and expenditure aimed at the technological integration of the companies acquired since 2016, the expansion of our sales capacity and the addition of new product partners. After deduction of these expenses, our EBIT nonetheless rose by 6 per cent to €8.0 million.

This shows that, over the first three months of this year, Hypoport's four segments (Credit Platform, Private Clients, Real Estate Platform and Insurance Platform) performed well, albeit with some variation. The results of the individual segments are set out below.

The Credit Platform segment is centred on the web-based B2B credit marketplace EUROPACE, which is the largest German lending marketplace for mortgage finance, building finance products and personal loans. The volume of EUROPACE transactions rose by 14 per cent to €15.5 billion in the first quarter of 2019 (Q1 2018: €13.5 billion). The positive trend was supported by all four sales groups: independent loan brokerage advisors, private banks, savings banks and cooperative banks. The sub-marketplace for savings banks, FINMAS, again made a substantial contribution, notching up growth of 56 per cent. Of particular note was the performance of GENOPACE, the sub-marketplace for cooperative financial institutions, in the first quarter of 2019, which followed on from its strong growth rates over the course of 2018. One of the reasons for this was the strengthening of the relationship with Bausparkasse Schwäbisch Hall through BAUFINEX. The creation of an IT interface to Fiducia GAD AG, the IT provider of the credit cooperatives and mutually owned banks, will make the mortgage finance processes even more efficient, which should allow us to maintain the fast pace of our growth within the cooperative financial network. Revenue in the Credit Platform segment jumped by a healthy 19 per cent to €30.8 million in the first three months of 2019 (Q1 2018: €25.9 million). The Credit Platform segment's EBIT advanced by 25 per cent, from €5.2 million in the first quarter of 2018 to €6.5 million in the reporting period.
The sales volume in the Private Clients segment, with its well-known Dr. Klein brand, expanded by 9 per cent to €1.7 billion (Q1 2018: €1.5 billion) thanks to the use of EUROPACE. At the same time, the number of advisors grew by 11 per cent to 621. Total revenue in the Private Clients segment advanced by 13 per cent to around €25.3 million in the first quarter of 2019 (Q1 2018: €22.3 million). Despite the revenue growth, the Private Clients segment's EBIT fell by 35 per cent to €2.2 million (Q1 2018: €3.5 million). This was due to a shift in the product mix, the addition of further product partners, capital expenditure on process digitalisation and the building up of personnel capacity in the organisation.

The Credit Platform and Private Clients segments focus on mortgage finance in Germany. According to Deutsche Bundesbank, the market as a whole only expanded by around 4 per cent [1]. As a result of both segments increasing their transaction volume at a faster rate than that of the market, they again captured significant additional market share in the first three months of 2019.

All property-related activities of the Hypoport Group, with the exception of loan brokerage for private clients, are grouped together in the Real Estate Platform segment, which was formed in summer 2018 with the aim of digitalising the sale, valuation and management of properties. The volume of transactions recorded for the property financing platform of the Real Estate Platform segment decreased by 37 per cent to €0.3 billion (Q1 2018: €0.5 billion) owing to the relative lack of stimulus from interest rates, which actually fell slightly, and the politically motivated debate about capping rents. The decrease in revenue from the property financing platform on the back of the sharp contraction of the volume of transactions was offset by the increases in revenue from the property management platform, property sales platform and property valuation platform, resulting in total revenue for the Real Estate Platform segment of €9.7 million. This equated to a rise of 46 per cent compared with the figure for the first three months of 2018 of €6.7 million. The segment's EBIT dropped by 59 per cent to €0.9 million (Q1 2018: €2.1 million). This was due to the much smaller contribution to EBIT from the property financing platform, expenses related to expansion of the valuation platform, and capital expenditure to utilise synergies between the Real Estate Platform segment and EUROPACE.

The Insurance Platform segment brings together all of the Hypoport Group's activities relating to insurance technology. To this end, the segment is centred on the fully integrated SMART INSUR platform for the sale and administration of insurance products. The expansion of business relationships with existing clients, the securing of new clients and the growth as a result of acquiring ASC in 2018 caused the segment's revenue to more than double from €5.6 million to €12.6 million. EBIT was up significantly year on year, amounting to a profit of €0.6 million (Q1 2018: loss of €0.8 million).

[1] *Statistics from Deutsche Bundesbank for the period January to March 2019 relating to the volume of new mortgage finance business compared with the same period of 2018.*

The increase in our revenue of more than 30 per cent in the first quarter provides us with solid foundations for a successful 2019. This year, Hypoport is continuing to focus on the technical, organisational and cultural integration of the recent acquirees and on utilising synergies between the companies within our network. In view of the integration of the acquisitions, the leveraging of synergies and further organic growth at the individual Hypoport companies, we still expect consolidated revenue of €310 million to €340 million and EBIT of €32 million to €40 million. Irrespective of this short-term forecast, our long-term objective continues to be the digitalisation of the German credit, property and insurance industries.

Kind regards,

Ronald Slabke

Management report

Business and economic conditions

Macroeconomic environment

The sector-specific market environment in which the Hypoport Group operates – the German credit, property and insurance industries – is traditionally very independent of conditions in the wider economy. The only macroeconomic variables that, along with the industry-specific factors listed below, have a degree of influence on consumers' and the housing industry's willingness to take out loans and insurance are gross domestic product (GDP), interest rates and inflation.

GDP stagnated in the fourth quarter of 2018, and the expected reduction in global trade and the anticipated resulting impact on German exports prompted the leading economic research institutes and the German government to lower their forecasts for 2019 to a range of 0.5 per cent to 1.0 per cent. The rate of inflation for Germany was between 1.3 per cent and 1.5 per cent during the first three months of the year, thus remaining well below the target set by the European Central Bank (ECB) of "below, but close to, 2.0 per cent". Moreover, the ECB announced that it intended to maintain the benchmark rate at its current level until early 2020. The key interest rate is therefore unlikely to go up any time soon. The termination of the ECB's bond-buying programme in December 2018 did not have a major immediate impact on the low-interest-rate environment either, as it is being implemented gradually and any incoming repayments of principal are being reinvested. It might, however, lead to an incremental rise in interest rates in the medium term.

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 (until summer 2018: Institutional Clients) and Insurance Platform. The companies within the first three segments are primarily involved in the brokerage of financial products for residential mortgage finance and related services. The key target sector for these segments is therefore the credit industry for residential property in Germany. 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.

Sectoral conditions in the credit industry for residential property and in the insurance industry have not changed materially since we reported on them in the 2018 annual report.

Credit industry for residential property

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

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

The first factor, operational developments in the housing market, did not change significantly during the first few months of this year. Despite small improvements as a result of new construction, supply in the housing market still does not match the high level of demand 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.

Regarding the second factor, regulations, it is evident that mounting European and domestic regulation is adversely affecting the financial services market in Germany. For years, banks and insurance companies in particular have been 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 subordinate role when consumers are deciding whether to buy property. For this group, being able to secure the right property at the right time for an affordable price is more important than the current mortgage rate. By contrast, small interest-rate rises have a significant effect on the property financing platform for the housing industry in the Real Estate Platform segment. The average Dr. Klein interest rate remained within a very narrow range of 1.52 per cent to 1.68 per cent in the first three months of 2019.

The interaction of these factors caused the volume of new mortgage finance business, based on Deutsche Bundesbank statistics (Bundesbank time series BBK01.SUD231), to rise to €62 billion in the first quarter of 2019, a year-on-year increase of 4.3 per cent (Q1 2018: €59 billion).

Insurance market

Regular income from premiums and the predictable nature of insurance benefit payments as a result of the huge number of individual policies mean that the insurance industry (direct insurance) is not generally subject to rapid or dramatic changes. In 2018, premium income in the insurance industry (volume of premiums) rose by a modest 2.1 per cent compared with the prior year. According to the German Insurance Association (GDV), the premium income collected by its members totalled €202.2 billion (2017: €198.0 billion). As life insurance products and private health insurance continued to suffer due to low interest rates and new legislation, the increases in premiums of 1.4 per cent and 1.7 per cent respectively were only around the rate of inflation in 2018. Life insurance products generated premium income of €91.9 billion (2017: €90.7 billion) and private health insurance €39.7 billion (2017: €39.1 billion) in 2018. Premium income from non-life insurance advanced by 3.3 per cent to €70.6 billion (2017: €68.3 billion), rising much more sharply than that from the other two types of insurance.

Business performance

In the first three months of 2019, the Hypoport Group increased its revenue by 31 per cent to €78.5 million (Q1 2018: €60.1 million). Excluding selling expenses (€38.3 million), the Hypoport network's gross profit went up by 27 per cent to €40.2 million (Q1 2018: €31.5 million). Earnings before interest and tax (EBIT) came to €8.0 million in the first quarter of this year (Q1 2018: €7.5 million), a rise of around 6 per cent.

The revenue and selling expenses for the individual segments described below include a small proportion of revenue with other segments of the Hypoport Group and associated selling expenses.

Credit Platform segment

The Credit Platform segment includes the web-based B2B credit platform EUROPACE, which is the largest German marketplace for the sale of mortgage finance, building finance products and personal loans, plus sub-marketplaces and distribution companies that are tailored to individual target groups.
EUROPACE brings together two groups: distribution organisations (non-captive distribution organisations, savings banks, cooperative banks, private banks) and product suppliers (savings banks, cooperative banks, private banks and insurers). The volume of transactions processed on EUROPACE in the first quarter of 2019 went up by 14 per cent to €15.5 billion, compared with €13.5 billion in the prior-year period. This increase was driven by further gains in market share in the largest product group, mortgage finance, and in the building finance product group. The volume in the mortgage finance product group advanced by 16 per cent to €12.1 billion (Q1 2018: €10.4 billion). In the building finance product group, the transaction volume grew by 17 per cent to €2.5 billion (Q1 2018: €2.2 billion). The mortgage finance and building finance product groups, which together account for most (around 95 per cent) of the volume of transactions on EUROPACE, thus again considerably exceeded the growth rates of their respective markets. The volume in the smallest product group, personal loans, was down slightly compared with the exceptionally strong figure for the prior-year period, falling by 10 per cent from €1.0 billion to €0.9 billion.

FINMAS, the sub-marketplace for institutions in the Savings Banks Finance Group, and GENOPACE, the sub-marketplace for cooperative banks, both increased their transaction volumes at a faster rate than the overall EUROPACE marketplace in the first three months of 2019. Using FINMAS, institutions in the Savings Banks Finance Group brokered a 56 per cent higher transaction volume (Q1 2019: €1.3 billion; Q1 2018: €0.8 billion). In the cooperative banking sector, institutions used GENOPACE to generate a volume of €0.7 billion, an impressive year-on-year rise of 82 per cent (Q1 2018: €0.4 billion). The sales volume generated by the non-captive financial distributors that use EUROPACE improved by over 10 per cent.

Product suppliers on the financial marketplace are divided into three groups: private banks and insurance companies, savings banks and cooperative banks. Traditionally the largest group, private banks and insurance companies achieved further growth in the volume that they generated as product suppliers to reach a total of €11.7 billion (Q1 2018: €10.7 billion). The savings banks and cooperative banks, which have not made much use of digital technologies to date, also further increased their new lending business, achieving stronger growth than the private banks and insurance companies. As product suppliers, the savings banks generated a volume of €2.3 billion (Q1 2018: €1.8 billion) and the cooperative banks €1.5 billion (Q1 2018: €1.0 billion).

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 24 per cent to 662 (31 March 2018: 534). Of this total, there were 246 contractual partners attributable to FINMAS (31 March 2018: 199; up by 24 per cent) and 323 to GENOPACE (31 March 2018: 245; up by 32 per cent).

Financial figures Credit Platform	Q1 2019	Q1 2018	Change
Transaction volume (billion €)*/**			
Total	15.5	13.5	14%
thereof Mortgage finance	12.1	10.4	16%
thereof Building finance / 'Bausparen'	2.5	2.2	17%
thereof Personal loan	0.9	1.0	– 10%
Partners (number)			
EUROPACE (incl. GENOPACE und FINMAS)	662	534	24%
GENOPACE	323	245	32%
FINMAS	246	199	24%
Revenue and earnings (million €)*			
Revenue	30.8	25.9	19%
Gross profit	16.3	14.0	17%
EBIT	6.5	5.2	25%

* The comparative prior-year tax figures have been adjusted and are explained in the notes to the interim consolidated financial statements
**Recognition method adjusted in 2019 as a result of improvements in the allocation to specific periods. The adjustment will have a detrimental impact on the transaction volume figures for 2019.

Revenue in the Credit Platform segment was up substantially compared with the first quarter of 2018 as a result of the greater volume of transactions on EUROPACE in the mortgage finance and building finance product groups and the increase in revenue from the two brokerage pools for independent loan brokerage advisors, Qualitypool and Starpool. Only white-label personal loans business registered a decline, with revenue falling slightly compared with the extremely good level in the prior-year period. Overall, revenue in the Credit Platform segment jumped by 19 per cent to around €30.8 million in the first quarter of 2019 (Q1 2018: €25.9 million). The segment's gross profit climbed by 17 per cent to €16.3 million (Q1 2018: €14.0 million). The Credit Platform segment's EBIT advanced by 25 per cent, from €5.2 million in the first quarter of 2018 to €6.5 million in the reporting period.

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. The segment also has seven Hypoport flagship stores located in German metropolitan areas. The network of sites has already been optimised in terms of coverage, which means further growth will be largely determined by the number and performance of the advisors[2] at the existing locations rather than being the result of new locations being opened. As at 31 March 2019, further advisors had been added, taking the total to 621 (31 March 2018: 561; up by 11 per cent).

The total volume of loans brokered by the Private Clients segment rose by 9 per cent to around €1.7 billion in the first quarter of 2019 (Q1 2018: €1.5 billion).

Financial figures Private Clients	Q1 2019	Q1 2018*	Change
Transaction volume financing (billion €) **	1.69	1.55	9%
Number of franchise advisors (financing)	621	561	11%
Revenue and earnings (million €)			
Revenue	25.3	22.3	13%
Gross profit	8.4	7.8	8%
EBIT	2.2	3.5	– 35%

* The comparative prior-year tax figures have been adjusted and are explained in the notes to the interim consolidated financial statements
**Recognition method adjusted in 2019 as a result of improvements in the allocation to specific periods. The adjustment will have a detrimental impact on the transaction volume figures for 2019.

Total revenue in the Private Clients segment advanced by 13 per cent to around €25.3 million in the first three months of the year (Q1 2018: €22.3 million). Commission is paid to distribution partners (e.g. franchisees) and lead acquisition fees are paid to third parties and recognised as selling expenses. The gross profit remaining after deduction of these expenses went up by 8 per cent to €8.4 million (Q1 2018: €7.8 million). Despite the revenue growth, the Private Clients segment's EBIT fell by 35 per cent to €2.2 million (Q1 2018: €3.5 million). This was due to a shift in the product mix, the addition of a large number of regional product partners, capital expenditure on process digitalisation and the building up of personnel capacity in the organisation. Following the segment reallocation of white-label personal loans in 2018, all overhead costs incurred are now borne by the Private Clients segment alone.

[2] *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 financing, management, sale and valuation of properties. The target groups are the housing and property industries, estate agents and mortgage lenders. The segment includes four platforms that have a lot of potential synergies: a property financing platform (Dr. KLEIN Firmenkunden AG), a property management platform (FIO SYSTEMS AG and Hypoport B.V. with its PRoMMiSe product), a property sales platform (FIO SYSTEMS AG) and a valuation platform (Value AG).

The volume of transactions on the segment's property financing platform amounted to €0.3 billion in the first quarter of 2019, a decrease of 37 per cent compared with the robust figure for the prior-year period of €0.5 billion. The reduction was attributable to the relative lack of stimulus from interest rates, which actually fell slightly, and the politically motivated debate about rent increases, which made the housing and property industries reluctant to invest. In the first quarter of 2019, the focus for the property management platform (ERP solution from FIO SYSTEMS for the housing and property sectors) was on the potential for marketing within these sectors. Both the property sales platform and property valuation platform delivered a sound operating performance. The marketing solution from FIO SYSTEMS within the Savings Banks Finance Group secured five new institutions as users between the end of 2018 and 31 March 2019, taking the total to 316 institutions. The number of users within the cooperative banking group rose by one over the period, giving a total of 59 institutions. The number of clients/banking partners using Value AG's valuation service on the valuation platform increased from approximately 120 in the first quarter of 2018 to around 220 in the period under review.

Financial figures Real Estate Platform	Q1 2019	Q1 2018	Change
Transaction volume (million €)	328	523	–37%
Revenue and earnings (million €)*			
Revenue	9.7	6.7	46%
thereof Property financing platform	3.5	4.7	–26%
thereof Property management platform (ERP) & Property sales platform	3.6	1.3	177%
thereof Property valuation platform	2.6	0.7	296%
Gross profit	9.3	6.5	43%
EBIT	0.9	2.1	–59%

* The comparative prior-year tax figures have been adjusted and are explained in the notes to the interim consolidated financial statements

The sharp fall in the volume of transactions caused revenue from the property financing platform to decrease to €3.5 million (Q1 2018: €4.7 million). Despite the transaction volume shrinking by 37 per cent, more lucrative deals meant that the reduction in revenue was limited to 26 per cent. This, plus the increases in revenue from the administrative and property sales platform (from €1.3 million in Q1 2018 to €3.6 million in Q1 2019) and from the valuation platform (from €0.7 million to €2.6 million), resulted in total revenue for the Real Estate Platform segment of €9.7 million. This equated to a rise of 46 per cent compared with the figure for the first three months of 2018 of €6.7 million. The segment's gross profit rose at virtually the same rate (43 per cent) to reach €9.3 million, up from €6.5 million in the prior-year period. The segment's EBIT declined by 59 per cent to €0.9 million (Q1 2018: €2.1 million). The decrease in EBIT can be explained by the much smaller contribution to EBIT from the property financing platform, expenses related to expansion of the valuation platform and capital expenditure to utilise synergies between the Real Estate Platform segment and EUROPACE.

Insurance Platform segment

The Insurance Platform segment brings together all of the Hypoport Group's activities relating to insurance technology. To this end, there is a fully integrated platform, SMART INSUR, for the sale and administration of insurance products. In addition, Qualitypool GmbH (insurance business) provides support services to small and medium-sized financial product distributors in relation to the brokerage of insurance.

Financial figures Insurance Platform	Q1 2019	Q1 2018	Change
Revenue and earnings (million €)			
Revenue	12.6	5.6	127%
Gross profit	6.1	3.2	88%
EBIT	0.6	−0.8	

The expansion of business relationships with existing clients, the securing of new clients and the growth as a result of acquiring ASC in 2018 caused the segment's revenue to more than double from €5.6 million to €12.6 million. The segment's gross profit climbed by 83 per cent to €5.9 million (Q1 2018: €3.2 million). EBIT was up significantly year on year, amounting to a profit of €0.6 million (Q1 2018: loss of €0.8 million). However, it did receive a small boost as a result of seasonal factors.

Earnings

Against the backdrop of the operating performance described above, EBITDA rose substantially (by 30 per cent) from €9.5 million to €12.4 million and EBIT advanced slightly (by 6 per cent) from €7.5 million to €8.0 million.

The EBIT margin (EBIT as a percentage of gross profit) declined slightly from 23.9 per cent to 20.0 per cent.

Revenue and earnings (million €)	Q1 2019	Q1 2018	Change
Revenue	78.5	60.1	31%
Gross profit	40.2	31.5	27%
EBITDA	12.4	9.5	30%
EBIT	8.0	7.5	6%
EBIT margin (EBIT as percentage of gross profit)	20.0%	23.9%	–17%

Own work capitalised

In the first quarter of 2019, the Company continued to attach considerable importance to investing in the further expansion of its platforms. There was also further capital expenditure on new advisory systems for consumers and distributors. This capital expenditure underpins the future growth of all four segments, Credit Platform, Private Clients, Real Estate Platform and Insurance Platform.

The Company invested a total of €7.1 million in expansion in the first quarter of 2019 (Q1 2018: €4.4 million). Of this total, €3.7 million was capitalised (Q1 2018: €2.2 million) and €3.4 million was expensed as incurred (Q1 2018: €2.2 million). These amounts represent the pro-rata personnel expenses and operating costs attributable to software development. The rise in development costs was primarily attributable to the newly acquired software companies.

Other income and expenses

Other operating income mainly comprised income of €0.3 million from other accounting periods (Q1 2018: €0.4 million) and income of €0.3 million from employee contributions to vehicle purchases (Q1 2018: €0.2 million).

Personnel expenses went up because of salary increases and the rise in the number of employees to 1,576 as at the reporting date (31 March 2018: 1,125).

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

Other operating expenses (million €)	Q1 2019	Q1 2018
Operating expenses	1.8	2.3
Other selling expenses	1.7	1.2
Administrative expenses	3.4	2.5
Other personnel expenses	0.5	0.4
Other expenses	1.0	1.0
	8.4	**7.4**

The operating expenses consisted mainly of building rentals of €0.1 million (Q1 2018: €0.7 million) and vehicle-related costs of €0.5 million (Q1 2018: €0.6 million). The reduction in rental expenses and vehicle costs was attributable to application of the new accounting standard for leases (IFRS 16) with effect from 1 January 2019. The other selling expenses related to advertising costs and travel expenses. The administrative expenses largely comprised IT-related costs of €1.7 million (Q1 2018: €1.2 million) and legal and consultancy expenses of €0.6 million (Q1 2018: €0.6 million). The other personnel expenses mainly consisted of training costs of €0.4 million (Q1 2018: €0.2 million).

Depreciation, amortisation expense and impairment losses

Depreciation, amortisation expense and impairment losses rose by €2.4 million to €4.4 million, the largest item of which (€1.3 million) consisted of depreciation and impairment recognised on leasing-related right-of-use assets for the first time following the adoption of the new accounting standard for leases (IFRS 16) on 1 January 2019.

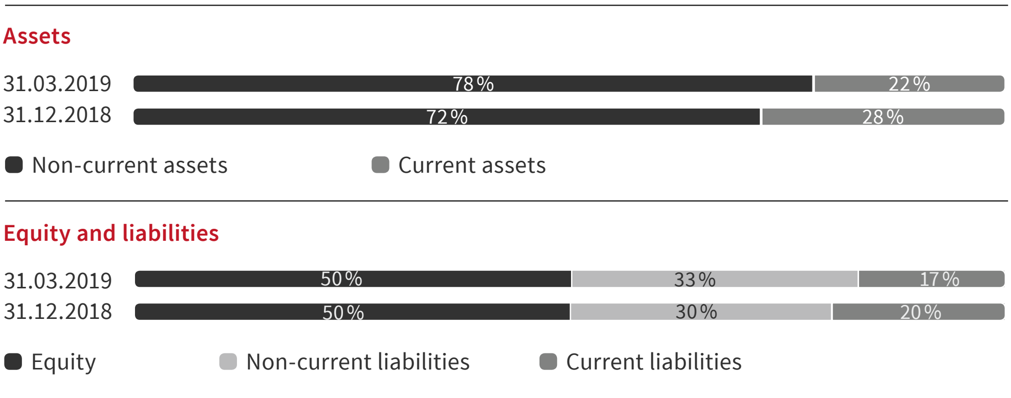
Net financial income/finance costs

In the first quarter of 2019, net finance costs amounted to €0.4 million (Q1 2018: €0.2 million) and primarily included interest expense and similar charges of €0.3 million in connection with the drawdown of loans and the use of credit lines (Q1 2018: €0.1 million).

Balance sheet

The Hypoport Group's consolidated total assets as at 31 March 2019 amounted to €319.0 million, which was a 4 per cent increase on the total as at 31 December 2018 (€305.6 million).

Balance sheet structure



Non-current assets totalled €247.5 million (31 December 2018: €221.0 million). They largely consisted of goodwill of €140.5 million (31 December 2018: €140.5 million) and development costs for the financial marketplaces of €37.8 million (31 December 2018: €36.0 million). The €24.0 million rise in property, plant and equipment to €34.3 million can be explained almost entirely (€23.8 million) by the recognition of leasing-related right-of-use assets for the first time following the adoption of the new accounting standard for leases (IFRS 16) on 1 January 2019.

Other current assets essentially comprised prepaid expenses of €1.3 million (31 December 2018: €1.1 million) and commission of €0.5 million paid in advance to distribution partners (31 December 2018: €0.8 million).

The equity attributable to Hypoport AG shareholders as at 31 March 2019 had grown by €6.4 million, or 4.2 per cent, to €159.6 million. The equity ratio decreased slightly, from 50.2 per cent to 50.1 per cent, owing to the increase in total assets.

The €14.8 million increase in non-current liabilities to €105.0 million stemmed primarily from the €17.2 million rise in non-current financial liabilities caused by the first-time adoption of IFRS 16.

Total financial liabilities comprised bank loans of €77.7 million (31 December 2018: €80.6 million) and leases of €23.8 million (31 December 2018: €0.2 million). The increase in financial liabilities arising from leases was the result of the first-time adoption of IFRS 16 on 1 January 2019 and the recognition of new lease liabilities this year. Financial liabilities arising from bank loans decreased owing to scheduled repayments.

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

Other current liabilities mainly comprised tax liabilities of €2.7 million (31 December 2018: €2.2 million) and bonus commitments of €2.4 million (31 December 2018: €4.7 million).

Cash flow

Cash flow grew by €2.0 million to €9.8 million during the reporting period. The total net cash generated by operating activities in the first quarter of 2019 amounted to €6.9 million (Q1 2018: €11.0 million). The cash used for working capital fell by €6.1 million to minus €2.9 million (Q1 2018: €3.2 million).

The net cash outflow of €8.5 million for investing activities (Q1 2018: €11.8 million) consisted primarily of capital expenditure of €4.6 million on non-current intangible assets (Q1 2018: €2.9 million) and the first earn-out payment of €2.6 million resulting from the acquisition of ASC Assekuranz-Service Center GmbH in 2018.

The net cash of €4.1 million used for financing activities (Q1 2018: net cash inflow of €11.2 million) related to scheduled loan repayments of €2.8 million (Q1 2018: €1.4 million) and the repayment of lease liabilities in an amount of €1.2 million (Q1 2018: €0.0 million).

Cash and cash equivalents as at 31 March 2019 totalled €26.1 million, which was €5.6 million lower than at the beginning of the year.

Capital expenditure

Most of the capital investment was spent on refining the platforms. There was also further capital expenditure on new advisory systems for consumers and distributors.

Employees

The Hypoport Group employed 1,576 people as at 31 March 2019 (31 March 2018: 1,125 people). Total headcount had increased by 76 people compared with the end of 2018 (31 December 2018: 1,500 employees).

Outlook

Our assessment of the sector-specific market environment has not changed since we presented it in the 2018 annual report.

As explained in the section 'Macroeconomic environment', 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.

The industry-specific parameters in the market for residential mortgage finance and in the insurance industry improved slightly in the first quarter of 2019 (see the section 'Sectoral performance'). For 2019, the Hypoport Group continues to predict a moderate increase in the volume of premiums in the insurance industry. The Hypoport Group still anticipates that the market volume of new mortgage finance business will be on a par with the level in 2018. A more detailed explanation can be found in the 'Outlook' section of the 2018 annual report (page 47 onwards).

The forecast remains unchanged for the four segments of the Hypoport Group.

The Credit Platform segment is focusing on further increasing its market share through quantitative and qualitative expansion of its base of contractual partners. Besides the expected positive performance of the overall EUROPACE marketplace, the sub-marketplaces for the savings bank sector (FINMAS) and the cooperative banking sector (GENOPACE) will play a particularly crucial role. The volume of transactions attributable to non-captive brokers using EUROPACE is also expected to do well in 2019. 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 customers and thus strengthen customer loyalty. As a result, the Credit Platform segment is predicted to generate sharp rises in revenue and earnings (EBIT) in 2019.

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

All property-related activities of the Hypoport Group, with the exception of loan brokerage for private clients, are grouped together in the Real Estate Platform segment with the aim of digitalising the sale, valuation and management of properties. The property financing platform business (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 traditionally very large and difficult to control, combined with a high level of dependence on interestrate trends. Hypoport expects the other three platforms (property management platform, property sales platform and property valuation platform) to perform well. The significant synergies between the Real Estate Platform segment and Credit Platform segment create good potential for the growth of revenue and earnings (EBIT) over the long term, and this is likely to become more apparent over the course of the year.

The Insurance Platform segment is striving to become the market standard for the insurance industry, similar to EUROPACE's role in the credit industry. An increase in revenue and an improved level of earnings (EBIT) continues to be anticipated in 2019.

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 still expect the Hypoport Group as a whole to achieve a double-digit growth rate with consolidated revenue of between €310 million and €340 million and EBIT of €32 million to €40 million.

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

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 is also the lowest price in the year to date. In the weeks that followed, the shares climbed to around €180, a reaction to the weak performance of the stock market at the end of 2018. From this level, the share price rose to its high for the year to date of €189.00 on 5 February 2019, before dropping back to a level of €167 in mid-March. By the end of the quarter, the share price had gone back up to around €180, closing at €179.00 on 31 March 2019.

On Xetra, Hypoport shares thus improved by around 21 per cent in the first three months of the year, thereby again significantly outperforming the capital markets (DAX up by 9 per cent, SDAX up by 15 per cent). The daily volume of Hypoport shares traded on all German stock exchanges averaged €1.5 million.

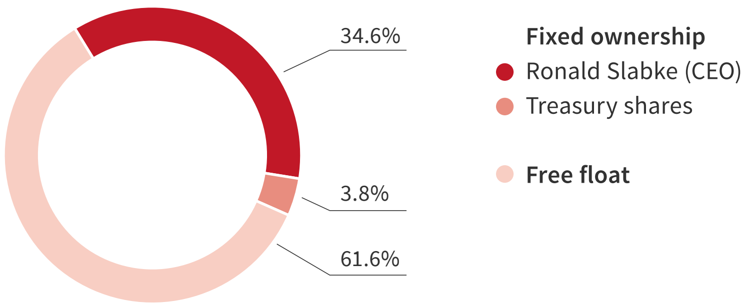
As at 31 March 2019, Hypoport shares occupied the midfield in the restructured SDAX in terms of market capitalisation and free-float trading volume The SDAX has comprised 70 instead of 50 stocks since September 2018.

Performance of Hypoport shares (daily closing prices, Xetra, €) up to 31 Mar 2019

Shareholder structure

There were no notifiable changes during the first three months of 2019 that would have necessitated a voting right notification. The shareholder structure was thus as follows as at 31 March 2019:

Shareholder structure to 31 Mar 2019



Research

Hypoport shares were covered by six professional banking institutions (Bankhaus Metzler, Berenberg, Commerzbank, Pareto Securities, ODDO BHF and Warburg Research) in the first quarter of 2019. As at 31 March 2019, four of these analysts recommended the shares as a ‘buy’ and two as a ‘hold’, with the target prices ranging from €187.00 to €250.00 depending on each analyst’s assessment.

Designated sponsor

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

Interim consolidated financial statements

Consolidated income statement for the period 1 January to 31 March 2019

	Q1 2019 €'000	Q1 2018 €'000
Revenue	78,455	60,105
Selling expenses	– 38,265	– 28,579
Gross profit	**40,190**	**31,526**
Own work capitalised	3,691	2,257
Other operating income	820	856
Personnel expenses	– 23,635	– 17,779
Other operating expenses	– 8,392	– 7,363
Income from companies accounted for using the equity method	– 303	10
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**12,371**	**9,507**
Depreciation, amortisation expense and impairment losses	– 4,349	– 1,970
Earnings before interest and tax (EBIT)	**8,022**	**7,537**
Financial income	74	13
Finance costs	– 462	– 196
Earnings before tax (EBT)	**7,634**	**7,354**
Income taxes and deferred taxes	– 1,469	– 1,477
Net profit for the year	**6,165**	**5,877**
attributable to non–controlling interest	8	13
attributable to Hypoport AG shareholders	**6,157**	**5,864**
Earnings per share (€) (non-diluted/diluted)	**0.99**	**0.98**

Consolidated statement of comprehensive income for the period 1 January to 31 March 2019

	Q1 2019 €'000	Q1 2018 €'000
Net profit (loss) for the year	**6,165**	**5,877**
Total income and expenses recognized in equity*	0	0
Total comprehensive income	**6,165**	**5,877**
attributable to non-controlling interest	8	13
attributable to Hypoport AG shareholders	**6,157**	**5,864**

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

Consolidated balance sheet as at 31 March 2019

Assets	31 Mar 2019 €'000	31 Mar 2018 €'000
Non-current assets		
Intangible assets	192,980	190,636
Property, plant and equipment	34,304	10,332
Investments accounted for using the equity method	6,302	6,500
Financial assets	281	290
Trade receivables	7,322	7,562
Other assets	1,068	1,065
Deferred tax assets	5,287	4,588
	247,544	**220,973**
Current assets		
Inventories	720	780
Trade receivables	39,697	47,974
Other current items	4,426	3,521
Income tax assets	517	609
Cash and cash equivalents	26,114	31,761
	71,474	**84,645**
	319,018	**305,618**
Equity and Liabilities		
Equity		
Subscribed capital	6,493	6,493
Treasury shares	– 244	-246
Reserves	153,352	146,923
	159,601	**153,170**
Non-controlling interest	332	314
	159,933	**153,484**
Non-current liabilities		
Financial liabilities	88,135	70,956
Provisions	38	34
Other liabilities	4,766	7,400
Deferred tax liabilities	12,056	11,770
	104,995	**90,160**
Current liabilities		
Provisions	277	250
Financial liabilities	13,565	9,780
Trade payables	19,035	32,543
Current income tax liabilities	2,974	3,778
Other liabilities	18,239	15,623
	54,090	**61,974**
	319,018	**305,618**

Abridged consolidated statement of changes in equity for the three months ended 31 March 2019

2018 €'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Equity attributable to non-controlling interest	Equity
Balance as at 1 January 2018	5,946	2,905	73,749	82,600	306	82,906
Sale of own shares	0	423	19	442	0	442
Total comprehensive income	0	0	5,864	5,864	13	5,877
Balance as at 31 March 2018	**5,946**	**3,328**	**79,632**	**88,906**	**319**	**89,225**

2019 €'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Equity attributable to non-controlling interest	Equity
Balance as at 1 January 2019	6,247	50,678	96,245	153,170	314	153,484
Sale of own shares	2	255	17	274	0	274
Changes to the basis of consolidation	0	0	0	0	10	10
Total comprehensive income	0	0	6,157	6,157	8	6,165
Balance as at 31 March 2019	**6,249**	**50,933**	**102,419**	**159,601**	**332**	**159,933**

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

	Q1 2019 €'000	Q1 2018 €'000
Earnings before interest and tax (EBIT)	8,022	7,537
Non-cash income / expense	– 158	– 520
Interest received	9	13
Interest paid	– 356	– 196
Income taxes paid	– 2,352	– 1,418
Current tax	470	216
Change in deferred taxes	– 413	275
Income from companies accounted for using the equity method	303	– 11
Depreciation and amortisation expense, impairment losses / reversals of impairment losses on non-current assets	4,349	1,970
Income from disponal of intangible assets and property, plant and equipment and financial assets	– 56	– 30
Cashflow	**9,818**	**7,836**
Increase / decrease in current provisions	27	9
Increase / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	7,957	9,307
Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	– 10,906	– 6,148
Change in working capital	**– 2,922**	**3,168**
Cash flows from operating activities	**6,896**	**11,004**
Payments to acquire property, plant and equipment / intangible assets	– 5,642	– 3,962
Cash outflows for acquisitions less acquired cash	– 2,829	– 7,702
Proceeds from the disposal of financial assets	84	12
Purchase of finance assets	– 105	– 106
Cash flows from investing activities	**– 8,492**	**– 11,758**
Repayments of lease liabilities	– 1,216	0
Proceeds from the drawdown of loans under finance facilities	0	12,500
Redemption of loans	– 2,835	– 1,350
Cash flows from financing activities	**– 4,051**	**11,150**
Net change in cash and cash equivalents	– 5,647	10,396
Cash and cash equivalents at the beginning of the period	31,761	14,333
Cash and cash equivalents at the end of the period	**26,114**	**24,729**

Abridged segment reporting for the period 1 January to 31 March 2019

€'000	Credit Platform	Private Clients	Real Estate Platform	Insurance Platform	Reconciliation	Group
Segment revenue in respect of third parties	**30,691**	**25,239**	**9,732**	**12,606**	**187**	**78,455**
1 Jan – 31 Mar 2018*	25,672	22,278	6,662	5,418	75	60,105
Segment revenue in respect of other segments	**154**	**44**	**0**	**0**	**-198**	**0**
1 Jan – 31 Mar 2018*	257	56	0	139	-452	0
Total segment revenue	**30,845**	**25,283**	**9,732**	**12,606**	**-11**	**78,455**
1 Jan – 31 Mar 2018*	25,929	22,334	6,662	5,557	-377	60,105
Gross profit	**16,311**	**8,355**	**9,269**	**6,068**	**187**	**40,190**
1 Jan – 31 Mar 2018*	13,979	7,753	6,483	3,236	75	31,526
Segment earnings before interest, tax, depreciation and armortisation (EBITDA)	**7,628**	**2,507**	**1,829**	**1,223**	**-816**	**12,371**
1 Jan – 31 Mar 2018*	6,024	3,605	2,296	-453	-1,965	9,507
Segment earnings before interest and tax (EBIT)	**6,480**	**2,236**	**870**	**563**	**-2,127**	**8,022**
1 Jan – 31 Mar 2018*	5,166	3,459	2,147	-816	-2,419	7,537
Segment assets						
Segment assets 31 Mar 2019	**71,129**	**25,190**	**134,190**	**80,047**	**8,462**	**319,018**
Segment assets 31 Dec 2018*	69,930	22,852	129,926	73,932	8,978	305,618

* The comparative prior-year tax figures have been adjusted and are explained in the notes to the interim consolidated financial statements.

Notes to the interim consolidated financial statements

Information about the Company

The companies in the Hypoport Group develop technology platforms for the credit, property and insurance industries (fintech, proptech, insurtech). The Hypoport companies are divided into four mutually supporting segments: Credit Platform, Private Clients, Real Estate Platform and Insurance Platform. 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 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).

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 financing, management, sale and valuation of properties. The DR. KLEIN Firmenkunden AG brand has been a major financial service partner to the housing industry since 1954. DR. KLEIN Firmenkunden provides its institutional clients in Germany with a fully integrated service comprising expert advice in the business lines of loan brokerage, insurance, portfolio management and digitalisation. FIO SYSTEMS GmbH was acquired in 2018 and offers software as a service (SaaS) solutions for the housing industry that focus on enterprise resource planning (ERP), rental management, payments processing and management of insurance claims. FIO Systems also provides a comprehensive platform that enables bank-affiliated estate agents and large broker organisations in Germany to fully digitalise their business operations. Value AG, which was also acquired in 2018 and operates across Germany, provides mortgage valuation services to help banks, insurers and building finance associations make their lending decisions. Hypoport B.V., the Group's subsidiary based in Amsterdam, helps banks to analyse and report on securitised or collateralised loan portfolios.

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

The parent company is Hypoport AG, which is headquartered in Berlin, Germany. Hypoport AG is entered in the commercial register of the Berlin-Charlottenburg local court under HRB 74559. The Company's business address is Klosterstrasse 71, 10179 Berlin, Germany.

Basis of presentation

The condensed interim consolidated financial statements for the period ended 31 March 2019 for Hypoport AG have been prepared in accordance with the provisions of IAS 34 (Interim Financial Reporting). They are based on the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as adopted by the European Union and take into account the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC). The report has been condensed in accordance with IAS 34 compared with the scope of the consolidated financial statements for the year ended 31 December 2018. These condensed interim consolidated financial statements should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2018 and the disclosures contained in the notes thereto. These condensed interim consolidated financial statements and the interim group management report have not been audited or reviewed by an auditor.

These condensed interim consolidated financial statements are based on the accounting policies and the consolidation principles applied to the consolidated financial statements for the year ended 31 December 2018. However, the changes presented below have been introduced due to the adoption of new or revised accounting standards and due to a review of the expected useful life of software.

The interim consolidated financial statements and the separate financial statements for the entities included in the IFRS interim consolidated financial statements are prepared in euros.

To improve clarity, all figures in the IFRS interim consolidated financial statements and the interim group management report are presented in thousands or millions of euros unless stated otherwise. 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 disclosures on the number and volume of financial products processed 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 transactions on the EUROPACE platform. The volume of transactions is the indicator used by the management to measure the current intensity with which the EUROPACE marketplace is being used. Transactions are initiated at the end of the advisory process. They take place after the advisor/consumer has selected a specific product and include a check against all of the product supplier's lending rules stored in the system. A query is also sent to the product supplier's external decision-making systems. Transactions are then frequently cancelled, for example because the consumer allows the offering period to expire, the product supplier rejects the transaction following the individual credit check or the consumer exercises his or her right to withdraw. The revenue for a transaction may regularly be recognised up to three months later. This means that it is only possible to draw limited conclusions about revenue for a period from the volume of transactions in that period. The consolidated income statement is presented under the nature-of-expense method.

Accounting policies

The accounting policies applied are those used in 2018, with the following exceptions:

- 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.

The first-time adoption of the accounting standard IFRS 16 Leases has resulted in changes for Hypoport this year.

We applied the new IFRS 16 Leases, which governs the accounting treatment of leases, for the first time with effect from 1 January 2019, using the modified retrospective approach without restating the figures for the prior-year period. There was no impact on equity.

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. A lease is deemed to exist if fulfilment of the contract depends on use of an identifiable asset and, at the same time, the customer 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 which right-of-use assets and correspon-ding lease liabilities have now been recognised.

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, leasing-related right-of-use assets and lease liabilities were recognised, each in an amount of €24.3 million. On the balance sheet, the leasing-related 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 operating expenses, EBITDA rose by €1.3 million in the first quarter of 2019. This led to an improvement in cash flow and a deterioration in cash flow from financing activities, in both cases of €1.2 milli-on. There was no material impact on EBIT or the net profit for the period.

In the context of first-time adoption, leases with a remaining term of up to one year were treated as short-term leases. Information that subsequently came to light about extension and cancellation options was taken into account when determining the lease terms.

The first-time adoption of the standards and interpretations listed above had no other significant impact on the financial position or financial performance of the Hypoport Group or on its earnings per share in the reporting period.

Comparative figures for Q1 2018

In the second quarter of 2018, the Hypoport Group restructured its segment reporting with retroactive effect from 1 January 2018.

The companies FIO SYSTEMS AG (‘FIO’) and Value AG, which were acquired in the first half of 2018, were consolidated within the Hypoport Group and allocated to the since renamed Institutional Clients segment in May 2018. To reflect the changed focus of the business model underlying the Institutional Clients segment following the integration of the operations of FIO and Value AG, the name of this segment was changed to Real Estate Platform. Due to similarities in the business models and client bases of the newly acquired Value AG and the existing Hypoport Group company HypService GmbH, the latter was reallocated from the Credit Platform segment to the Real Estate Platform segment with retroactive effect from 1 January 2018.

Some minor reallocations were also made within the Credit Platform and Private Clients segments with retroactive effect from 1 January 2018. For historical reasons, the entire personal loans product group was previously allocated to the Private Clients segment. However, more and more bank advisors are arranging personal loans from third-party providers on the EUROPACE financial marketplace, which belongs to the Credit Platform segment (white-label solution). This part of the personal loans product group thus no longer fits into the Private Clients segment, as no Dr. Klein private client advisors from the branch network are involved in this business process. Consequently, it was reallocated to the Credit Platform segment with retroactive effect from the beginning of 2018. The much smaller portion of the personal loans product group that involves Dr. Klein advisors for private clients brokering personal loans to consumers remains part of the Private Clients segment. This change creates a clearer distinction between the two segments in terms of client focus. The Credit Platform segment continues to position itself with a B2B business model, whereas the Private Clients segment and its main brand Dr. Klein is focusing even more on a B2C business model.

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

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

Abridged segment reporting for the period 1 January to 31 March 2018

€'000	Credit Platform	Private Clients	Real Estate Platform	Insurance Platform	Reconciliation	Group
Segment revenue in respect of third parties (adjusted)	**25,672**	**22,278**	**6,662**	**5,418**	**75**	**60,105**
Segment revenue in respect of third parties (as reported)	22,484	26,132	5,996	5,418	75	60,105
Change	3,188	-3,854	666	0	0	0
Segment revenue in respect of third parties (adjusted)	**257**	**56**	**0**	**139**	**-452**	**0**
Segment revenue in respect of third parties (as reported)	257	56	0	139	-452	0
Change	0	0	0	0	0	0
Total segment revenue (adjusted)	**25,929**	**22,334**	**6,662**	**5,557**	**-377**	**60,105**
Total segment revenue (as reported)	22,741	26,188	5,996	0	-377	60,105
Change	3,188	-3,854	666	5,557	0	0
Gross profit (adjusted)	**13,979**	**7,753**	**6,483**	**3,236**	**75**	**31,526**
Gross profit (as reported)	12,658	9,730	5,827	3,236	75	31,526
Change	1,321	-1,977	656	0	0	0
Segment earnings before interest, tax, depreciation and amortisation (EBITDA) (adjusted)	**6,024**	**3,605**	**2,296**	**-453**	**-1,965**	**9,507**
Segment earnings before interest, tax, depreciation and amortisation (EBITDA) (as reported)	5,065	4,444	2,416	-453	-1,965	9,507
Change	959	-839	-120	0	0	0
Segment earnings before interest and tax (EBIT) (adjusted)	**5,166**	**3,459**	**2,147**	**-816**	**-2,419**	**7,537**
Segment earnings before interest and tax (EBIT) (as reported)	4,233	4,298	2,241	-816	-2,419	7,537
Change	933	-839	-94	0	0	0
Segment assets 31.03.2018 (adjusted)	**57,550**	**21,730**	**32,203**	**35,646**	**7,084**	**154,213**
Segment assets 31.03.2018 (as reported)	58,461	21,730	31,292	35,646	7,084	154,213
Change	-911	0	911	0	0	0

Basis of consolidation

The consolidation as at 31 March 2019 included all entities controlled by Hypoport AG in addition to Hypoport AG itself.

The table below shows the entities included in the interim consolidated financial statements in addition to Hypoport AG.

Subsidiaries	Holding in %
ASC Assekuranz-Service Center GmbH, Bayreuth	100.00
ASC Objekt GmbH, Bayreuth	100.00
Basler Service GmbH, Bayreuth	70.00
BAUFINEX Service GmbH, Berlin	100.00
1blick GmbH, Heidelberg	100.00
Dr. Klein Finance S.L.U., Santa Ponça (Mallorca)	100.00
DR. KLEIN Firmenkunden AG, Lübeck	100.00
Dr. Klein Privatkunden AG, Lübeck	100.00
Dr. Klein Ratenkredit GmbH, Lübeck	100.00
Europace AG, Berlin	100.00
FIO SYSTEMS AG, Leipzig	100.00
FIO SYSTEMS Bulgaria EOOD, Sofia (Bulgaria)	100.00
GENOPACE GmbH, Berlin	45.025
Hypoport B.V., Amsterdam	100.00
Hypoport Grundstücksmanagement GmbH, Berlin	100.00
Hypoport InsurTech GmbH, Berlin	100.00
Hypoport Mortgage Market Ltd., Westport (Ireland)	100.00
Hypoport Systems GmbH, Berlin	100.00
ICS Integra Computing Services GmbH, Berlin	100.00
Kartenhaus GmbH, Bonn	100.00
Primstal - Alte Eiweiler Straße 38 Objektgesellschaft mbH, Nonnweiler	100.00
Qualitypool GmbH, Lübeck	100.00
Smart InsurTech AG, Regensburg	100.00
Starpool Finanz GmbH, Berlin	50.025
Value AG the valuation group, Berlin (formerly Hypservice GmbH)	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	
Expertise Management & Holding GmbH, Berlin	50.00
FINMAS GmbH, Berlin	50.00
Hypoport on-geo GmbH i.L., Berlin	50.00
LBL Data Services B.V., Amsterdam	50.00

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

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

Changes to the basis of consolidation; corporate transactions

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.

Other corporate transactions and earn-out payments for acquisitions in previous years had no material impact, either individually or collectively, on the Group's financial position or financial performance.

Income taxes and deferred taxes

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

Income taxes and deferred taxes	Q1 2019 €'000	Q1 2018 €'000
Income taxes and deferred taxes	1,469	1,477
current income taxes	1,882	1,201
deferred taxes	– 413	276
in respect of timing differences	247	677
in respect of tax loss carryforwards	– 660	– 401

The average combined income tax rates computed on the basis of current legislation remain unchanged at just under 30 per cent for Hypoport Group companies in Germany and between 12.5 per cent and 25.5 per cent for subsidiaries outside Germany.

Earnings per share

The figure for earnings per share is determined in accordance with IAS 33. Basic earnings (loss) per share is calculated by dividing the net profit (loss) for the period attributable to the shareholders of Hypoport AG by the weighted average number of outstanding shares. In the first quarter of 2019, there were no share options that would have a dilutive effect on earnings per share.

Earnings Per Share	Q1 2019 €'000	Q1 2018 €'000
Net incomefor the year (€'000)	6,165	5,877
of which attributable to Hypoport AG stockholders	6,157	5,864
Basic weighted number of outstanding shares (€'000)	6,249	5,970
Earnings per share (€)	**0.99**	**0.98**

As a result of the release of treasury shares, the number of shares in issue rose by 1,766, from 6,247,970 as at 31 December 2018 to 6,249,736 as at 31 March 2019.

Intangible assets and property, plant and equipment

Intangible assets primarily comprised goodwill of €140.5 million (31 December 2018: €140.5 million) and development costs of €37.8 million for the financial marketplaces (31 December 2018: €36.0 million).

Property, plant and equipment largely consisted of leasing-related right-of-use assets of €23.8 million (31 December 2018: €0.0 million) and office furniture and equipment amounting to €5.6 million (31 December 2018: €5.8 million).

Equity-accounted investments

The change in the carrying amounts of equity-accounted investments relates to the pro-rata net profit (loss) for the period of the four joint ventures FINMAS GmbH, Berlin (Hypoport’s interest: 50 per cent), Hypoport on-geo GmbH GmbH i.L., Berlin (Hypoport’s interest: 50 per cent), LBL Data Services B.V., Amsterdam (Hypoport’s interest: 50 per cent) and Expertise Management & Holding GmbH (Hypoport’s interest: 50 per cent) as well as of the four associates BAUFINEX GmbH, Schwäbisch Hall (Hypoport’s interest: 30 per cent), finconomy AG, Munich (Hypoport’s interest: 25 per cent), Genoport Kreditmanagement GmbH, Berlin (Hypoport’s interest: 35 per cent) and IMMO Check Gesellschaft für Informationsservice mbH GmbH i.L., Bochum (Hypoport’s interest: 33.33 per cent). In the first quarter of 2019, the loss from equity-accounted long-term equity investments amounted to €303 thousand (Q1 2018: profit of €10 thousand).

Subscribed capital

The Company’s subscribed capital as at 31 March 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 4 May 2018 voted to carry forward Hypoport AG's distributable profit of €66,911,576.96 to the next accounting period.

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.

Treasury shares

Hypoport held 243,640 treasury shares as at 31 March 2019 (equivalent to €243,640.00, or 3.8 per cent, of the subscribed capital of Hypoport AG), which are mainly intended to be issued to employees. 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	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	0.026	16,831.48	247,840.54	231,009.06
Dissemination in March 2019	153	0.002	1,547.44	25,455.20	23,907.76
Balance as at 31 March 2019	**243,640**	**3.752**	**9,813,047.10**		

The release of treasury shares was part of an employee share ownership programme and was recognised directly in equity and offset against retained earnings.

Reserves

The breakdown of reserves can be found in the above 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 (€2.089 million, of which €255 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.

The cumulative net profits and losses for all periods since 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, and a statutory reserve of €7 thousand (31 December 2018: €7 thousand) are also reported under this item.

Non-controlling interests

The net profit for the first quarter of 2019 attributable to non-controlling interests was €8 thousand (Q1 2018: €13 thousand). Total non-controlling interests amounted to €332 thousand as at 31 March 2019 (31 December 2018: €314 thousand), of which €224 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 49.975 per cent) and minus €2 thousand (31 December 2018: €0 thousand) to Basler Service GmbH (non-controlling interest of 30.0 per cent).

Share-based payment

No share options were issued in the first quarter of 2019.

Supervisory Board changes

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 but serious illness.

His responsibilities have been taken over by Mr Roland Adams, vice-chairman of Hypoport AG's Supervisory Board, for the time being. In accordance with the applicable legal provisions, a new Supervisory Board member will be elected at the Annual Shareholders' Meeting to be held on 15 May 2019.

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.

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

	Shares (number) 31 Mar 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	8,500	8,500
Roland Adams	0	0
Dieter Pfeiffenberger	1,000	1,000

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 €186 thousand was generated by joint ventures in the first quarter of 2019 (Q1 2018: €58 thousand). As at 31 March 2019, receivables from joint ventures amounted to €1.514 million (31 December 2018: €1.316 million) and liabilities to such companies totalled €385 thousand (31 December 2018: €551 thousand).

Opportunities and risks, including positive or negative changes to them, are not offset against each other.

Seasonal influences on business activities

In the mortgage finance sector, the first quarter of 2019 was characterised by a good level of construction activity. The Company is assuming that there will be growth in the distribution of insurance products for private and institutional clients during the course of the year, partly as a result of certain industry-wide cancellation deadlines and tax issues.

Events after the reporting period

No material events have occurred since the balance sheet date that are of particular significance to the financial position and financial performance of the Hypoport Group in 2019.

Responsibility statement

“We assure that, to the best of our knowledge and in accordance with the accounting standards applicable to interim financial reporting, the interim consolidated financial statements give a fair presentation of the Hypoport Group’s financial position and financial performance, the interim 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 during the remainder of the financial year are described.”

Berlin, 13 May 2019
Hypoport AG – The Management Board

Ronald Slabke	Stephan Gawarecki	Hans Peter Trampe

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PRIME STANDARD